Needles Public Utility Authority
(A Component Unit of the City of Needles)
Audited Financial Statements
As of and for the Year Ended June 30, 2024
with Independent Auditor's Report

VASQUEZ
+ COMPANY LLP

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Independent Auditor's Report

The Board of Public Utilities
Needles Public Utility Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Needles Public Utility Authority (the Authority), a component unit of the City of Needles, California, which comprise the statement of net position as of June 30, 2024, the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, (collectively, the Authority's basic financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 Authority 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 opinion.

Management's Responsibilities 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 Authority'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 opinion. 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 Authority'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 Authority'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 management's discussion and analysis on pages 4 through 9, 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 an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying combining schedules of net position, revenues, expenses and changes in net position, and cash flows, 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 December 5, 2025, on our consideration of the Authority'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 Authority'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 the Authority's internal control over financial reporting and compliance.

Vasquez & Company LLP

Glendale, California
December 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As Management of the Needles Public Utility Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended June 30, 2024. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position amounted to $26.585 million and $17.332 million, as of June 30, 2024 and 2023, respectively. The increase of $9.253 million or 53.39% in the current year was primarily due to an increase in capital contributions and adjustment of pension-related accounts.

- Operating revenues amounted to $21.068 million and $16.746 million in 2024 and 2023, respectively. The increase of $4.322 million or 25.81% in 2024 was due to higher consumption and usage and increases in utility rates.

- Operating expenses (excluding depreciation) amounted to $15.751 million and $14.389 million in 2024 and 2023, respectively. The increase of $1.362 million or 9.47% in 2024 was primarily due to the payment to the California Energy Commission’s renewable portfolio standard for Renewable Energy Certificates for the compliance period covering years 2021-2024.

Overview of the Financial Statements

This annual report includes the management's discussion and analysis report, the independent auditors' report, the Authority's basic financial statements, and the supplementary schedules. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The Authority's financial statements report information using accounting methods like those used by private sector companies. These statements offer both short-term and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amount of investments in resources (assets), and the obligations to creditors (liabilities). It also provides the basis for evaluation of the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All the revenues and expenses for the year are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Authority's operations over the past two years and can be used to determine whether the Authority has successfully recovered its costs, through its fees and other charges, profitability, and creditworthiness.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities, and provides answers to such questions as sources of cash coming in, what expenditures cash was used for, and the change in the cash balance during the reporting periods.

Financial Analysis of the Authority

One of the most important questions asked about the Authority's finances is "Is the Authority, as a whole, better off, or worse off as a result of the year's activities?". The Statement of Net Position, and the Statement of Revenues, Expenses and Changes in Net Position will help answer this question. These two statements report the net position of the Authority, and changes in them.

One can think of these changes as indicators of whether the financial health is improving or deteriorating. However, one should also consider other factors, such as changes in the economy, population growth, and if there is any new governmental legislation.

We begin our analysis with a summary of the Authority's Statement of Net Position.

Condensed Statement of Net Position
(000's)

	2024	2023	Dollar Change	Percent Change
Assets				
Current and other assets	**$ 16,917**	$ 14,046	$ 2,871	20.44%
Capital and intangible assets	**31,384**	26,050	5,334	20.48%
Total assets	**48,301**	40,096	8,205	20.46%
Deferred outflows of resources	**1,129**	1,089	40	3.67%
Liabilities				
Long-term debt	**19,476**	20,368	(892)	-4.38%
Other liabilities	**3,308**	3,371	(63)	-1.87%
Total liabilities	**22,784**	23,739	(955)	-4.02%
Deferred inflows of resources	**61**	114	(53)	-46.49%
Net Position				
Net investment in capital and intangible assets	**16,222**	9,728	6,494	66.76%
Restricted for debt service	**6,858**	6,321	537	8.50%
Unrestricted	**3,505**	1,283	2,222	173.19%
Total net position	**$ 26,585**	$ 17,332	$ 9,253	53.39%

Condensed Statement of Revenues, Expenses, and Changes in Net Position
(000's)

	2024	2023	Dollar Change	Percent Change
Revenues				
Operating revenues	**$ 21,068**	$ 16,746	$ 4,322	25.81%
Nonoperating revenues	**149**	67	82	122.39%
Total revenues	**21,217**	16,813	4,404	26.19%
Expenses				
Depreciation and amortization	**1,540**	1,372	168	12.24%
Other operating expenses	**15,754**	14,389	1,365	9.49%
Nonoperating expenses	**951**	976	(25)	-2.56%
Total expenses	**18,245**	16,737	1,508	9.01%
Income before contributions and transfers	**2,972**	76	2,896	3810.53%
Capital contributions	**6,931**	5,781	1,150	19.89%
Transfers	**(650)**	(839)	189	-22.53%
Changes in net position	**9,253**	5,018	4,235	84.40%
Net position at beginning of year	**17,332**	12,314	5,018	40.75%
Net position at end of year	**$ 26,585**	$ 17,332	$ 9,253	53.39%

The $9.253 million increase in total net position in 2024, versus an increase of $5.018 million in 2023, reflects the combination of increase in operating revenues and increase in capital contributions. The higher operating revenues in 2024 were due to increased consumption and usage and increases in utility rates in FY2024.

While the Statements of Net Position show the changes in financial position, the Statements of Revenues, Expenses and Changes in Net Position provide answers as to the nature of and source of these changes.

Capital Assets
(000's)

	2024	2023	Dollar Change	Percent Change
Costs				
Land	**$ 3,381**	$ 3,199	$ 182	5.69%
Utility plant	**48,586**	42,588	5,998	14.08%
Right-of-use lease asset	**236**	236	-	0.00%
Construction in progress	**5,992**	5,374	618	11.50%
Total costs	**58,195**	51,397	6,798	
Accumulated depreciation	**29,213**	27,768	1,445	5.20%
Net capital assets	**$ 28,982**	$ 23,629	$ 5,353	22.65%

The Authority's capital plan for the ensuing 10 years includes various capital and deferred maintenance projects, which include, but are not limited to the following:

ELECTRIC DEPARTMENT

- Cure Farms substation.
- Pole yard equipment steel building
- Advanced Metering Infrastructure (AMI) project.
- Wire trailer
- Mohave Line rehabilitation
- Park Moabi Line Upgrade
- Street light LED phase out program
- Double bucket truck
- South Hwy 95 Substation (cemetery site)
- Eagle Pass to Cemetery site Line Upgrade
- 230kv line

WATER DEPARTMENT

- Well No. 11 Treatment
- 1.5 MG of reservoir capacity
- Water services replacement – fourth year street paving
- Water services replacement – fifth year street paving
- Replace deteriorating pipe in Monterey & Arizona Avenues
- Replace deteriorating pipe in Chesney's subdivision

- Replace deteriorating pipe in Coronado Street area
- Replace deteriorating pipe in Chestnut Street area
- Replace deteriorating pipe in Casa Linda Street area
- Replace deteriorating pipe in River Road area
- Main replacement in the Vista Street area & new services
- AMI meters
- Golf course maintenance yard main distribution manifold
- Jet Vac / Trailer
- Main replacement at Verde Shores
- Extension into North Needles
- Fire hydrant replacements

WASTEWATER DEPARTMENT

- Railroad crossing at Bazoobuth
- Plant grit separator
- Upsize deficient sewer lines on T Street to Front Street
- Upsize deficient sewer lines on 15 blocks of Front Street
- Jet Vac trailer
- Mini excavator & tilt trailer
- Upsize effluent pump
- North Needles sewer line extension
- Manhole rehab program (ongoing)
- Manhole replacement and upsize project
- Bazoobuth lift station pump replacement
- North Needles sewer line extension

During the current fiscal year, the Authority carried out several capital and maintenance projects for the Water department, as follows:

- Well No. 11 Treatment
- Stand by Generator & ATS-Well 15
- Waterline Inter-Tie 11-15

Long-term Debt

Total indebtedness (all liabilities) outstanding at June 30, 2024, and 2023 amounted to $22.784 million and $23.739 million, respectively. The decrease in total liabilities was primarily due to payments of debt. More detailed information about the Authority’s long-term liabilities is presented in Note 7 of the financial statements.

Economic Factors and Power Rates

The Authority's cost for electricity is dependent upon the open market prices. Since 2008 the Authority has been purchasing its power from the Western Area Power Administration (WAPA), and energy costs decreased substantially because of this contract, from their peak in 2006 and 2007. In September 2020, the City of Needles, on behalf of the Authority, entered into Amendment No. 6 to Contract No. 00-DSR-11223 among United States Department of Energy Western Area Power Administration Desert Southwest Service Region ("WAPA"), Parker-Davis Project, SLCA Integrated Projects, Boulder Canyon Project and Yuma County Water Users' Association and Wellton-Mohawk Irrigation and Drainage District and Eastern Arizona Preference Pooling Association for Aggregated Energy Services ("AES") (through WAPA) that accommodates aggregation of all member resources (hydroelectric and thermal electric) subject to transmission arrangements. There is an opportunity for Needles to receive excess Wellton-Mohawk Irrigation and Drainage District Federal Energy Services ("FES") hydro at a pre-negotiated cost, based on the FES rate (exchanges cannot be made at a rate greater than the FES rate). Those hydro deliveries will be deemed "specified" resources and will not be subject to Cap and Trade penalties.

Contacting the Authority's Financial Manager

This financial report is designed to provide our customers and creditors with a generalized overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or if additional financial information is needed, please contact the Needles Public Utility Authority, Director of Finance, 817 Third Street, Needles, California 92363.

BASIC FINANCIAL STATEMENTS

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Statement of Net Position
June 30, 2024

ASSETS		
Current assets		
Cash and investments	$	6,857,694
Accounts receivables, net		3,806,926
Notes receivable, current portion		-
Due from City of Needles		5,044,547
Materials and supplies inventory		1,039,089
Total current assets		16,748,256
Noncurrent assets		
Notes receivable		168,441
Capital assets, net of accumulated depreciation		28,981,598
Intangible assets, net of accumulated amortization		2,402,772
Total noncurrent assets		31,552,811
Total assets		48,301,067
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		1,102,416
Deferred outflows related to OPEB		26,724
Total deferred outflows of resources		1,129,140
LIABILITIES AND NET POSITION		
Current liabilities		
Lease liability, current portion		51,101
Accounts payable and other current liabilities		196,339
Due to the City of Needles		30,246
Compensated absences		230,122
Customer deposits		2,709,595
Accrued interest payable		141,117
Bonds and notes payable, current portion		1,272,074
Total current liabilities		4,630,594
Noncurrent liabilities		
Lease liability, net of current portion		68,966
Net pension liability		2,478,277
Net OPEB liability		526,945
Bonds and notes payable, net of current portion		15,078,996
Total noncurrent liabilities		18,153,184
Total liabilities		22,783,778
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		61,445
Net position		
Net investment in capital and intangible assets		16,221,949
Restricted for debt service		6,857,694
Unrestricted		3,505,341
Total net position	$	26,584,984

See accompanying notes to financial statements.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2024

Operating revenues		
Sales of electricity	$	14,890,864
Sales of water		3,937,189
Charges for wastewater system use		2,197,020
Other revenues		43,424
Total operating revenues		21,068,497
Operating expenses		
Operations and maintenance		8,392,509
Electric power purchased		6,539,507
Depreciation and amortization		1,539,936
Fair share allocation		821,803
Total operating expenses		17,293,755
Operating income		3,774,742
Nonoperating revenues (expenses)		
Interest expense		(951,623)
Interest and investment revenue		149,227
Net nonoperating expenses		(802,396)
Income before contributions and transfers		2,972,346
Capital Contributions		6,930,945
Operating transfers		
Transfers to the City		(650,064)
Change in net position		9,253,227
Net position at beginning of year		17,331,757
Net position at end of year	$	26,584,984

See accompanying notes to financial statements.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Statement of Cash Flows
Year ended June 30, 2024

Cash flows from operating activities		
Receipts from customers	$	19,734,844
Payments to City of Needles:		
Suppliers and other costs		(14,093,461)
Employee compensation and related costs		(2,422,257)
Net cash flows provided by operating activities		3,219,126
Cash flows from capital and related financing activities		
Capital contributions		6,930,945
Cash paid for lease		(48,925)
Purchases of capital assets		(6,874,623)
Principal paid on capital debt		(1,220,349)
Interest paid on capital debt		(968,873)
Net transfers for asset replacement reserves		(650,064)
Cash flows used in capital and related financing activities		(2,831,889)
Cash flows from investing activity		
Interest and investment revenue		149,227
Cash flows from investing activity		149,227
Net increase in cash and investments		536,464
Cash and investments at beginning of year		6,321,230
Cash and investments at end of year	$	6,857,694
Reconciliation of operating income to net cash flows used in operating activities		
Operating income	$	3,774,742
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization		1,539,936
Changes in operating assets and liabilities:		
Receivables		(1,196,514)
Materials and supplies inventory		(209,539)
Deferred outflows of resources		(40,355)
Deferred inflows of resources		(52,697)
Accounts payable and other current liabilities		(10,317)
Due from (to) the City of Needles		(917,000)
Compensated absences		(8,495)
Customer deposits		(38,263)
Net pension liability		340,075
Net OPEB liability		37,553
Net cash flows provided by operating activities	$	3,219,126

See accompanying notes to financial statements.

NOTE 1 REPORTING ENTITY

Organization and Operations of the Reporting Entity

The financial statements of the Needles Public Utility Authority (the Authority) have been prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority was formed by a Joint Powers Agreement, entered into on June 6, 1997, between the City of Needles, California (City) and the Redevelopment Agency of the City of Needles (Agency). Pursuant to the provisions of ABX126, the Agency was dissolved effective February 1, 2012. After the Agency was dissolved, the Authority was reorganized as a Joint Powers Agreement between the City and the Needles Public Financing Authority.

The Authority was formed for the purpose of acquiring and operating the City's water, sewer and electrical enterprises. The Authority is governed by a Commission, the members of which are also members of the City Council. The Authority has no employees; its day-to-day activities and operations are performed by City employees under a management agreement with the City. The Authority is a blended component unit of the City.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Measurement Focus

The financial statements of the Authority are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting.

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing electricity, water and wastewater services, collection, and treatment for its service areas on a continuing basis be financed or recovered primarily through utility charges, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as electric, water and sewer charges, result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting
The following recent accounting pronouncements are not yet applicable to the Authority for the year ended June 30, 2024.

GASB 101, "*Compensated Absences*", effective for fiscal years beginning after December 15, 2023.

GASB 102, "*Certain Risk Disclosures*", effective for fiscal years beginning after June 15, 2024.

GASB 103, "*Financial Reporting Model Improvements*", effective for fiscal years beginning after June 15, 2025.

GASB 104, " New Capital Asset Disclosures", effective for fiscal years beginning after June 15, 2025.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position
The basic financial statements are comprised of the statement of net position, the statement of revenues, expenses, and changes in net position, the statement of cash flows, and the related notes to the financial statements.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand and in banks, money market accounts and deposits with the Local Agency Investment Fund (LAIF), and also certificates of deposit and U.S. Treasury bills with maturities of less than 90 days when purchased. It also includes money market accounts in deposits held by the bond trustee that are not restricted.

Investments
Investments are generally reported at fair value. Investments in the LAIF are reported at amortized cost, which approximates fair value.

Accounts Receivables
The Authority extends credit to customers in the normal course of operations. Management closely monitors outstanding balances and based on collection experience, has determined receivables that are doubtful of collection. Allowances for doubtful accounts as at June 30, 2024 were estimated at $395,125. Receivables also includes accrued interest receivable of $35,389 from its LAIF investment, representing interest earned but not yet received as at June 30, 2024.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

Inventories
Inventories are recorded at average cost, which approximates net realizable value. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expense at the time individual inventory items are consumed rather than when purchased.

Capital Assets
Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and with an estimated useful life in excess of one year.

Capital assets of the Authority are recorded at either their historical cost or at an allocation of the utility plant purchase price, based on appraisal values at January 1, 1997. Donated assets are valued at their estimated fair value on the date donated. Depreciation for all exhaustible capital assets is charged as an expense against operations.

Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings	20 – 40 years
Improvements	20 – 40 years
Utility Plant	15 – 30 years
Equipment	3 – 10 years

Major additions and betterments are capitalized while expenditures for maintenance and repairs that do not add value to the assets and materially extend asset lives are charged to operations as incurred.

Right-of-Use Lease Assets and Lease Payable
The Authority recorded right-of-use lease assets and lease payable as a result of implementing GASB Statement No. 87, *Leases*. The right-of-use lease assets are initially measured at an amount equal to the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The lease assets are amortized on a straight-line basis over the term of the related leases or the useful life of the underlying assets, whichever is shorter.

Deposits
Customer deposits represent deposits held by the Authority as collateral in the event of non- payment for service rendered.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (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 City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's 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. The City allocates about 42.17% of the net pension liability and pension-related transactions to the Authority based on its share in the pension contribution for the year ended June 30, 2024.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2022
- Measurement Date: June 30, 2023
- Measurement Period: July 1, 2022 to June 30, 2023

Other Post-Employment Benefits Other Than Pensions (OPEB)
The Authority's OPEB Plan benefits are paid on pay-as-you-go basis. There is no OPEB Trust established that meets the criteria in paragraph 4 of GASB Statements 75.

GASB 75 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2023
- Measurement Date: June 30, 2023
- Measurement Period: July 1, 2022 to June 30, 2023

The City allocates about 42.17% of the net OPEB liability and OPEB-related transactions to the Authority based on its share in the OPEB contribution for the year ended June 30, 2024.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

Deferred Outflows and Inflows of Resources
In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences
As discussed in Note 13, the Authority has a management agreement with the City concerning employees and their compensation.

All earned vacation, holiday, compensatory time off, and a portion of accumulated sick leave of the City's employees payable upon termination or retirement are accrued. The liability is accrued for a portion of the sick leave balances of all employees who are currently eligible to receive a payment for sick leave upon termination, as well as for those expected to become eligible. As of June 30, 2024, the total estimated liability for all compensated absences, including sick leave, was $230,122.

Accounts Payable and Accrued Expenses
Accounts payable and accrued expenses include amounts payable to vendors.

Long-term Debt
Debt premiums and discounts are amortized over the life of the debt using the straight-line method. Long-term debt is reported net of the applicable unamortized bond premium or discount. Debt issuance costs are expensed when incurred.

Amortization
Canal construction cost sharing is amortized using the straight-line method over 40 years. Effective July 1, 2004, the Authority discontinued amortizing its Water Rights intangible asset, as this asset has an indeterminate life and has value. Water Rights are tested annually for impairment under GASB 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* If it is determined that the asset has been impaired, the book value will be adjusted to reflect the reduced fair value of the rights. Accumulated amortization on Water Rights amounted to $490,687 prior to July 1, 2004. As of June 30, 2024, no impairment was recognized.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (Continued)

Revenues and Expenses

Revenue Recognition
Charges for electricity, water and sewer use are recorded as billed to customers on a monthly cycle billing basis. At the end of each year, unbilled revenues are accrued for each cycle based on the most recent cycle billings.

Operating and Non-Operating Revenues and Expenses
Revenues and expenses are distinguished between operating and nonoperating items. The Authority defines operating revenues to be exchange transactions where a product or service is furnished and a charge collected therefrom, while operating expenses are all of the costs incurred in delivering those products or services including depreciation on capital assets. Nonoperating revenues and expenses are generally non-exchange transactions and those transactions that are capital and non-capital related financing activities or investing activities.

Net Position
Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Net Investment in Capital and Intangible Assets – This component of net position consists of capital and intangible assets, unexpended proceeds of debt restricted to the financing of capital and intangible assets, and related deferred charges on refunding, net of accumulated depreciation and amortization and reduced by any related debt outstanding against the acquisition, construction or improvement of those capital and intangible assets.

Restricted – This component of net position consists of constraints placed on net position use through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

NOTE 3 CASH AND INVESTMENTS

The indenture for the 2016 Revenue Refunding Bonds (Note 7) requires the establishment of special funds to be held and administered by trustees and by the Authority. As of June 30, 2024, investments and cash held by trustees and by the Authority in these funds and accounts are as follows:

Custodian		
Local Agency Investment Fund	$	3,124,952
Bank		3,732,742
	$	6,857,694
Special funds balances		
Operating funds	$	2,583,731
Electric asset replacement reserve		2,873,991
Utility rate stabilization fund		699,972
PCA balances		700,000
	$	6,857,694

The Authority has, periodically during the year, maintained bank balances in excess of federally insured limits.

The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

The fair value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority may waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The Authority, however, has not waived the collateralization requirements.

Investment in State Investment Pool

The Authority is a voluntary participant in LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority'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. At June 30, 2024, the total fair value of LAIF, including accrued interest was approximately $179 billion. The fair value of the Authority's investment in the pool was $3,124,952 as of June 30, 2024.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by the California Government Code and the Authority's Investment Policy

The table below identifies the investment types that are authorized for the Authority by the California Government Code (or the Authority's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, where more restrictive) that addresses interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by the bond trustee that are governed by the provisions of debt agreements of the Authority, rather than the general provisions of the California Government Code or the Authority's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Specified Percentage of Portfolio	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA and Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	None
Commercial Paper - Non-Pooled Funds (under $100,00,000)	270 days	25%	Highest letter and number rating
Commercial Paper - Non-Pooled Funds (min. $100,000,000)	270 days	40%	Highest letter and number rating
Commercial Paper - Pooled Funds	270 days	40%	Highest letter and number rating
Negotiable Certificates of Deposit	5 years	30%	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	50%	None
Placement Service Certificates of Deposits	5 years	50%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	"A" rating or better
Mutual Funds and Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through and Asset-Backed Securities	5 years	20%	"AA" rating or better
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" rating or better
Public Bank Obligations	5 years	None	None

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Authority's investment policy. The Authority has no investment authorized by debt agreements as of June 30, 2024.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways to manage the exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity as of June 30, 2024.

	Remaining Maturity (in Years)
Investment Type	Less Than 1 Year
Local Agency Investment Fund	$ 3,124,952

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2024, the Authority has no investments in commercial paper and corporate bonds.

Concentration of Credit Risk

The Authority's investment policy contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2024, there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the total Authority's investments.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2024, none of the Authority's deposits or investments were exposed to custodial credit risk.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investment in LAIF as of June 30, 2024 is reported at the Agency's pro-rata share of the amortized cost provided by LAIF for the entire LAIF portfolio. This valuation amount, which approximates fair value, is not categorized under the fair value hierarchy.

NOTE 4 RECEIVABLES

Accounts Receivables

As of June 30, 2024, accounts receivable consisted of the following:

	Electric	Water	AAC	Wastewater	Total
Accounts receivables	$ 3,195,453	$ 463,476	$ 182,239	$ 325,494	$ 4,166,662
Accrued interest receivable	26,721	2,219	1,773	4,676	35,389
Allowance for doubtful accounts	(251,788)	(53,598)	-	(89,739)	(395,125)
Net receivables	$ 2,970,386	$ 412,097	$ 184,012	$ 240,431	$ 3,806,926

NOTE 4 RECEIVABLES (CONTINUED)

Notes Receivable

As of June 30, 2024, notes receivable consisted of the following:

	Electric	Water	Total
Due within one year	$ 167,019	1,422	$ 168,441

On May 24, 2022, the City of Needles entered into a payment agreement and release with Medical Investor Holdings, LLC (MIH) for its delinquent business taxes and utilities amounting to $1,839,458. Out of this amount, $924,956 is owed to the Authority for the unpaid utilities as of the date of the agreement. MIH agreed to pay the City, by July 11, 2024, the full delinquent amount in a secured promissory note. The note is payable in 24 monthly installments. The balance of the unpaid utilities owed to the Authority as of June 30, 2024 was $168,441.

On February 15, 2024, the payment agreement and release entered into between the City and Medical Investor Holdings, LLC (MIH) was amended to extend the payment period of the promissory note until February 12, 2026.

NOTE 5 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2024 were as follows:

	Beginning Balance	Additions	Transfers/ Deductions	Ending Balance
Non depreciable Assets				
Land	$ 3,199,100	$ 182,153	$ -	$ 3,381,253
Construction in progress	5,374,183	4,608,201	(3,990,167)	5,992,217
Total	8,573,283	4,790,354	(3,990,167)	9,373,470
Depreciable Assets				
Utility plant	42,588,389	6,074,436	(77,086)	48,585,739
Right-of-use lease assets	235,748	-	-	235,748
Total	42,824,137	6,074,436	(77,086)	48,821,487
Accumulated Depreciation				
Utility plant	(27,698,019)	(1,471,094)	77,086	(29,092,027)
Right-of-use lease assets	(70,699)	(50,633)	-	(121,332)
Total	(27,768,718)	(1,521,727)	77,086	(29,213,359)
Total depreciable assets, net	15,055,419	4,552,709	-	19,608,128
Capital Assets, net	$ 23,628,702	$ 9,343,063	$ (3,990,167)	$ 28,981,598

Out of the total additions of $10,864,790 during the year, total amount cash paid was $6,874,623, the remaining $3,990,167 was transferred from prior year construction in progress that was completed in the current year.

NOTE 6 INTANGIBLE ASSETS

Changes in the intangible assets for the year ended June 30, 2024 were as follows:

	Beginning Balance	Additions	Transfers/ Deductions	Ending Balance
Cost				
Water rights	$ 2,662,807	$ -	$ -	$ 2,662,807
Canal construction cost sharing	728,366	-	-	728,366
Total	3,391,173	-	-	3,391,173
Accumulated amortization				
Water rights	(490,687)	-	-	(490,687)
Canal construction cost sharing	(479,505)	(18,209)	-	(497,714)
Total	(970,192)	(18,209)	-	(988,401)
Intangibles, net	$ 2,420,981	$ (18,209)	$ -	$ 2,402,772

NOTE 7 LONG-TERM DEBT

Long-term debt consisted of the following:

- 2016 Revenue Refunding Bonds, interest at 3.86% payable each February 1st and August 1st – principal redemptions in varying annual amounts that are due through February 2031.

Purchase Obligation due to the City, $685,300 payable each February 1st, including interest imputed at 6.714% through February 2011. Starting in February 2011, the annual payment was reduced as a result of the $250,000 prepayments made in 2010. The annual payment was further reduced to $666,436 as a result of additional prepayments made in the years 2012 and 2013 amounting to $750,000. The prepayments have resulted in lower interest charges. The annual payment will be reduced to $535,421 beginning in fiscal year 2026.

Long-term liabilities activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue bonds	$ 9,846,660	$ -	$ (1,072,556)	$ 8,774,104	$ 1,114,355
Purchase obligation	7,724,759	-	(147,793)	7,576,966	157,719
	$ 17,571,419	$ -	$ (1,220,349)	$ 16,351,070	$ 1,272,074

NOTE 7 LONG-TERM DEBT (CONTINUED)

Annual maturities of long-term debt are as follows:

Year Ending June 30	Revenue Refunding Bonds	Purchase Obligation	Interest	Total
2025	$ 1,114,355	$ 157,719	$ 1,133,152	$ 2,405,226
2026	1,157,784	37,293	1,061,051	2,256,128
2027	1,202,907	39,797	993,044	2,235,748
2028	1,249,787	42,469	920,215	2,212,471
2029	1,298,494	45,320	842,551	2,186,365
2030-2031	2,750,777	7,254,368	13,113,032	23,118,177
Total	$ 8,774,104	$ 7,576,966	$ 18,063,045	$ 34,414,115

The varying long-term debt installment payments are to be made from various Authority revenues (all as defined in the applicable agreements) which are irrevocably pledged to such payments, as follows: net independent utility revenues for the 2016 Revenue Refunding Bonds; and surplus revenues for the Purchase Obligation.

If an event of default shall have occurred and be continuing and if requested by the bond owner of a majority in aggregate principal amount of outstanding bonds, the Trustee shall exercise one or more of such available remedies as the Trustee as directed by the bond owner. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee in order upon presentation of the bonds.

Upon payment in full of all indebtedness of the Authority, title to the water, sewer, and electrical enterprises (Enterprises) shall automatically revert to the City.

NOTE 8 LEASES

The Authority has existing seven (7) leased vehicles from a car rental company during the fiscal year 2024. The lease term of each leased vehicle is five (5) years with monthly payments ranging from $465 to $880.

Since the interest rate of the leases is not readily determinable by the Authority, the future lease payments were discounted using an estimated incremental borrowing rate should a loan be taken to pay lease amounts during the lease terms. The discount rates used to calculate the lease liability range from 2.62% to 7.50%.

The Authority recorded right-to-use lease assets with net book value of $114,416 and lease liabilities of $120,067 for all the leases as of June 30, 2024.

NOTE 8 LEASES (CONTINUED)

As of June 30, 2024, the lease liability consisted of the following:

	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year
Vehicle 23JSN6	$ 12,230	$ -	$ (5,555)	$ 6,675	$ 5,709
Vehicle 23MS7Z	12,340	-	(5,189)	7,151	5,338
Vehicle 23JSN5	12,348	-	(5,609)	6,739	5,763
Vehicle 23MS7J	20,328	-	(8,256)	12,072	8,475
Vehicle 254JCC	36,916	-	(8,645)	28,271	9,160
Vehicle 254JD7	34,235	-	(7,960)	26,275	8,347
Vehicle 25T9QX	40,595	-	(7,711)	32,884	8,309
	$ 168,992	$ -	$ (48,925)	$ 120,067	$ 51,101

Payments of principal and interest for each of the next four (4) fiscal years are as follows:

Year Ending June 30	Principal	Interest
2025	51,101	5,222
2026	34,765	3,096
2027	28,230	1,357
2028	5,971	150
	$ 120,067	$ 9,825

NOTE 9 RETIREMENT PLAN

General Information about the Pension Plans

Plan Description
All qualified permanent and probationary employees are eligible to participate in the City of Needles' Miscellaneous Employee Pension Plan, cost-sharing multiple employers defined benefit pension plan administered by 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 plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

NOTE 9 RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plans (Continued)

Plan Description (Continued)
Classic participants (defined as eligible participants prior to January 1, 2013) are required to contribute 8% of their annual covered salary. New participants (defined as eligible employees brought into CalPERS membership for the first time on or after January 1, 2013) contribute at least half the normal cost rate as determined by CalPERS. The City contributes the remaining amounts necessary to fund the benefits for its employees, using the actuarial basis adopted by the CalPERS Board of Administration.

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. Classic 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.

With the implementation of GASB Statement No. 68, the City allocates about 42.17% of the City's net pension liability and pension-related transactions to the Authority based on its share in the pension contribution for the year ended June 30, 2024.

Amounts allocated in fiscal year 2023-24 were as follows:

Net pension liability	$ 2,478,277
Deferred outflows of resources	1,102,416
Deferred inflows of resources	61,445
Pension expense	385,793

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2024, for more information about the City's retirement plan required financial statements note disclosures and supplementary information in accordance with GASB Statement No. 68.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information About the OPEB Plan

Plan Description
In addition to providing pension benefits, the City provides certain healthcare benefits for retired employees. Classified and unclassified 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. Classified employees hired after July 1, 2007 and 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 and Funding Policy
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 postemployment benefits be measured, it does not require that an agency “pre-fund” the accrued liability. The City pays for the postemployment 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.

Net OPEB Liability
The Authority’s net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

GASB 75 requires the total OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. The City has elected to measure liabilities as of the end of the prior fiscal year.

GASB 75 requires that the total OPEB liability should be determined by (a) an Alternative Measurement Method (AMM) valuation as of the measurement date or (b) the use of update procedures to roll forward to the measurement date amounts from an AMM valuation as of a date no more than 30 months and 1 day earlier than the employer’s most recent fiscal year-end. Liabilities were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll forward techniques per GASB 75 option (b) mentioned above. No adjustments were made for events occurring after the measurement date.

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Measurement period	July 1, 2022 to June 30, 2023
Reporting date	June 30, 2024

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

General Information About the OPEB Plan (Continued)

Net OPEB Liability (Continued)
With the implementation of GASB Statement No. 75, the City allocates about 42.17% of the City's net OPEB liability and related transactions to the Authority based on its share in the contribution for the year ended June 30, 2024. Amounts allocated in fiscal year 2023-24 were as follows:

Net OPEB liability	$	526,945
Deferred outflows of resources		26,724
OPEB expense		88,462

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2024 for more information about the City's OPEB plan required financial statements note disclosures and supplementary information in accordance with GASB Statement No. 75.

NOTE 11 ASSET REPLACEMENT FUNDS

The Authority transfers certain amounts to the City to fund future replacement of existing property and equipment and other capital expenditure requirements of the Authority. For the year ended June 30, 2024, the Authority transferred $650,064 to the City for deposit to the asset replacement funds.

As of June 30, 2024, the following asset replacement funds are under the control and custody of the City and are recorded in the City's accounting records as restricted funds (less usage):

Water	$	1,866,067
Wastewater		345,317
Electric		2,218,020
	$	4,429,404

NOTE 12 COMMITMENTS AND CONTINGENCIES

The Authority is considered a transmission and generation-dependent electric utility, and, therefore, completely dependent on others for the supply and transmission of energy to the City's electric system.

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Authority receives a hydroelectric allotment from the Parker-Davis Dam. The Authority's rate structure is designed to allocate the hydroelectric allotment equally among all customers, giving 402 KWH per customer per month in winter months and 757 KWH per customer per month in summer months. The actual cost of power is analyzed every month and if a Power Cost Adjustment (PCA) is required, it is to be put into effect the following month. If the PCA has gone down, then a credit is to be calculated by KWH per bill. The new rate structure is put into place every October.

In 2008, the Authority partnered with the United States Department of Energy Western Area Power Administration (WAPA) for the management of energy costs. This partnership was effective April 1, 2008 and has allowed the Authority greater flexibility in the power purchase market. Through WAPA, the Authority is able to procure long-term power supply contracts and limit risks in the spot market. Rate studies are conducted every 5 years to ensure the NPUA rates are established at the cost to provide the service. The next rate study is scheduled for fiscal year 2025.

NOTE 13 RELATED PARTY TRANSACTIONS

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 the Authority'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 the 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, 2024 amounted to $16,139,611. This amount includes payment of Fair Share Allocation (FSA) and purchases of electric power and capital assets.

NOTE 13 RELATED PARTY TRANSACTIONS (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 the Authority to operate the Enterprises, the City collected an annual franchise fee from the Authority. The amount of the franchise fee was determined by the City, the payment of which is subordinate to the Authority's annual debt service. In August 2010, the Authority'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 the Authority and established a utility user tax of up to 2.5% to be applied to electric, water and sewer charges. In FY17 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 FSA. The Authority paid FSA and utility user tax which amounted to $821,803 and $387,841 for the year ended June 30, 2024, respectively.

In connection with the City's 1997 sale of the Enterprises to the Authority, the Authority's remaining unpaid purchase obligation to the City is payable annually, each February 1, through 2065. Payments are payable solely from Surplus Revenues (as defined). Purchase obligation payments amounted to $666,436 for the year ended June 30, 2024, which included interest amounting to $518,643. The unpaid purchase obligation is included in the bonds and note payable account in the Statement of Net Position.

NOTE 14 RISK MANAGEMENT

The Authority is subject to various risks in the normal course of operations. The Authority, as a component unit of the City, protects itself against such risks by the City's participation in the California Joint Powers Insurance Authority (CJPIA), a joint power agency (risk-sharing pool) that provides an independently managed, self-insurance program for member cities.

The City contributes its pro rata share of anticipated losses to a pool administered by CJPIA. Should actual losses among participants exceed anticipated losses, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess.

The Authority's allocated share of the City's contributions to CJPIA is included in the operations and maintenance expenses paid to the City under the management agreement discussed in Note 13.

NOTE 15 SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through December 5, 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.

SUPPLEMENTARY SCHEDULES

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Combining Schedule of Net Position
June 30, 2024

	Electric	Water	All American Canal	Wastewater	Total
		Water			
ASSETS					
Current assets					
Cash and investments	$ 5,178,197	$ 429,968	$ 343,537	$ 905,992	$ 6,857,694
Accounts receivables, net	2,970,386	412,097	184,012	240,431	3,806,926
Due from City of Needles	4,138,544	341,828	230,693	333,482	5,044,547
Materials and supplies inventory	964,877	35,223	-	38,989	1,039,089
Total current assets	13,252,004	1,219,116	758,242	1,518,894	16,748,256
Noncurrent assets					
Notes receivable	167,019	1,422	-	-	168,441
Capital assets, net of accumulated depreciation	11,665,765	13,435,650	-	3,880,183	28,981,598
Intangible assets, net of accumulated amortization	-	2,402,772	-	-	2,402,772
Total noncurrent assets	11,832,784	15,839,844	-	3,880,183	31,552,811
Total assets	25,084,788	17,058,960	758,242	5,399,077	48,301,067
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	493,162	322,245	198,229	88,780	1,102,416
Deferred outflows related to OPEB	12,026	7,750	4,810	2,138	26,724
Total deferred outflows of resources	505,188	329,995	203,039	90,918	1,129,140
LIABILITIES AND NET POSITION					
Current liabilities					
Lease liabilities, current portion	23,398	14,056	-	13,647	51,101
Accounts payable and other current liabilities	141,363	23,167	8,246	23,563	196,339
Due to the City of Needles	30,246	-	-	-	30,246
Compensated absences	161,450	42,653	8,139	17,880	230,122
Customer deposits	2,610,342	99,253	-	-	2,709,595
Accrued interest payable	66,325	31,046	-	43,746	141,117
Bonds and notes payable, current portion	597,875	279,856	-	394,343	1,272,074
Total current liabilities	3,630,999	490,031	16,385	493,179	4,630,594
Noncurrent liabilities					
Lease liabilities, net of current portion	23,684	18,894	-	26,388	68,966
Net pension liability	1,108,648	724,420	445,627	199,582	2,478,277
Net OPEB liability	237,125	152,814	94,850	42,156	526,945
Bonds and notes payable, net of current portion	7,087,128	3,317,379	-	4,674,489	15,078,996
Total noncurrent liabilities	8,456,585	4,213,507	540,477	4,942,615	18,153,184
Total liabilities	12,087,584	4,703,538	556,862	5,435,794	22,783,778
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	27,487	17,961	11,049	4,948	61,445
Net position					
Net investment in capital and intangible assets	3,980,762	12,241,187	-	-	16,221,949
Restricted for debt service	5,178,197	429,968	343,537	905,992	6,857,694
Unrestricted	4,315,946	(3,699)	49,833	(856,739)	3,505,341
Total net position	$ 13,474,905	$ 12,667,456	$ 393,370	$ 49,253	$ 26,584,984

See independent auditor's report.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2024

	Electric	Water	Water - All American Canal	Wastewater	Total
Operating revenues					
Sales of electricity	$ 14,890,864	$ -	$ -	$ -	$ 14,890,864
Sales of water	-	2,858,163	1,079,026	-	3,937,189
Charges for wastewater system use	-	-	-	2,197,020	2,197,020
Other revenues	43,424	-	-	-	43,424
Total operating revenues	14,934,288	2,858,163	1,079,026	2,197,020	21,068,497
Operating expenses					
Electric power purchased	6,539,507	-	-	-	6,539,507
Salaries and benefits	1,304,488	956,055	121,997	315,798	2,698,338
Depreciation and amortization	586,539	490,544	-	462,853	1,539,936
Fair share allocation	584,454	145,564	-	91,785	821,803
Supplies	62,952	121,234	937	22,596	207,719
Administrative and management	485,248	344,588	19,920	179,937	1,029,693
Power and utilities	59,944	94,861	26	118,655	273,486
Contractual services	182,042	120,771	895,518	377,924	1,576,255
Maintenance and operations	30,897	40,525	-	40,850	112,272
Insurance	255,014	37,326	-	45,892	338,232
Conservation/solar rebates	118,009	5,615	-	-	123,624
Miscellaneous	1,912,067	39,514	7,448	73,861	2,032,890
Total operating expenses	12,121,161	2,396,597	1,045,846	1,730,151	17,293,755
Operating income	2,813,127	461,566	33,180	466,869	3,774,742
Nonoperating revenues (expenses)					
Interest expense	(447,263)	(209,357)	-	(295,003)	(951,623)
Interest and investment revenue	70,137	32,830	-	46,260	149,227
Net nonoperating expenses	(377,126)	(176,527)	-	(248,743)	(802,396)
Income before contributions and transfers	2,436,001	285,039	33,180	218,126	2,972,346
Capital contributions	307,882	6,460,704	-	162,359	6,930,945
Operating transfers					
Transfers to the City	(355,080)	(259,308)	-	(35,676)	(650,064)
Change in net position	2,388,803	6,486,435	33,180	344,809	9,253,227
Net position at beginning of year	11,086,102	6,181,021	360,190	(295,556)	17,331,757
Net position at end of year	$ 13,474,905	$ 12,667,456	$ 393,370	$ 49,253	$ 26,584,984

See independent auditor's report.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Combining Schedule of Cash Flows
Year ended June 30, 2024

	Electric	Water	Water - All American Canal	Wastewater	Total
Cash flows from operating activities					
Receipts from customers	$ 13,757,265	$ 2,683,186	$ 1,081,006	$ 2,213,387	$ 19,734,844
Payments to City of Needles:					
Suppliers and other costs	(10,303,411)	(1,605,505)	(963,037)	(1,221,508)	(14,093,461)
Employee compensation and related costs	(1,533,085)	(744,747)	225,568	(369,993)	(2,422,257)
Net cash flows provided by operating activities	1,920,769	332,934	343,537	621,886	3,219,126
Cash flows from capital and related financing activities					
Capital contributions	307,882	6,460,704	-	162,359	6,930,945
Cash paid for lease	(22,510)	(13,515)	-	(12,900)	(48,925)
Purchases of capital assets	(283,128)	(6,445,582)	-	(145,913)	(6,874,623)
Principal paid on capital debt	(573,565)	(268,478)	-	(378,306)	(1,220,349)
Interest paid on capital debt	(455,370)	(213,152)	-	(300,351)	(968,873)
Net transfers for asset replacement reserves	(355,080)	(259,308)	-	(35,676)	(650,064)
Net cash flows used in capital and related financing activities	(1,381,771)	(739,331)	-	(710,787)	(2,831,889)
Cash flows from investing activity					
Interest and investment revenue	70,137	32,830	-	46,260	149,227
Cash flows provided by investing activity	70,137	32,830	-	46,260	149,227
Net increase (decrease) in cash and investments	609,135	(373,567)	343,537	(42,641)	536,464
Cash and investments at beginning of year	4,569,062	803,535	-	948,633	6,321,230
Cash and investments at end of year	$ 5,178,197	$ 429,968	$ 343,537	$ 905,992	$ 6,857,694
Reconciliation of operating income to net cash flows from operating activities					
Operating income	$ 2,813,127	$ 461,566	$ 33,180	$ 466,869	$ 3,774,742
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	586,539	490,544	-	462,853	1,539,936
Changes in operating assets and liabilities:					
Receivables	(972,794)	(257,899)	1,980	32,199	(1,196,514)
Materials and supplies inventory	(192,456)	(13,910)	-	(3,173)	(209,539)
Deferred outflows of resources	110,833	(299)	(172,053)	21,164	(40,355)
Deferred inflows of resources	(105,016)	48,539	24,594	(20,814)	(52,697)
Accounts payable and other current liabilities	(7,428)	(1,217)	(434)	(1,238)	(10,317)
Due from (to) the City of Needles	(746,660)	(106,024)	9,070	(73,386)	(917,000)
Due from (to) other funds	806,554	(550,687)	(47,824)	(208,043)	-
Compensated absences	1,387	(9,529)	5,859	(6,212)	(8,495)
Customer deposits	(137,516)	99,253	-	-	(38,263)
Net pension liability	(179,291)	151,919	404,103	(36,656)	340,075
Net OPEB liability	(56,510)	20,678	85,062	(11,677)	37,553
Net cash flows provided by operating activities	$ 1,920,769	$ 332,934	$ 343,537	$ 621,886	$ 3,219,126

See independent auditor's report.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Public Utilities
Needles Public Utility Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Needles Public Utility Authority (the Authority), a component unit of the City of Needles, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 5, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the following page as Finding FS 2024-001 that we consider to be a significant deficiency.

Authority's Response to the Finding
Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described below. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Repeat of Prior Year Finding:

Finding FS 2024-001 Significant Deficiency on Internal Controls over Inventories

Criteria
Maintaining detailed audit trails for all transactions and adjustments and ensuring all documentation is complete and readily available for audits are essential practices that are crucial for demonstrating compliance with policies, substantiating financial statements, and providing necessary documents for audits. Audit preparedness and keeping organized, accessible records are key components of a successful audit process.

Condition
We have noted that there are no controls in place in relation to withdrawal and purchase of inventories. Based on our understanding of the process, there is no documentation and monitoring being made for every material receipt and issuance. There are no formal controls in place to verify whether the items picked from the warehouse or yard are valid and properly authorized.

In addition, during our review of inventory listings, we noted that listings are not being updated based on the recent purchase date and cost of materials and inventories. We noted non-moving materials and items that have a date of last order or receipt still from the years 1997, 1998 and 1999 up to 2005. We also noted that the unit cost is not updated in the system based on the recent purchases.

Further, the Authority does not perform a random count of sample inventories on a regular basis to verify the existence and completeness of inventories. Inventory count is being performed only at fiscal year-end.

Lastly, based on the inventory count procedures we performed, five (5) out of eight (8) samples from the inventory listing have discrepancies against the actual count.

Repeat Finding
The audit team noted that this is a repeat finding from prior year as this has not yet been implemented by the Authority based on the results of the audit procedures performed during the current year.

Cause / Effect
The above condition is attributed to the lack of proper controls and documentation which may pose a risk to the existence, accuracy, valuation, and completeness of the inventory on hand. Accordingly, the Authority is exposed to the risk of misappropriation of assets, financial reporting misstatements, and/or negative impact on its operations.

Recommendation
We recommend that management establish and strictly implement controls over receipts and withdrawals of inventory. This is to avoid unauthorized issuance of inventory supplies and materials to safeguard company assets and will also help to ensure the existence, completeness and accuracy of inventory.

We further recommend that management perform a detailed review of inventory listings and ensure that the listings are updated based on the recent purchase date and purchase cost and provide allowance for obsolescence for non-moving inventories. This is to ensure proper valuation of assets and present more fairly the status of inventory as well as to enhance the fair presentation of the financial statements in accordance with generally accepted accounting principles.

Management's Response and Action Plan

The NPUA inventory is located at several sites and in some places, multiple locations at one site. Our goal is to relocate inventory into one area for Electric and one area for Water. Electric inventory will be relocated to the planned building on California Ave and Water will be located at Third St. After this, a formal inventory check in and out procedure will be implemented. The warehouse employee will be responsible for logging in material and checking out material into NPUA's accounting system. All inventory will be properly recorded into NPUA's accounting system upon receipt. Costs will also be updated. A formal inventory policy will be created, adopted, and implemented. This policy will also deal with handling obsolete inventory

Personnel Responsible:
Rainie Torrance – Utility Manager

Anticipated Completion Date:
June 30, 2026

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vasquez & Company LLP

Glendale, California
December 5, 2025

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