ABAG POWER
Publicly Owned Energy Resources

Financial Statements
For the Year Ended June 30, 2021

ABAG Publicly Owned Energy Resources
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For the Year Ended June 30, 2021

Crowe

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Members of the Executive Committee of
ABAG Publicly Owned Energy Resources

Report on the Financial Statements

We have audited the accompanying financial statements of the ABAG Publicly Owned Energy Resources ("POWER") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the POWER basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ABAG Publicly Owned Energy Resources, as of June 30, 2021 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Crowe LLP

San Francisco, California
<>, 2021

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2021
Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ending June 30, 2021. This Management's Discussion and Analysis (MD&A) provides an overview of POWER's financial activities during the fiscal year and should be read in conjunction with the financial statements and the notes which follow.

A. Financial Highlights

1. Total gas usage during fiscal year 2021 was approximately 6.6 million therms.
2. POWER's current strategy for purchasing natural gas consists exclusively of short-term, index-based purchases at three market locations.
3. POWER serves a total of 753 core accounts and three non-core accounts as of June 30, 2021.
4. In fiscal year 2021 there was an excess of expenses over revenue in the amount of $473,082, which will be collected from the members as true-up adjustments in billings during the next fiscal year.

B. Overview of the POWER Financial Statements

POWER's financial statements include *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.* The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* report assets, liabilities and the difference as net position. The *Statement of Revenues, Expenses, and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* is presented using the direct method.

The *Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows* are presented on pages 8 – 10 of this report.

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Financial Statements for the year ended June 30, 2021
Management's Discussion and Analysis (unaudited)

C. Financial Analysis

Statement of Net Position

The following table is a summary of POWER's statement of net position as of June 30 for the last two fiscal years:

	2021	2020
Assets		
Cash	$ 1,896,218	$ 2,883,332
Receivables	667,622	451,291
Prepaid items	3,968	3,968
Natural gas inventory	66,823	55,034
Total assets	2,634,631	3,393,625
Liabilities		
Current liabilities	633,846	1,392,840
Noncurrent liabilities	2,000,785	2,000,785
Total liabilities	2,634,631	3,393,625
Net position	$ -	$ -

Total assets decreased by $758,994 during fiscal year 2021 mainly due to a decrease in cash. The decrease in cash was the result of significant increases in natural gas market prices and the timing of vendor invoice payments.

Compared to fiscal year 2020, total liabilities decreased by $758,994. There is no unearned revenue at the end of fiscal year 2021. The actual energy cost throughout fiscal year 2021 exceeded the billings to members and this deficit is reflected as a receivable (as opposed to the unearned revenue in fiscal year 2020).

POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members. Therefore, the net position remains zero at year end.

ABAG Publicly Owned Energy Resources
Financial Statements for the year ended June 30, 2021
Management's Discussion and Analysis (unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of POWER's statement of revenues, expenses, and changes in net position for the last two fiscal years ended June 30:

	2021	2020
Operating revenue		
Sale of natural gas & other revenue	$ 8,051,026	$ 6,820,832
Total operating revenue	8,051,026	6,820,832
Operating expenses		
Cost of natural gas & PG&E passthrough	7,518,552	6,385,463
Contracted salaries and benefits	204,545	211,300
Professional fees	189,467	110,183
Other expenses	148,041	144,719
Total operating expenses	8,060,605	6,851,665
Operating loss	(9,579)	(30,833)
Nonoperating revenue		
Interest income	9,579	30,833
Total nonoperating revenue	9,579	30,833
Changes in net position	-	-
Net position - beginning	-	-
Net position - ending	$ -	$ -

Before the year-end adjustment, ABAG POWER showed a deficit of $473,088 at the end of fiscal year 2021. The year-end adjustment distributes the year-end deficits among JPA members, in accordance with the true-up process outlined in members' agreements.

Total operating revenues increased by $1,230,194 in fiscal year 2021 as a result of an increase in revenue associated with the sale of natural gas. The increase in revenue from the sale of natural gas is due to higher gas prices compared to fiscal year 2020.

Total operating expenses increased by $1,208,940 in fiscal year 2021 compared to fiscal year 2020. The primary contributors to the overall increase in operating expenses were comparatively high market prices for natural gas and substantial increases in Pacific Gas and Electric Company (PG&E)'s transmission and distribution rates, which are considered pass-through costs.

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Financial Statements for the year ended June 30, 2021
Management's Discussion and Analysis (unaudited)

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 10, provide additional information essential to a full understanding of the data provided in this MD&A and the financial statements that follow.

E. Economic Factor and Program Outlook for Fiscal Year 2022

POWER generally expects gas prices for futures contracts to remain in the $3.50 - $4.50/Dth range for the next couple of years. The expectations reflect a market environment where domestic gas supply exceeds demand, but production is relatively stagnant, and competing end-uses contribute to upward price pressure that lifts commodity prices higher than historical norms. Many national price benchmarks are at their highest point since 2008

There are many factors that can cause significant gas price volatility, including abnormal weather patterns, increased demand from industry and/or gas-powered electric generators, restrictions in gas transportation capacity and/or imports, the price of oil, regulatory actions, political instability and the rise of gas exports. In addition, an increased focus on recent environmental issues has initiated regulatory actions that emphasize the use of renewable electricity over natural gas potentially lowering the demand for gas appliances, and thus moderating gas costs. Conversely, regulatory actions also have the potential to increase costs for using petroleum products, including natural gas. The current economic recession and national health crisis will also impact cost and demand, although it is difficult to predict with certainty to what degree. The business objective of POWER is to offer a reliable energy source at stable prices, but not necessarily the lowest price.

The San Francisco Bay Area economy entered a recession starting April 2020. The April recession ended the longest running economic expansion since the post WWII era. However, the recession technically ended by July 2020 with the economy passing the pre-pandemic level by December 2020. Immediate impacts include:

- Sales tax revenue that had grown for nine straight years fell 5 percent for FY 2020 but remained stable for FY 2021.
- Unemployment, which was close to 3 percent in June 2019, increased to 9.6 percent by June 2020. During FY 2021 national unemployment fell to 5.2% while California remained stubbornly high at 7.7%.
- The impact of shelter-in-place orders on commercial real estate values is not known at this time.

There are some indications that the worst of the recession may be behind us with the growth in retail sales, housing construction continues to increase, and paid traffic toll revenue on the 7 Bay Area bridges is now 90 percent of the FY 2019 level.

The nature of POWER operations does not lend itself to economic swings. POWER is a self-funding enterprise where all participants pay for only what they use. Annual purchases are based on estimated use that is billed to participants on annualized monthly basis. Any residual over/under billing is reconciled and carried as a payable or receivable at year end.

ABAG Publicly Owned Energy Resources
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Management's Discussion and Analysis (unaudited)

Request for Information

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of POWER's finances. Questions about this report should be addressed to the Chief Financial Officer, ABAG Publicly Owned Energy Resources, 375 Beale Street, Suite 800, San Francisco, CA 94105.

ABAG Publicly Owned Energy Resources
Statement of Net Position
June 30, 2021

ASSETS	
Current assets:	
Cash	$ 1,896,218
Accounts receivable	666,462
Interest receivable	1,160
Prepaid items	3,968
Natural gas inventory	66,823
TOTAL ASSETS	2,634,631
LIABILITIES	
Current liabilities:	
Accounts payable	524,913
Due to other government	108,933
Total current liabilities	633,846
Non-current liabilities:	
Deposits from members	2,000,785
Total non-current liabilities	2,000,785
TOTAL LIABILITIES	2,634,631
NET POSITION	$ -

See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2021

OPERATING REVENUE	
Sale of natural gas	$ 8,031,528
Other operating revenues	19,498
TOTAL OPERATING REVENUE	8,051,026
OPERATING EXPENSES	
Cost of natural gas	2,625,027
PG&E passthrough	4,893,525
Contracted salaries and benefits	204,545
Professional fees	189,467
Overhead	116,939
Other	31,102
TOTAL OPERATING EXPENSES	8,060,605
OPERATING LOSS	(9,579)
NONOPERATING REVENUE	
Interest income	9,579
TOTAL NONOPERATING REVENUE	9,579
CHANGE IN NET POSITION	-
TOTAL NET POSITION - BEGINNING	-
TOTAL NET POSITION - ENDING	$ -

See accompanying notes to financial statements

ABAG Publicly Owned Energy Resources
Statement of Cash Flows
For the Year Ended June 30, 2021

Cash flows from operating activities	
Cash receipts from customers and others	$ 6,885,990
Cash payments to suppliers and contractors for goods and services	(7,887,894)
Net cash used for operating activities	(1,001,904)
Cash flows from investing activities	
Interest received	14,790
Net cash provided by investing activities	14,790
Net decrease in cash	(987,114)
Balances- beginning of year	2,883,332
Balances - end of year	$ 1,896,218

Reconciliation of operating loss to net cash used for operating activities	
Operating loss	$ (9,579)
Adjustments to reconcile operating net cash provided by operating activities:	
Net effect of changes in:	
Accounts receivable	(249,106)
Due from other government	27,564
Natural gas inventory	(11,789)
Accounts payable	102,351
Due to other government	82,149
Unearned revenue	(943,494)
Net cash used for operating activities	$ (1,001,904)

See accompanying notes to financial statements

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Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity and Operations

ABAG Publicly Owned Energy Resources (POWER) was created pursuant to Chapter 5, Division 7, and Title 1 of the Government Code section 6500 of the State of California in 1997, to acquire energy services for use by its Members.

POWER is a joint powers agency of ABAG and local government entities in Northern California. POWER is governed by a Board of Directors composed of representatives from member jurisdictions. The Board appoints an Executive Committee to carry out policy decisions.

POWER is an "Energy Service Provider (ESP)," aggregating the natural gas requirements of its members as allowed by the California Public Utilities Commission and purchasing gas directly from natural gas producers that offer competitive prices and reliable supply. POWER purchases natural gas on behalf of its members and arranges for delivery to the PG&E system for distribution. The goal of POWER's Natural Gas Program is to provide both cost savings and price stability.

Association of Bay Area Governments (ABAG) was created in 1961 and serves as the Council of Government for the 101 member cities/ towns and nine counties that make up the region with powers and responsibilities granted to it under the laws of the State of California.

The members of POWER must be voting members or cooperating members of ABAG at the time they join POWER. However, not all ABAG members are members of POWER and for that reason, POWER is not a component unit of ABAG. POWER is a public entity and is legally separate from ABAG. ABAG is not responsible for any liabilities or obligations of POWER.

POWER’s Operation

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E) which delivers gas to POWER's members. POWER has contracted with a number of vendors for natural gas purchases. As required by the utility companies, the amount of gas POWER purchases each month must be nominated to PG&E's distribution system in advance, and POWER is obligated to purchase the amount nominated, regardless of actual usage. The difference between the amount of gas nominated and the amount actually used results in an "imbalance," which may be cured by making purchases or sales on the open market or allocation to a future month's use.

In July 2017 ABAG staff was consolidated into the Metropolitan Transportation Commission (MTC) and the POWER Board subsequently took action to appoint MTC staff to the relevant POWER officer positions in accordance with the Bylaws. MTC staff will continue to provide administrative support to POWER in accordance with the ABAG-MTC Contract for Services. POWER paid MTC $321,484 for these services in the fiscal year ended June 30, 2021. On the *Statement of Revenues, Expenses, and Changes in Net Position*, this amount is reflected as contracted salaries and benefits and overhead costs.

B. Basis of Presentation

POWER's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

POWER's financial statements are prepared using the *economic resources measurement* focus and *the accrual basis of accounting.* POWER accounts for all transactions in a single enterprise fund, which is a separate set of self-balancing accounts that is comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. All transactions are accounted for on the accrual basis, which means that expenses are recorded when the liability is incurred and revenues are recorded when earned, rather than when cash changes hands.

Revenues from sales of natural gas are recognized in the period in which the gas is billed to members. Members are billed monthly on a levelized basis based on anticipated average usage.

Any excess of actual cost over billings to members is reflected as receivables and will be included as true-up adjustments in billings in the fiscal year 2022.

New Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. POWER adopted this standard for fiscal year ended June 30, 2021. The adoption of this standard had no impact on POWER's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on POWER’s financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Management is currently evaluating the effect of this statement on

POWER’s financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improves the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. POWER adopted this standard for fiscal year ended June 30, 2021. The adoption of the standard had no impact on POWER's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations,* provides single method of reporting conduit debt obligations. 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 disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Management is currently evaluating the effect of this statement on POWER’s financial statements.

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this Statement are effective as follows: (a) The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b) The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2021. (c) The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2021. (d) The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021. Management is currently evaluating the effect of this statement on POWER’s financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Management is currently evaluating the effect of paragraphs 11b, 13, and 14. The adoption of the remaining paragraphs had no impact on POWER's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs),* establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on POWER’s financial statements.

GASB Statement No. 96, S*ubscription-Based Information Technology Arrangements (SBITAs),* establishes standards of accounting and financial reporting for SBITAs by a government end user (a

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government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on POWER's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follows: (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b) The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. (c) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. POWER adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 did not have any material impact on POWER's financial statements. Management is evaluating the effect of the remaining paragraphs of this statement on POWER's financial statements.

D. Cash and Investments

POWER has assigned its management of cash and investments to MTC under the contract for services and adopted MTC's investment policy. Accordingly MTC, on behalf of POWER invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing … property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords POWER a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq.

Investments allowed under MTC's investment policy adopted by POWER include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "AAA"

- Other investment types authorized by state law and not prohibited in MTC's investment policy.

POWER applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. POWER reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position as interest income.

POWER considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investments that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

E. Natural Gas Inventory

Any excess of natural gas purchase is transferred to the natural gas inventory and it is accounted at the Lower of Cost or Market Basis (LCM).

F. Due to Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2021.

G. Deposits from Members

The Core Natural Gas Sales and Aggregation Agreement (NGSAA) is an agreement between ABAG POWER and each participant in ABAG POWER's natural gas aggregation program. Upon execution of the agreement, the joining member is required to provide a working capital deposit to ABAG POWER prior to the transference of utility accounts to the ABAG POWER program. This deposit is refundable when the member leaves the program and all liabilities to ABAG POWER have been satisfied. The currently approved working capital deposit is calculated as follows:

Two times the average load (therms) times the current applicable rate ($/therm)

H. Operating and Nonoperating Revenues and Expense

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities.

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I. Accounts Payable

Accounts payable consists of amounts due to vendors at the end of the fiscal year.

J. Use of Estimates

POWER's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure to prepare these financial statements in conformity with generally accepted accounting principles in the United States of America. Actual results could differ from those estimates.

K. Recent Event

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which was subsequently rescinded in June, 2021. The statewide shelter-in-place order had no appreciable effect on the operations and business results of the POWER business operations. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

2. NET POSITION

Net position represents residual interest in assets after liabilities are deducted. Net position consists of three sections: Net investment in capital assets, as well as restricted and unrestricted net position, if applicable. The net position remained at zero at June 30, 2021. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members.

3. CASH

A. The composition of cash at June 30, 2021 is as follows:

Cash at banks	$ 635,309
Government Pools	
Local Agency Investment Fund	1,260,909
Total Cash	$ 1,896,218

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior

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notice or penalty and there is minimal risk of principal. LAIF is unrated.

B. Deposit Risk Factors

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, POWER may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to the limit of $250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent with the securities having a fair value of 110% to 150% of POWER's cash on deposit.

4. PURCHASE COMMITMENTS

During the fiscal year, POWER entered into three agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending to October 31, 2021. Two of the agreements constituted an estimated combined purchase commitment of $388,176. The third agreement was a flexible contract whereas POWER has the daily option to purchase a quantity from zero to 1,000 MMBtu. Therefore, there is no financial commitment for this agreement.

5. RISK MANAGEMENT

POWER is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. POWER purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by POWER from insurance companies. To date, there have been no significant reductions in any of POWER's insurance coverage, and no settlement amount have exceeded commercial insurance coverage for the past three years.