NEEDLES PUBLIC UTILITY AUTHORITY
(A Component Unit of the City of Needles)

Audited Financial Statements

As of and for the Year Ended June 30, 2022

(With Independent Auditor's Report Thereon)

NEEDLES PUBLIC UTILITY AUTHORITY

Financial Statements June 30, 2022

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BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Members of the Commission of the
Needles Public Utility Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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, 2022, and the related notes to financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in its financial 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Needles Public Utility 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.

Responsibilities of Management 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 Needles Public Utility 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.

Auditors' Responsibility 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Needles Public Utility 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 Needles Public Utility 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 the Management's Discussion and Analysis on pages 4 through 8 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 auditing standards generally accepted in the United States of America, 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 Needles Public Utility 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 auditing standards generally accepted in the United States of America. In our opinion, the combining schedules of net position, revenues, expenses and changes in net position and cash flows are 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 March 24, 2023 on our consideration of the Needles Public Utility 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 Needles Public Utility 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 Needles Public Utility Authority's internal control over financial reporting and compliance.

Bing & Conn, P.C.

Saipan, MP
March 24, 2023

NEEDLES PUBLIC UTILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022. Please read it in conjunction with the Authority's Financial Statements, which follow this section.

Financial Highlights

- The total net position increased $705 thousand in 2022.
- Operating revenues increased $3,193 thousand in 2022.
- Operating expenses (excluding depreciation) increased $5,485 thousand in 2022.

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 assets 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)

	2022	2021	Dollar Change	Percent Change
Assets				
Current and other assets	$ **18,087**	$ 17,402	$ 685	3.94%
Capital assets	**19,041**	19,433	(392)	-2.02%
Total assets	**37,128**	36,835	293	0.80%
Deferred outflows of resources	**510**	370	140	37.84%
Liabilities				
Long-term debt	**20,462**	21,495	(1,033)	-4.81%
Other liabilities	**4,766**	4,854	(88)	-1.81%
Total liabilities	**25,228**	26,349	(1,121)	-4.25%
Deferred inflows of resources	**963**	113	850	752.21%
Net Position				
Net investment in captial and intangible assets	**-**	-	-	0.00%
Restricted for debt service	**9,879**	10,865	(986)	-9.08%
Unrestricted (deficit)	**1,568**	(123)	1,691	-1374.80%
Total net position	$ **11,447**	$ 10,742	$ 705	6.56%

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

	2022	2021	Dollar Change	Percent Change
Revenues				
Operating revenues	$ **17,346**	$ 14,153	$ 3,193	22.56%
Nonoperating revenues	**12**	552	(540)	-97.83%
Total revenues	**17,358**	14,705	2,653	18.04%
Expenses				
Depreciation	**1,352**	1,257	95	7.56%
Other operating expenses	**14,537**	9,052	5,485	60.59%
Nonoperating expenses	**1,336**	1,342	(6)	-0.45%
Total expenses	**17,225**	11,651	5,574	47.84%
Income before operating transfers	**132**	3,054	(2,922)	-95.68%
Capital contributions	**1,328**	3,707	(2,379)	-64.18%
Transfers	**(755)**	(1,847)	1,092	-59.12%
Changes in net position	**705**	4,914	(4,209)	-85.65%
Prior period adj-amort water rights	**-**	1,065	(1,065)	-100.00%
Net position at beginning of year	**10,742**	4,763	5,979	125.53%
Net position at end of year	$ **11,447**	$ 10,742	$ 705	6.56%

The $705 thousand increase in total net position in 2022, versus an increase of $5,979 thousand in 2021, reflects the combination of increase in operating revenues and expenses and decrease in transfers. The higher operating revenues in 2022 were due to increased consumption and usage from FY 2022.

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 (in 000's)

	2022	2021	Dollar Change	Percent Change
Costs				
Land	$ **3,199**	$ 3,199	$ -	0.00%
Utility plant	**41,489**	41,207	282	0.68%
Construction in progress	**742**	167	575	344.31%
Total costs	**45,430**	44,573	857	
Accumulated depreciation	**26,389**	25,141	1,248	4.96%
Net capital assets	$ **19,041**	19,432	$ (391)	-2.01%

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.
- Electric circuit reliability program.
- 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 – third year street paving
- 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
- L Street booster

- Main replacement and upgrade pipe size on Lilly Hill + Booster
- AMI meters
- Backup generator at well site 15
- Golf course maintenance yard main distribution manifold
- Jet Vac / Trailer
- Main replacement at Verde Shores
- Extension into North Needles

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

Long Term Debt

Total indebtedness (all liabilities) outstanding at June 30, 2022, and 2021 amounted to $25.2 million and $26.3 million, respectively. The decrease in total liabilities was due to payments of debt and lower OPEB and pension-related liabilities. More detailed information about the Authority's long-term liabilities is presented in Note 6 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 Western Area Power Administration (WAPA), and energy costs decreased substantially because of this contract, from their peak in 2006 and 2007. In January 2014, the City, on behalf of the Authority, entered into Amendment No. 5 to Contract No. 00-DSR-11223 among United Sates 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.

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Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2022, the Authority considered but was not required to implement various Statements issued by the Governmental Accounting Standards Board (GASB), including Statements through GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The effective dates of many of the Statements were delayed with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

The Authority has not yet evaluated whether the recent Statements will have a material impact on the Authority's financial statements.

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.

NEEDLES PUBLIC UTILITY AUTHORITY
(A Component Unit of the City of Needles)

Statement of Net Position
June 30, 2022

ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,879,534
Receivables, net	3,215,298
Due from City of Needles	792,655
Materials and supplies inventory	763,724
Total current assets	14,651,211
Noncurrent assets:	
Right of use assets	125,124
Prepayment of purchase obligation	871,110
Capital assets, net of accumulated depreciation	19,040,920
Intangible assets, net of accumulated amortization	2,439,190
Total noncurrent assets	22,476,344
Total assets	37,127,555
Deferred outflows of resources:	
Deferred outflows related to pensions	472,352
Deferred outflows related to OPEB	38,098
Total deferred outflows of resources	510,450
LIABILITIES AND NET POSITION	
Current liabilities:	
Lease liabilities	126,274
Accounts payable and other current liabilities	170,324
Due to the City of Needles	28,745
Compensated absences	268,713
Customer deposits	2,447,428
Accrued interest payable	174,970
Current portion of bonds and notes payable	1,074,236
Total current liabilities	4,290,690
Noncurrent liabilities:	
Net pension liability	969,701
Net OPEB liability	580,486
Bonds and notes payable, net of current portion	19,387,495
Total noncurrent liabilities	20,937,682
Total liabilities	25,228,372
Deferred inflows of resources:	
Deferred inflows related to pensions	962,544
Net position:	
Restricted for debt service	9,879,534
Unrestricted	1,567,555
Total net position	$ 11,447,089

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, 2022

Operating revenues:		
Sales of electricity	$	11,078,124
Sales of water		3,604,199
Charges for wastewater system use		1,929,708
Other revenues		733,993
Total operating revenues		17,346,024
Operating expenses:		
Operations and maintenance		7,410,868
Electric power purchased		6,406,613
Depreciation and amortization		1,351,882
City franchise fee		720,454
Total operating expenses		15,889,817
Operating income		1,456,207
Nonoperating revenues (expenses):		
Interest expense		(1,335,945)
Interest and investment revenue		11,941
Net nonoperating expense		(1,324,004)
Income before contributions and transfers		132,203
Capital contributions		1,328,236
Operating transfers:		
Transfers to City of Needles		(755,505)
Change in net position		704,934
Net position at beginning of year		10,742,155
Net position at end of year	$	11,447,089

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, 2022

Cash flows from operating activities:	
Receipts from customers	$ 15,933,222
Payments to City of Needles:	
Suppliers and other costs	(11,467,891)
Employee compensation and related costs	(2,709,706)
Net cash provided by operating activities	1,755,625
Cash flows from capital and related financing activities:	
Capital contributions	1,328,235
Purchases of capital assets	(940,688)
Principal paid on capital debt	(1,032,878)
Interest paid on capital debt	(1,351,927)
Net transfers for asset replacement reserves	(755,505)
Net cash used in capital and related financing activities	(2,752,763)
Cash flows from investing activities	
Interest and investment income collected	11,941
Net cash provided by investing activities	11,941
Change in cash and cash equivalents	(985,197)
Cash and cash equivalents at beginning of year	10,864,731
Cash and cash equivalents at end of year	$ 9,879,534
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	1,456,207
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	1,351,882
Changes in operating assets and liabilties:	
Receivables	(1,280,417)
Due from City of Needles	(222,525)
Materials and supplies inventory	(59,883)
Deferred outflows of resources	(140,921)
Accounts payable and other current liabilities	38,940
Due to the City of Needles	28,745
Compensated absences	15,063
Customer deposits	(132,385)
Net pension liability	(390,151)
Net OPEB liability	241,756
Deferred inflows of resources	849,314
Net cash provided by operating activities	$ 1,755,624

See accompanying notes to financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Needles Public Utility Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 significant accounting principles and policies utilized by the Authority are described below:

Reporting Entity

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 component unit of the City.

Basis of Accounting and Measurement Focus

The Authority is considered to be an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Authority uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

The Authority's financial statements are presented in accordance with the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Statement No. 63 established standards for external financial reporting for all state and local governmental entities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus (continued)

- Net investment in capital and intangible assets – This component of net position consists of capital and intangible assets, including restricted capital and intangible assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

- Unrestricted net position – This category consists of that component of net position that does not meet the definition of restricted or net investment in capital assets.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2022, the Authority considered the following Governmental Accounting Standards Board (GASB) statements:

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 has been implemented. Management does not believe that the implementation of this statement will have a material effect on the Authority's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements, continued

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the end of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement was to be effective for the fiscal year ended June 30, 2020 but was delayed for one year with the issuance of GASB Statement No. 95 as discussed below. The implementation of this statement did not have a material effect on the Authority's financial statements.

GASB Statement No. 90, *Majority Equity Interest, an Amendment of GASB Statements No. 16 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. This Statement was to be effective for the fiscal year ended June 30, 2020 but was delayed for one year with the issuance of GASB Statement No. 95 as discussed below. The implementation of this statement did not have a material effect on the Authority's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements, continued

In May 2019, GASB issued Statement No. 91 *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosure. GASB Statement No. 91 will be effective for the fiscal year ending June 30, 2023.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other than postemployment benefit (OPEB) plan; applicability of Statement No. 73 and 84 to postemployment benefits, measurements of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 is effective for the fiscal year ending June 30, 2022. Management does not believe that the implementation of this statement had a material effect on the Authority's financial statements.

In April 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* (IBOR). The primary objective of the Statement is to address the accounting and financial reporting implications of the replacement of IBOR. GASB Statement No. 93 is effective for the fiscal year ending June 30, 2022. Management does not believe that the implementation of this statement had a material effect on the Authority's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-private and Public-public Partnership Arrangements* (PPPs). The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). GASB Statement No. 94 will be effective for the fiscal year ending June 30, 2023.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements, continued

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities.*

The effective dates of the following pronouncements are postponed by 18 months:

- *Statement No. 87, Leases*
- *Implementation Guide No. 2019-3, Leases.*

In May 2020, GASB issued Statement No. 96, S*ubscription-based Information Technology Arrangements* (SBITAs). This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements, continued

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. GASB Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Management does not believe the implementation of this statement had a material impact on the Authority's financial statements.

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replaces instances of comprehensive annual financial report and its acronym. This statement is effective for fiscal years ending after December 15, 2021. Management does not believe the implementation of this statement had a material impact on the Authority's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Pronouncements, continued

In October 2021, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In October 2021, GASB issued Statement No. 101, *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The Authority is currently evaluating whether or not the above listed new GASB pronouncements with effective dates after the year ended June 30, 2022 will have a significant impact on its financial statements

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 41.57% 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, 2022.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

The provision for 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

Net interest costs during construction periods were capitalized for assets acquired by the issuance of long-term debt through the year ended June 30, 2020, but with the implementation of GASB Statement No. 89 during the year ended June 30, 2022 are charged to expense. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits

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

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 month, 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 11, 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, 2022, the total estimated liability for all compensated absences, including sick leave, was $268,713.

NOTE 1 (CONTINUED) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 $490,688 prior to July 1, 2004.

NOTE 2 CASH AND INVESTMENTS

The indenture for the 2016 Revenue Refunding Bonds (Note 6) requires the establishment of special funds to be held and administered by trustees and by the Authority. As of and for the year ended June 30, 2022, investments and cash held by trustees and by the Authority in these funds and accounts are as follows:

Custodian:	
Local Agency Investment Fund	$ 2,969,794
Bank	6,909,740
	$ 9,879,534
Special funds balances:	
Operating funds	$ 5,609,846
Electric asset replacement reserve	2,869,716
Utility rate stabilization fund	699,972
PCA balances	700,000
	$ 9,879,534

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

Statutes authorize the Authority to invest in obligations of U.S. Government agencies and U.S. Government securities, certificates of deposit, municipal securities and the Local Agency Investment Fund of the State of California. Investments are stated at fair value.

NOTE 2 CASH AND INVESTMENTS, continued

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, 2022, the total fair value of LAIF, including accrued interest was approximately $232 billion. The fair value of the Authority's investment in the pool is $2,969,794 as of June 30, 2022. LAIF's and the Authority's exposure to risk (credit, market, or legal) is not currently available.

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, 2022 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 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consist of the following:

	Electric	Water	AAC	Wastewater	Total
Accounts receivable	$2,772,367	479,153	19,749	339,154	3,610,423
Allowance for doubtful accounts	(251,788)	(53,598)	-	(89,739)	(395,125)
Net receivables	$2,520,579	425,555	19,749	249,415	3,215,298

NOTE 4 CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Transfers/ Deductions	Ending Balance
Nondepreciable assets:				
Land	$ 3,199,100	-	(-)	3,199,100
Construction in progress	167,403	575,004	-	742,407
	3,366,503	575,004	(-)	3,941,507
Depreciable assets:				
Utility plant	41,206,965	282,035	-	41,489,000
Accumulated depreciation	(25,140,714)	(1,248,873)	-	(26,389,587)
	16,066,251	(966,838)	-	15,099,413
Capital assets, net	$ 19,432,754	(391,834)	-	19,040,920

NOTE 5 INTANGIBLE ASSETS

Changes in the intangible assets for the year ended June 30, 2022 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
	3,391,173	-	-	3,391,173
Accumulated amortization:				
Water rights	(1,622,379)	-	1,131,692	(490,687)
Canal construction cost sharing	(443,086)	(18,209)	-	(461,296)
	(2,065,465)	(18,209)	1,131,692	(951,983)
Capital assets, net	$ 1,325,708	(18,209)	1,113,612	2,439,190

NOTE 6 LONG-TERM DEBT

Long-term debt consists 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 2012. Starting February 2013, the annual payment was reduced to $673,036 as a result of the $400,000 prepayments made in 2012. The annual payment was further reduced to $666,983 in fiscal year 2016 as a result of the additional prepayment made in 2013 amounting to $350,000.

NOTE 6 LONG-TERM DEBT, continued

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Revenue Bonds	$ 11,872,583	-	(993,600)	10,878,983	1,032,323
Purchase Obligation	9,622,026	-	(39,277)	9,582,749	41,914
	$ 21,494,609	-	(1,032,877)	20,461,732	1,074,237

Annual maturities of long-term debt are as follows:

Year Ending June 30	Revenue Refunding Bonds	Purchase Obligation	Interest	Total
2023	$ 1,032,323	41,914	1,053,448	2,127,685
2024	1,072,556	44,728	1,010,401	2,127,685
2025	1,114,355	47,731	965,598	2,127,684
2026	1,157,784	50,936	918,964	2,127,684
2027	1,202,907	54,356	870,423	2,127,686
2028-2032	5,299,058	331,676	3,565,307	9,196,041
2033-2037	-	459,008	2,967,492	3,426,500
2038-2042	-	635,225	2,791,275	3,426,500
2043-2047	-	879,093	2,547,407	3,426,500
2048-2052	-	1,216,583	2,209,917	3,426,500
2053-2057	-	1,683,638	1,742,862	3,426,500
2058-2062	-	2,329,999	1,096,501	3,426,500
2063-2065	-	1,807,862	248,013	2,055,875
Total	$ 10,878,983	9,582,749	21,987,608	42,449,340

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.

During the years ended June 30, 2013, 2012 and 2010, the Authority made additional payments amounting to $350,000, $400,000, and $250,000, respectively, on the Purchase Obligation (shown in the noncurrent assets in the Statements of Net Position).

NOTE 6 LONG-TERM DEBT, continued

Any future payments less than $685,300 (annual debt service stated in the Purchase Obligation) will decrease the amount of the prepaid balance. The Authority reduced the annual payments to $666,432 in 2019 which resulted in the reduction of the prepayment balance by $18,868 in 2020. There was no reduction of the annual payment for the year ended June 20, 2022 and therefore no decrease in the prepaid balance.

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 7 Leases

NPUA leased five vehicles from a car rental company in 2022. The interest rates on the leases are disclosed on the table below. The interest rates vary from 2.62% to 5.80%. The lease terms are five years.

Describe	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Current Year Additional Outflows	Balance 30-Jun-22
Vehicle 23JSN6	Jul-21	5 years	$485	2.73%	$22,896	-	$17,636
Vehicle 23MS7Z	Jul-21	5 years	$465	2.82%	$22,325	-	$17,385
Vehicle 23JSN5	Jul-21	5 years	$490	2.72%	$23,118	-	$17,806
Vehicle 23MS7J	Jul-21	5 years	$724	2.62%	$36,206	-	$28,371
Vehicle 254JCC	Jun-22	5 years	$880	5.80%	$45,735	-	$45,076
Total Lease Agreements					$150,280		$126,274

Annual requirements to amortize the lease and related interest are as follows:

Year Ending 30-Jun	Principal	Interest
2022	$ 24,006	$ 2,764
2023	$ 32,111	$ 4,303
2024	$ 33,255	$ 3,160
2025	$ 34,445	$ 1,970
2026	$ 17,059	$ 894
2027	$ 9,404	$ 275
	$ 150,280	$ 13,366

NOTE 8 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 employer 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.

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 41.57% 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, 2022.

Amounts allocated in fiscal year 2021-22 were as follows:

Net pension liability	$ 969,701
Deferred outflows of resources	472,352
Deferred inflows of resources	962,544
Pension expense	333,779

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2022 for more information about the City's retirement plan required note disclosures and supplementary information in accordance with GASB Statement No. 68.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to providing pension benefits, the City provides certain health care 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.

With the implementation of GASB Statement No. 75, the City allocates about 37.37% 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, 2022. Amounts allocated in fiscal year 2021-22 were as follows:

Net OPEB liability	$ 580,486
Deferred outflows of resources	38,098
OPEB expense	226,219

Please refer to the City's audited financial statements for the fiscal year ended June 30, 2022 for more information about the City's OPEB plan required note disclosures and supplementary information in accordance with GASB Statement No. 75.

NOTE 10 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, 2022, the Authority transferred $678,552 to the City for deposit to the asset replacement funds.

At June 30, 2022, 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	$	1,307,911
Wastewater		280,985
Electric		1,354,824
	$	2,943,720

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Authority is considered a transmission and generation dependent electric utility, and, therefore, completely dependent on others for 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 395 KWH per customer per month in winter months and 740 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 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.

NOTE 12 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.

NOTE 12 RELATED PARTY TRANSACTIONS, continued

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, 2022 amounted to $14,128,998. 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 FY 17 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 Fair Share Allocation (FSA). The FSA and utility user tax amounted to $1,054,119 for the year ended June 30, 2022.

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 $685,300 for the year ended June 30, 2022, which included interest amounting to $646,023. The unpaid purchase obligation is included in the bonds and note payable account in the Statement of Net Position.

NOTE 13 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.

NOTE 13 RISK MANAGEMENT, continued

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 11.

NOTE 14 SUBSEQUENT EVENTS

The Authority has evaluated events subsequent to June 30, 2022 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 24, 2023, the date on which the financial statements were available to be issued.

NEEDLES PUBLIC UTILITY AUTHORITY
(A Component Unit of the City of Needles)
Combining Schedule of Net Position
June 30, 2022

		WATER			
	Electric	Water	All American Canal	Wastewater	Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 8,308,778	897,575	-	673,181	9,879,534
Receivables, net	2,520,579	425,555	19,749	249,415	3,215,298
Due from City of Needles	286,177	199,439	150,076	156,963	792,655
Due from other funds	573,011	-	195,718	-	768,729
Materials and supplies inventory	705,741	24,868	-	33,115	763,724
Total current assets	12,394,286	1,547,437	365,543	1,112,674	15,419,940
Noncurrent assets:					
Right of use assets	90,550	17,401	-	17,173	125,124
Prepayment of purchase obligation	409,422	191,644	-	270,044	871,110
Capital assets, net of accumulated depreciation	10,540,991	3,982,359	-	4,517,570	19,040,920
Intangible assets, net of accumulated amortization	-	2,172,119	-	267,071	2,439,190
Total noncurrent assets	11,040,963	6,363,523	-	5,071,858	22,476,344
Total assets	23,435,249	7,910,960	365,543	6,184,532	37,896,284
Deferred outflows of resources:					
Deferred outflows related to pensions	283,411	127,535	9,447	51,959	472,352
Deferred outflows related to OPEB	22,859	10,286	762	4,191	38,098
Total deferred outflows of resources	306,270	137,821	10,209	56,150	510,450
LIABILITIES AND NET POSITION					
Current liabilities:					
Lease liabilities	91,253	17,385	-	17,636	126,274
Accounts payable and other current liabilities	122,633	20,098	7,154	20,439	170,324
Due to the City of Needles	28,745	-	-	-	28,745
Due to other funds	-	554,839	-	213,890	768,729
Compensated absences	176,535	57,296	2,539	32,343	268,713
Customer deposits	2,383,978	63,450	-	-	2,447,428
Accrued interest payable	82,236	38,493	-	54,241	174,970
Current portion of bonds and notes payable	504,891	236,332	-	333,013	1,074,236
Total current liabilities	3,390,271	987,893	9,693	671,562	5,059,419
Noncurrent liabilities:					
Net pension liability	581,821	261,819	19,394	106,667	969,701
Net OPEB liability	348,292	156,731	11,610	63,853	580,486
Bonds and notes payable, net of current portion	9,112,123	4,265,249	-	6,010,123	19,387,495
Total noncurrent liabilities	10,042,236	4,683,799	31,004	6,180,643	20,937,682
Total liabilities	13,432,507	5,671,692	40,697	6,852,205	25,997,101
Deferred inflows of resources:					
Deferred inflows related to pension	577,526	259,887	19,251	105,880	962,544
Net position:					
Restricted for debt service	8,308,778	897,575	-	673,181	9,879,534
Unrestricted	1,422,708	1,219,627	315,804	(1,390,584)	1,567,555
Total net position	$ 9,731,486	2,117,202	315,804	(717,403)	11,447,089

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, 2022

	Electric	Water	Water All American Canal	Wastewater	Total
Operating revenues:					
Sales of electricity	$ 11,078,124	-	-	-	11,078,124
Sales of water	-	2,628,699	975,500	-	3,604,199
Charges for wastewater system use	-	-	-	1,929,708	1,929,708
Other revenues	671,779	62,214	-	-	733,993
Total operating revenues	11,749,903	2,690,913	975,500	1,929,708	17,346,024
Operating expenses:					
Electric power purchased	6,406,613	-	-	-	6,406,613
Salaries and benefits	1,363,372	982,354	66,850	312,193	2,724,769
Depreciation and amortization	543,905	358,619	18,209	431,149	1,351,882
City franchise fee	489,514	145,017	-	85,923	720,454
Supplies	659,352	92,909	1,722	21,797	775,780
Administrative and management	533,257	312,130	14,184	167,678	1,027,249
Power and utilities	51,803	164,604	27	133,459	349,893
Contractual services	114,295	144,763	813,982	433,149	1,506,189
Maintenance and operations	92,058	13,799	-	34,953	140,810
Insurance	257,343	25,831	-	32,639	315,813
Conservation/solar rebates	94,104	870	-	-	94,974
Miscellaneous	321,751	61,041	1,894	90,705	475,391
Total operating expenses	10,927,367	2,301,937	916,868	1,743,645	15,889,817
Operating income	822,536	388,976	58,632	186,063	1,456,207
Nonoperating revenues (expenses);					
Interest expense	(627,894)	(293,908)	-	(414,143)	(1,335,945)
Interest and investment revenue	5,612	2,627	-	3,702	11,941
Net nonoperating expense	(622,282)	(291,281)	-	(410,441)	(1,324,004)
Income before contributions and transfers	200,254	97,695	58,632	(224,378)	132,203
Capital contributions	187,198	807,416	-	333,622	1,328,236
Operating transfers					
Transfers to City of Needles	(507,540)	(160,888)	-	(87,077)	(755,505)
Change in net position	(120,088)	744,223	58,632	22,167	704,934
Net position at beginning of year	9,851,574	1,372,979	257,172	(739,570)	10,742,155
Net position at end of year	$ 9,731,486	2,117,202	315,804	(717,403)	11,447,089

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, 2022

		WATER			
	Electric	Water	All American Canal	Wastewater	Total
Cash flows from operating activities:					
Receipts from customers	$ 10,446,901	2,641,139	965,625	1,879,557	15,933,222
Payments to City of Needles:					
Suppliers and other costs	(8,328,510)	(1,173,711)	(880,775)	(1,084,895)	(11,467,891)
Employee compensation and related costs	(1,352,240)	(981,663)	(66,641)	(309,162)	(2,709,706)
Net cash provided by operating activities	766,151	485,765	18,209	485,500	1,755,625
Cash flows from capital and related financing activities:					
Capital contributions	187,198	807,414	-	333,623	1,328,235
Purchases of capital assets	(95,858)	(735,919)	(18,209)	(90,702)	(940,688)
Principal paid on capital debt	(485,452)	(227,233)	-	(320,193)	(1,032,878)
Interest paid on capital debt	(635,406)	(297,424)	-	(419,097)	(1,351,927)
Net transfers for asset replacement reserves	(507,540)	(160,888)	-	(87,077)	(755,505)
Net cash used in capital and related financing activities	(1,537,058)	(614,050)	(18,209)	(583,446)	(2,752,763)
Cash flows from investing activities:					
Interest and investment income collected	5,612	2,627	-	3,702	11,941
Net cash provided by investing activities	5,612	2,627	-	3,702	11,941
Change in cash and cash equivalents	(765,295)	(125,658)	-	(94,244)	(985,197)
Cash and cash equivalents at beginning of year	9,074,073	1,023,233	-	767,425	10,864,731
Cash and cash equivalents at end of year	$ 8,308,778	897,575	-	673,181	9,879,534
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	822,536	388,976	58,632	186,063	1,456,207
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	543,905	358,619	18,209	431,149	1,351,882
Changes in operating assets and liabilties:					
Receivables	(1,170,617)	(49,774)	(9,875)	(50,151)	(1,280,417)
Due from City of Needles	283,953	(199,439)	(150,076)	(156,963)	(222,525)
Due from other funds	75,693	-	88,274	-	163,967
Materials and supplies inventory	(60,847)	3	-	961	(59,883)
Deferred outflows of resources	(84,553)	(38,048)	(2,818)	(15,502)	(140,921)
Accounts payable and other current liabilities	28,037	4,595	1,636	4,672	38,940
Due to the City of Needles	28,745	-	-	-	28,745
Due to other funds	-	(169,106)	-	5,139	(163,967)
Compensated absences	11,132	691	209	3,031	15,063
Customer deposits	(132,385)	-	-	-	(132,385)
Net pension liability	(234,090)	(105,341)	(7,803)	(42,917)	(390,151)
Net OPEB liability	145,054	65,274	4,835	26,593	241,756
Deferred inflows of resources	509,588	229,315	16,986	93,425	849,314
Net cash provided by operating activities	$ 766,151	485,765	18,209	485,500	1,755,625

See independent auditor's report.

Report of Independent Auditors 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*

Members of the Commission of the Needles Public Utility Authority

We have audited, in accordance with the 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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 24, 2023.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 24, 2023
Saipan, MP