



**Needles Public Utility Authority
(A Component Unit of the City of Needles)
Audited Financial Statements
*As of and for the Year Ended June 30, 2023
with Independent Auditor's Report***

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Table of Contents

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Revenues, Expenses, and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Financial Statements	14
SUPPLEMENTARY SCHEDULES	
Combining Schedule of Net Position	34
Combining Schedule of Revenues, Expenses, and Changes in Net Position	35
Combining Schedule of Cash Flows	36
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 <i>GOVERNMENT AUDITING STANDARDS</i>	37



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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, 2023, 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, 2023, 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.



Emphasis of Matters

As discussed in Note 15, the Authority's financial statements as of and for the year ended June 30, 2022 have been restated due to the change in the recognition of prepayments made to the purchase obligation in the prior years. Our opinion is not modified with respect to this matter.

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 5 through 10, 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 February 25, 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.

Vaquer & Company LLP

Glendale, California
February 25, 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, 2023. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The total net position amounted to \$17,332 thousand and \$12,314 thousand, in 2023 and 2022, respectively. The increase of \$5,018 thousand or 40.74% in the current year primarily due to an increase in capital contributions and adjustment of pension-related accounts.
- Operating revenues amounted to \$16,746 thousand and \$17,346 thousand in 2023 and 2022, respectively. The decrease of \$600 thousand or 3.46% in 2023 was due to lower consumption and usage.
- Operating expenses (excluding depreciation) amounted to \$14,389 thousand and \$14,537 thousand in 2023 and 2022, respectively. The decrease of \$148 thousand or 1.01% in 2023 was primarily due to the adjustment of pension-related accounts and an increase in purchase of electric.

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.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Management's Discussion and Analysis (Unaudited)(Continued)
June 30, 2023

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)

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Assets				
Current and other assets	\$ 16,467	\$ 17,091	\$ (624)	-3.65%
Capital assets	23,629	19,165	4,464	23.29%
Total assets	<u>40,096</u>	<u>36,256</u>	<u>3,840</u>	10.59%
Deferred outflows of resources	<u>1,089</u>	<u>510</u>	<u>579</u>	113.53%
Liabilities				
Long-term debt	17,571	18,742	(1,171)	-6.25%
Other liabilities	6,168	4,747	1,421	29.93%
Total liabilities	<u>23,739</u>	<u>23,489</u>	<u>250</u>	1.06%
Deferred inflows of resources	<u>114</u>	<u>963</u>	<u>(849)</u>	-88.16%
Net Position				
Net investment in capital and intangible assets	9,728	2,578	7,150	277.35%
Restricted for debt service	6,321	9,879	(3,558)	-36.02%
Unrestricted (deficit)	1,283	(143)	1,426	-997.20%
Total net position	<u>\$ 17,332</u>	<u>\$ 12,314</u>	<u>\$ 5,018</u>	40.75%

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Management's Discussion and Analysis (Unaudited)(Continued)
June 30, 2023

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

	2023	2022 (As Restated)	Dollar Change	Percent Change
Revenues				
Operating revenues	\$ 16,746	\$ 17,346	\$ (600)	-3.46%
Nonoperating revenues	<u>67</u>	<u>12</u>	<u>55</u>	458.33%
Total revenues	<u>16,813</u>	<u>17,358</u>	<u>(545)</u>	-3.14%
Expenses				
Depreciation	1,372	1,352	20	1.48%
Other operating expenses	14,389	14,537	(148)	-1.02%
Nonoperating expenses	<u>976</u>	<u>1,336</u>	<u>(360)</u>	-26.95%
Total expenses	<u>16,737</u>	<u>17,225</u>	<u>(488)</u>	-2.83%
Income before contributions and transfers	76	132	(56)	-42.42%
Capital contributions	5,781	1,328	4,453	335.32%
Transfers	<u>(839)</u>	<u>(755)</u>	<u>(84)</u>	11.13%
Changes in net position	5,018	705	4,313	611.77%
Net position at beginning of year, as restated	<u>12,314</u>	<u>11,609</u>	<u>705</u>	6.07%
Net position at end of year	<u>\$ 17,332</u>	<u>\$ 12,314</u>	<u>\$ 5,018</u>	40.75%

The \$5,018 thousand increase in total net position in 2023, versus an increase of \$705 thousand in 2022, reflects the combination of decrease in operating revenues and expenses, increase in capital contributions and transfers. The lower operating revenues in 2023 were due to decreased consumption and usage from FY 2023.

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.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Management's Discussion and Analysis (Unaudited)(Continued)
June 30, 2023

Capital Assets (000's)				
	2023	2022	Dollar Change	Percent Change
Costs				
Land	\$ 3,199	\$ 3,199	\$ -	0.00%
Utility plant	42,588	41,489	1,099	2.65%
Right-of-use lease asset	236	150	86	57.33%
Construction in progress	5,374	742	4,632	624.26%
Total costs	<u>51,397</u>	<u>45,580</u>	<u>5,817</u>	
Accumulated depreciation	<u>27,768</u>	<u>26,415</u>	<u>1,353</u>	5.12%
Net capital assets	<u>\$ 23,629</u>	<u>\$ 19,165</u>	<u>\$ 4,464</u>	23.29%

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

Long Term Debt

Total indebtedness (all liabilities) outstanding at June 30, 2023, and 2022 amounted to \$23,739 thousand and \$23,489 thousand, respectively. The increase in total liabilities was due to payments of debt and higher pension-related liabilities. 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, 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 and City of Needles, California 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.

AES (through WAPA) 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, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 6,321,230
Receivables	
Accounts receivables, net	2,270,237
Notes receivable, current portion	340,175
Due from City of Needles	4,116,758
Materials and supplies inventory	829,550

Total current assets 13,877,950

Noncurrent assets

Notes receivable, net of current portion	168,441
Capital assets, net of accumulated depreciation	23,628,702
Intangible assets, net of accumulated amortization	2,420,981

Total noncurrent assets 26,218,124

Total assets 40,096,074

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	1,058,293
Deferred outflows related to OPEB	30,492

Total deferred outflows of resources 1,088,785

LIABILITIES AND NET POSITION

Current liabilities

Lease liabilities, current portion	48,925
Accounts payable and other current liabilities	206,656
Due to the City of Needles	19,457
Compensated absences	238,617
Customer deposits	2,747,858
Accrued interest payable	158,367
Bonds and notes payable, current portion	1,220,351

Total current liabilities 4,640,231

Noncurrent liabilities

Lease liabilities, net of current portion	120,067
Net pension liability	2,138,202
Net OPEB liability	489,392
Bonds and notes payable, net of current portion	16,351,068

Total noncurrent liabilities 19,098,729

Total liabilities 23,738,960

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	114,142
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Net position

Net investment in capital and intangible assets	9,728,281
Restricted for debt service	6,321,230
Unrestricted	1,282,246

Total net position \$ 17,331,757

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, 2023

Operating revenues

Sales of electricity	\$ 11,043,636
Sales of water	3,593,680
Charges for wastewater system use	2,013,371
Other revenues	95,562
Total operating revenues	<u>16,746,249</u>

Operating expenses

Operations and maintenance	6,062,332
Electric power purchased	7,524,450
Depreciation and amortization	1,372,183
City franchise fee	803,185
Total operating expenses	<u>15,762,150</u>
Operating income	<u>984,099</u>

Nonoperating revenues (expenses)

Interest expense	(976,336)
Interest and investment revenue	66,860
Net nonoperating expenses	<u>(909,476)</u>

Income before contributions and transfers 74,623

Capital Contributions 5,781,366

Operating transfers

Transfers to the City	<u>(838,570)</u>
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Change in net position 5,017,419

Net position at beginning of year, as restated (Note 15) 12,314,338

Net position at end of year \$ 17,331,757

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, 2023

Cash flows from operating activities

Receipts from customers	\$ 17,235,533
Payments to City of Needles:	
Suppliers and other costs	(15,573,252)
Employee compensation and related costs	(2,292,565)
Net cash flows used in operating activities	<u>(630,284)</u>

Cash flows from capital and related financing activities

Capital contributions	5,781,366
Purchases of capital assets	(5,773,914)
Principal paid on capital debt	(1,170,823)
Interest paid on capital debt	(992,939)
Net transfers for asset replacement reserves	(838,570)
Cash flows used in capital and related financing activities	<u>(2,994,880)</u>

Cash flows from investing activity

Interest and investment revenue	66,860
Cash flows from investing activity	<u>66,860</u>

Net decrease in cash and cash equivalents (3,558,304)

Cash and cash equivalents at beginning of year	9,879,534
Cash and cash equivalents at end of year	<u>\$ 6,321,230</u>

Reconciliation of operating income to net cash flows used in operating activities

Operating income	\$ 984,099
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	1,372,183
Changes in operating assets and liabilities:	
Receivables	436,445
Materials and supplies inventory	(65,826)
Deferred outflows of resources	(578,335)
Deferred inflows of resources	(848,402)
Accounts payable and other current liabilities	36,332
Due from (to) the City of Needles	(3,314,521)
Compensated absences	(30,096)
Customer deposits	300,430
Net pension liability	1,168,501
Net OPEB liability	(91,094)
Net cash flows used in operating activities	<u>\$ (630,284)</u>

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. The City currently serves as the successor agency to the former redevelopment agency that is responsible for revenue collection, maintaining the bond reserves, disposing of excess property and fulfilling the remaining obligations of the dissolved Agency.

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 U.S. GAAP issued by the 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)

Implementation of New Accounting Pronouncements

During the year ended June 30, 2023, the Authority considered the following GASB statements:

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)*. The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement apply to financial statement of all state and local governments and are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The implementation of this new accounting standards did not have an impact on the Authority's financial statements as of June 30, 2023.

GASB Statement No. 94, "*Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*." This Statement establishes the definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The implementation of this new accounting standard did not have an impact on the Authority's financial statements.

The following recent accounting pronouncements are not yet applicable to the Authority for the year ended June 30, 2023.

GASB 100, "*Accounting Changes and Error Corrections*", effective for fiscal years beginning after June 15, 2023.

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.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements

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

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 39.49% 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, 2023.

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 at June 30, 2023 were estimated at \$395,125.

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
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)**

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Nos. 63 and 65, the Authority recognizes deferred outflows and inflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period.

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.

Compensated Absences

As discussed in Note 10, 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, 2023, the total estimated liability for all compensated absences, including sick leave, was \$238,617.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses include amounts payable to vendors.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

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.

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, 2023, investments and cash held by trustees and by the Authority in these funds and accounts are as follows:

Custodian	
Local Agency Investment Fund	\$ 3,021,301
Bank	3,299,929
	<u>\$ 6,321,230</u>
Special funds balances	
Operating funds	\$ 2,049,411
Electric asset replacement reserve	2,871,847
Utility rate stabilization fund	699,972
PCA balances	700,000
	<u>\$ 6,321,230</u>

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, 2023, the total fair value of LAIF, including accrued interest was approximately \$275 billion. The fair value of the Authority's investment in the pool is \$3,021,301 as of June 30, 2023.

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 Remaining 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
Bankers' Acceptances	180 days	40%	None
Commercial Paper: Non-pooled Funds	270 days	25%	Highest letter and number rating
Commercial Paper: Pooled Funds	270 days	25%	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	30%	None
Placement Service Certificates of Deposit	5 years	30%	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	20%	"AA" rating or better

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, 2023.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2023.

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u>
	<u>Less Than 1 Year</u>
Local Agency Investment Fund	\$ <u>3,021,301</u>

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, 2023, 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, 2023, 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.

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:

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk (Continued)

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, 2023, 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, 2023 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, 2023, accounts receivable consisted of the following:

	Electric	Water	AAC	Wastewater	Total
Accounts receivables	\$ 1,912,078	\$ 204,923	\$ 185,992	\$ 362,369	\$ 2,665,362
Allowance for doubtful accounts	(251,788)	(53,598)	-	(89,739)	(395,125)
Net receivables	<u>\$ 1,660,290</u>	<u>\$ 151,325</u>	<u>\$ 185,992</u>	<u>\$ 272,630</u>	<u>\$ 2,270,237</u>

Notes Receivable

As of June 30, 2023, notes receivable consisted of the following:

	Electric	Water	Total
Due within one year	\$ 337,302	2,873	\$ 340,175
Due in more than 1 year	167,019	\$ 1,422	168,441
	<u>\$ 504,321</u>	<u>\$ 4,295</u>	<u>\$ 508,616</u>

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Notes to Financial Statements (Continued)
Year ended June 30, 2023

NOTE 4 RECEIVABLES (CONTINUED)

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 agrees 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, 2023 was \$508,616.

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 (see Note 16).

NOTE 5 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deductions</u>	<u>Ending Balance</u>
Non depreciable Assets				
Land	\$ 3,199,100	\$ -	\$ -	\$ 3,199,100
Construction in progress	<u>742,407</u>	<u>4,631,776</u>	<u>-</u>	<u>5,374,183</u>
Total	<u>3,941,507</u>	<u>4,631,776</u>	<u>-</u>	<u>8,573,283</u>
Depreciable Assets				
Utility plant	41,489,000	1,099,389	-	42,588,389
Right-of-use lease asset	<u>150,280</u>	<u>85,468</u>	<u>-</u>	<u>235,748</u>
Total	<u>41,639,280</u>	<u>1,184,857</u>	<u>-</u>	<u>42,824,137</u>
Accumulated Depreciation				
Utility plant	(26,389,587)	(1,308,432)	-	(27,698,019)
Right-of-use lease asset	<u>(25,156)</u>	<u>(45,543)</u>	<u>-</u>	<u>(70,699)</u>
Total	<u>(26,414,743)</u>	<u>(1,353,975)</u>	<u>-</u>	<u>(27,768,718)</u>
Total depreciable assets, net	<u>15,224,537</u>	<u>(169,118)</u>	<u>-</u>	<u>15,055,419</u>
Capital Assets, net	<u>\$ 19,166,044</u>	<u>\$ 4,462,658</u>	<u>\$ -</u>	<u>\$ 23,628,702</u>

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Notes to Financial Statements (Continued)
Year ended June 30, 2023

NOTE 6 INTANGIBLE ASSETS

Changes in the intangible assets for the year ended June 30, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deductions</u>	<u>Ending Balance</u>
Cost				
Water rights	\$ 2,662,807	\$ -	\$ -	\$ 2,662,807
Canal construction cost sharing	728,366	-	-	728,366
Total	<u>3,391,173</u>	<u>-</u>	<u>-</u>	<u>3,391,173</u>
Accumulated amortization				
Water rights	(490,687)	-	-	(490,687)
Canal construction cost sharing	(461,296)	(18,209)	-	(479,505)
Total	<u>(951,983)</u>	<u>(18,209)</u>	<u>-</u>	<u>(970,192)</u>
Intangibles, net	<u>\$ 2,439,190</u>	<u>\$ (18,209)</u>	<u>\$ -</u>	<u>\$ 2,420,981</u>

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, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Revenue bonds	\$ 10,878,983	\$ -	\$ (1,032,323)	\$ 9,846,660	\$ 1,072,555
Purchase obligation	7,863,259	-	(138,500)	7,724,759	147,796
	<u>\$ 18,742,242</u>	<u>\$ -</u>	<u>\$ (1,170,823)</u>	<u>\$ 17,571,419</u>	<u>\$ 1,220,351</u>

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Notes to Financial Statements (Continued)
Year ended June 30, 2023

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
2024	\$ 1,072,555	\$ 147,796	\$ 1,200,930	\$ 2,421,281
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
Thereafter	4,049,272	7,299,688	13,955,583	25,304,542
Total	<u>\$ 9,846,660</u>	<u>\$ 7,724,759</u>	<u>\$ 19,263,976</u>	<u>\$ 36,835,395</u>

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 2023. The lease terms of each leased vehicle are 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 a right-to-use lease asset with a net book value of \$165,049 and a lease liability of \$168,992 for all the leases as of June 30, 2023.

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Notes to Financial Statements (Continued)
Year ended June 30, 2023

NOTE 8 LEASES (CONTINUED)

As of June 30, 2023, the lease payable consisted of the following:

	Beginning			Ending	Amounts
	Balance	Additions	Payments	Balance	Due Within
					One Year
Vehicle 23JSN6	\$ 17,636	\$ -	\$ (5,406)	\$ 12,230	\$ 5,555
Vehicle 23MS7Z	17,385	-	(5,045)	12,340	5,189
Vehicle 23JSN5	17,806	-	(5,458)	12,348	5,609
Vehicle 23MS7J	28,371	-	(8,043)	20,328	8,256
Vehicle 254JCC	45,076	-	(8,160)	36,916	8,645
Vehicle 254JD7	-	41,827	(7,592)	34,235	7,960
Vehicle 25T9QX	-	43,641	(3,046)	40,595	7,711
	<u>\$ 126,274</u>	<u>\$ 85,468</u>	<u>\$ (42,750)</u>	<u>\$ 168,992</u>	<u>\$ 48,925</u>

Payments of principal and interest for each of the next five (5) fiscal years and increments thereafter are as follows:

Year Ending		
June 30	Principal	Interest
2024	\$ 48,925	\$ 7,397
2025	51,101	5,222
2026	34,765	3,096
2027	28,230	1,357
2028	5,971	150
	<u>\$ 168,992</u>	<u>\$ 17,222</u>

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)

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 39.49% 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, 2023.

Amounts allocated in fiscal year 2022-23 were as follows:

Net pension liability	\$ 2,138,202
Deferred outflows of resources	1,058,293
Deferred inflows of resources	114,142
Pension expense	385,793

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2023, 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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021.

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, 2021
Measurement date	June 30, 2022
Measurement period	July 1, 2021 to June 30, 2022
Reporting date	June 30, 2023

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

With the implementation of GASB Statement No. 75, the City allocates about 39.49% 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, 2023. Amounts allocated in fiscal year 2022-23 were as follows:

Net OPEB liability	\$ 489,392
Deferred outflows of resources	30,492
OPEB expense	83,847

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2023 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, 2023, the Authority transferred \$838,570 to the City for deposit to the asset replacement funds.

As of June 30, 2023, 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	\$ 1,606,759
Wastewater	309,641
Electric	1,862,940
	<u>\$ 3,779,340</u>

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.

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.

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2023 amounted to \$16,069,965. This amount includes payment of Fair Share Allocation (FSA) and purchases of electric power and capital assets.

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 FSA and utility user tax amounted to \$1,139,686 for the year ended June 30, 2023.

NOTE 13 RELATED PARTY TRANSACTIONS (CONTINUED)

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, 2023, which included interest amounting to \$527,939. 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 RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The Authority's financial statements as of and for the year ended June 30, 2022 have been restated due to the change in the recognition of prepayments made in fiscal years 2020, 2012 and 2013 totaling \$1,000,000 to the purchase obligation. The impact of the restatement on the previously reported financial statements as of and for the year ended June 30, 2022 is shown below:

	<u>Net Position</u>
June 30, 2022 balance as previously reported	\$ 11,447,089
Prior period adjustment	867,249
June 30, 2022 balance as restated	<u>\$ 12,314,338</u>

NOTE 16 SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 25, 2025, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that, except as noted below, no other subsequent events occurred that require recognition or additional disclosure in the financial statements.

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 (see Note 4). MIH shall pay the City the principal and interest installment amount of \$75,064 in twenty-four (24) equal monthly payments due commencing on March 12, 2024 and the same day of each month thereafter with the final payment and any remaining balance due and payable on February 12, 2026.

SUPPLEMENTARY SCHEDULES

Needles Public Utility Authority
(A Component Unit of the City of Needles)
Combining Schedule of Net Position
June 30, 2023

	Water				
	Electric	Water	All American Canal	Wastewater	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 4,569,062	\$ 803,535	\$ -	\$ 948,633	\$ 6,321,230
Receivables					
Accounts receivables, net	1,660,290	151,325	185,992	272,630	2,270,237
Notes receivable, current portion	337,302	2,873	-	-	340,175
Due from City of Needles	3,381,095	235,804	239,763	260,096	4,116,758
Due from other funds	806,554	-	-	-	806,554
Materials and supplies inventory	772,421	21,313	-	35,816	829,550
Total current assets	11,526,724	1,214,850	425,755	1,517,175	14,684,504
Noncurrent assets					
Notes receivable, net of current portion	167,019	1,422	-	-	168,441
Capital assets, net of accumulated depreciation	11,969,176	7,462,403	-	4,197,123	23,628,702
Intangible assets, net of accumulated amortization	-	2,420,981	-	-	2,420,981
Total noncurrent assets	12,136,195	9,884,806	-	4,197,123	26,218,124
Total assets	23,662,919	11,099,656	425,755	5,714,298	40,902,628
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pensions	597,726	321,463	30,376	108,728	1,058,293
Deferred outflows related to OPEB	18,295	8,233	610	3,354	30,492
Total deferred outflows of resources	616,021	329,696	30,986	112,082	1,088,785
LIABILITIES AND NET POSITION					
Current liabilities					
Lease liabilities, current portion	22,510	13,515	-	12,900	48,925
Accounts payable and other current liabilities	148,792	24,385	8,680	24,799	206,656
Due to the City of Needles	19,457	-	-	-	19,457
Due to other funds	-	550,687	47,824	208,043	806,554
Compensated absences	160,063	52,182	2,280	24,092	238,617
Customer deposits	2,747,858	-	-	-	2,747,858
Accrued interest payable	74,432	34,841	-	49,094	158,367
Bonds and notes payable, current portion	573,565	268,477	-	378,309	1,220,351
Total current liabilities	3,746,677	944,087	58,784	697,237	5,446,785
Noncurrent liabilities					
Lease liabilities, net of current portion	47,082	32,950	-	40,035	120,067
Net pension liability	1,287,939	572,501	41,524	236,238	2,138,202
Net OPEB liability	293,635	132,136	9,788	53,833	489,392
Bonds and notes payable, net of current portion	7,685,002	3,597,235	-	5,068,831	16,351,068
Total noncurrent liabilities	9,313,658	4,334,822	51,312	5,398,937	19,098,729
Total liabilities	13,060,335	5,278,909	110,096	6,096,174	24,545,514
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	132,503	(30,578)	(13,545)	25,762	114,142
Net position (deficit)					
Net investment in capital and intangible assets	3,710,609	6,017,672	-	-	9,728,281
Restricted for debt service	4,569,062	803,535	-	948,633	6,321,230
Unrestricted	2,806,431	(640,186)	360,190	(1,244,189)	1,282,246
Total net position	\$ 11,086,102	\$ 6,181,021	\$ 360,190	\$ (295,556)	\$ 17,331,757

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, 2023

		Water			
	Electric	Water	All American Canal	Wastewater	Total
Operating revenues					
Sales of electricity	\$ 11,043,636	\$ -	\$ -	\$ -	11,043,636
Sales of water	-	2,591,407	1,002,273	-	3,593,680
Charges for wastewater system use	-	-	-	2,013,371	2,013,371
Other revenues	95,562	-	-	-	95,562
Total operating revenues	11,139,198	2,591,407	1,002,273	2,013,371	16,746,249
Operating expenses					
Electric power purchased	7,524,450	-	-	-	7,524,450
Salaries and benefits	889,037	744,068	83,895	196,139	1,913,139
Depreciation and amortization	545,265	382,772	-	444,146	1,372,183
City franchise fee	543,739	153,349	-	106,097	803,185
Supplies	290,367	121,352	4,954	29,619	446,292
Administrative and management	440,510	319,998	18,168	163,441	942,117
Power and utilities	48,877	193,994	-	122,903	365,774
Contractual services	203,198	64,208	846,182	401,883	1,515,471
Maintenance and operations	54,988	18,369	-	32,216	105,573
Insurance	249,244	30,735	-	37,878	317,857
Conservation/solar rebates	163,143	6,083	-	-	169,226
Miscellaneous	119,176	74,836	4,688	88,183	286,883
Total operating expenses	11,071,994	2,109,764	957,887	1,622,505	15,762,150
Operating income	67,204	481,643	44,386	390,866	984,099
Nonoperating revenues (expenses)					
Interest expense	(458,878)	(214,794)	-	(302,664)	(976,336)
Interest and investment revenue	31,424	14,709	-	20,727	66,860
Net nonoperating expenses	(427,454)	(200,085)	-	(281,937)	(909,476)
Income (loss) before contributions and transfers	(360,250)	281,558	44,386	108,929	74,623
Capital contributions	1,818,325	3,890,314	-	72,727	5,781,366
Operating transfers					
Transfers to the City	(511,066)	(298,848)	-	(28,656)	(838,570)
Change in net position	947,009	3,873,024	44,386	153,000	5,017,419
Net position at beginning of year, as restated	10,139,093	2,307,997	315,804	(448,556)	12,314,338
Net position at end of year	\$ 11,086,102	\$ 6,181,021	\$ 360,190	\$ (295,556)	\$ 17,331,757

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, 2023

		Water			
	Electric	Water	All American Canal	Wastewater	Total
Cash flows from operating activities					
Receipts from customers	\$ 11,704,530	\$ 2,748,933	\$ 836,030	\$ 1,946,040	\$ 17,235,533
Payments to City of Needles:					
Suppliers and other costs	(12,852,575)	(962,488)	(718,611)	(1,039,578)	(15,573,252)
Employee compensation and related costs	(1,008,822)	(945,435)	(117,419)	(220,889)	(2,292,565)
Net cash flows provided by (used in) operating activities	<u>(2,156,867)</u>	<u>841,010</u>	<u>-</u>	<u>685,573</u>	<u>(630,284)</u>
Cash flows from capital and related financing activities					
Capital contributions	1,818,325	3,890,314	-	72,727	5,781,366
Purchases of capital assets	(1,904,561)	(4,065,197)	-	195,844	(5,773,914)
Principal paid on capital debt	(550,289)	(257,582)	-	(362,952)	(1,170,823)
Interest paid on capital debt	(466,682)	(218,446)	-	(307,811)	(992,939)
Net transfers for asset replacement reserves	(511,066)	(298,848)	-	(28,656)	(838,570)
Net cash flows used in capital and related financing activities	<u>(1,614,273)</u>	<u>(949,759)</u>	<u>-</u>	<u>(430,848)</u>	<u>(2,994,880)</u>
Cash flows from investing activity					
Interest and investment revenue	31,424	14,709	-	20,727	66,860
Cash flows provided by investing activity	<u>31,424</u>	<u>14,709</u>	<u>-</u>	<u>20,727</u>	<u>66,860</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,739,716)</u>	<u>(94,040)</u>	<u>-</u>	<u>275,452</u>	<u>(3,558,304)</u>
Cash and cash equivalents at beginning of year	8,308,778	897,575	-	673,181	9,879,534
Cash and cash equivalents at end of year	<u>\$ 4,569,062</u>	<u>\$ 803,535</u>	<u>\$ -</u>	<u>\$ 948,633</u>	<u>\$ 6,321,230</u>
Reconciliation of operating income to net cash flows from operating activities					
Operating income	\$ 67,204	\$ 481,643	\$ 44,386	\$ 390,866	\$ 984,099
Adjustments to reconcile operating income to net cash from operating activities:					
Depreciation and amortization	545,265	382,772	-	444,146	1,372,183
Changes in operating assets and liabilities:					
Receivables	355,968	269,935	(166,243)	(23,215)	436,445
Materials and supplies inventory	(66,680)	3,555	-	(2,701)	(65,826)
Deferred outflows of resources	(309,751)	(191,875)	(20,777)	(55,932)	(578,335)
Deferred inflows of resources	(445,023)	(290,465)	(32,796)	(80,118)	(848,402)
Accounts payable and other current liabilities	26,159	4,287	1,526	4,360	36,332
Due from (to) the City of Needles	(3,085,336)	(36,365)	(89,687)	(103,133)	(3,314,521)
Due from (to) other funds	(243,542)	-	243,542	-	-
Compensated absences	(16,472)	(5,114)	(259)	(8,251)	(30,096)
Customer deposits	363,880	(63,450)	-	-	300,430
Net pension liability	706,118	310,682	22,130	129,571	1,168,501
Net OPEB liability	(54,657)	(24,595)	(1,822)	(10,020)	(91,094)
Net cash flows provided by (used in) operating activities	<u>\$ (2,156,867)</u>	<u>\$ 841,010</u>	<u>\$ -</u>	<u>\$ 685,573</u>	<u>\$ (630,284)</u>

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 25, 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 2023-001 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.

Finding FS 2023-001 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.

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.

Glendale, California
February 25, 2025



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