ABAG POWER
Publicly Owned Energy Resources

Financial Statements
For the Year Ended June 30, 2023

ABAG Publicly Owned Energy Resources
Table of Contents
For the Year Ended June 30, 2023

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Members of the Executive Committee of
ABAG Publicly Owned Energy Resources
San Francisco, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the ABAG Publicly Owned Energy Resources ("POWER"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the POWER basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the POWER, as of June 30, 2023, and the changes in 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 (GAAS). 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 POWER, 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 POWER's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 POWER'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 POWER'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, as listed in the table of contents, 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.

Crowe LLP

Crowe LLP

San Francisco, California
October 18, 2023

Management's Discussion and Analysis

ABAG Publicly Owned Energy Resources (POWER) has prepared its financial report for the fiscal year ending June 30, 2023. 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. In May 2023, POWER's Board of Directors established the Renewable Natural Gas Program to achieve reductions in greenhouse gas emissions, realize cost savings enabled by aggregated purchasing, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels. The program is anticipated to begin recording revenue and expenses in fiscal year 2023-24.
2. Total gas usage during fiscal year 2023 was approximately 7.0 million therms.
3. POWER's general strategy for purchasing natural gas consists exclusively of short-term, index-based purchases at three market locations. However, in December 2022, the Executive Committee provided staff authority until June 30, 2023, to enter fixed-priced purchase contracts valued at less than $1 million and for a term not to exceed four months. In February 2023, staff entered into a four-month fixed-price contract.
4. POWER serves a total of 749 core accounts and three non-core accounts as of June 30, 2023.

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.

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:

	2023	2022
Assets		
Cash and cash equivalents	$ 388,331	$ 1,383,704
Receivables	2,396,546	1,063,636
Prepaid items	3,968	24,368
Natural gas inventory	83,355	137,603
Total assets	2,872,200	2,609,311
Liabilities		
Current liabilities	883,741	620,852
Noncurrent liabilities	1,988,459	1,988,459
Total liabilities	2,872,200	2,609,311
Net position	$ -	$ -

Total assets increased by $262,889 due to higher sales of natural gas receivable. However, the total cash and cash equivalents decreased by $995,373 during fiscal year 2023. The decrease in cash and cash equivalents is mainly due to significant increase in natural gas market prices and prolonged inclement weather, causing POWER to purchase an increased quantity of natural gas at higher market prices. Also, a significant increase in accounts receivable is primarily from the true-up adjustment billings, which corresponds to the increase in actual expenses in FY 2023. Refer to the "*Statement of Revenues, Expenses, and Changes in Net Position*" for more details.

Compared to fiscal year 2022, total liabilities increased by $262,889 mainly due to the timing of vendor invoice payments and higher overall prices, as noted above.

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.

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:

	2023	2022
Operating revenue		
Sale of natural gas & other revenue	$ 14,934,258	$ 10,493,118
Total operating revenue	14,934,258	10,493,118
Operating expenses		
Cost of natural gas & PG&E passthrough	14,304,140	9,810,631
Contracted salaries and benefits	268,325	265,496
Professional fees	213,091	268,754
Other expenses	155,789	150,381
Total operating expenses	14,941,345	10,495,262
Operating income (loss)	(7,087)	(2,144)
Nonoperating revenue		
Interest income	7,087	2,144
Total nonoperating revenue	7,087	2,144
Change in net position	-	-
Net position - beginning	-	-
Net position - ending	$ -	$ -

Before the year-end adjustment, ABAG POWER showed a net deficit of $2,067,984 at the end of fiscal year 2023. The year-end adjustment distributes the year-end surpluses or deficits among gas program members, in accordance with the true-up process outlined in members' agreements, therefore, the net position has zero balance at fiscal year-end 2023.

Total operating revenues increased by $4,441,140 in fiscal year 2023 because of an increase from the sale of natural gas due to higher gas prices compared to fiscal year 2022.

Total operating expenses increased by $4,446,083 in fiscal year 2023 compared to fiscal year 2022. 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) transmission and distribution rates, which are considered pass-through costs.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 11, provide additional information essential to a full understanding of the data provided in this MD&A and the financial statements that follow.

E. Economic Factors and Program Outlook for Fiscal Year 2024

POWER generally expects gas prices for futures contracts to remain in the $4.00 - $8.00/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. A multitude of factors have exacerbated supply deficit, causing extreme volatility in the overall natural gas markets throughout fiscal year 2022- 2023. These factors are expected to continue during fiscal year 2023 -2024, specifically:

- Worldwide production limits imposed by the Organization of Petroleum Exporting Countries (OPEC) in an attempt to balance chaotic supply and demand patterns.

- Record-level national liquefied natural gas (LNG) exports, low national storage inventories and significant strorage restrictions wihin California, and strong weather-driven demand have all contributed to elevated domestic pricing.

- Geopolitical tensions caused by the war in Ukraine have intensified and resulted in subsequent commitments by the U.S. to increase exports of LNG to certain Asian and European countries to supplant Russian gas supply.

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. These market forces and policy decisions have begun to chart the State on a long-term transition away from natural gas as electricity generation and space and water heating fuel, but there remain many complex challenges to implement the necessary utility infrastructure and customer rate changes. While these challenges are considered, infrastructure costs continue to rise as utilities implement resilience measures in an attempt to mitigate damage from devastating wildfires and other natural disasters. These costs are ultimately passed through to participants in POWER, and ratepayers in general.

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. This structure insulates POWER's members from most short-term (intra-year) volatility.

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, 2023

ASSETS	
Current assets:	
Cash and cash equivalents	$ 388,331
Accounts receivable	2,396,515
Interest receivable	31
Prepaid items	3,968
Natural gas inventory	83,355
TOTAL ASSETS	2,872,200
LIABILITIES	
Current liabilities:	
Accounts payable	666,327
Due to other government	217,414
Total current liabilities	883,741
Non-current liabilities:	
Deposits from members	1,988,459
Total non-current liabilities	1,988,459
TOTAL LIABILITIES	2,872,200
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, 2023

OPERATING REVENUE	
Sale of natural gas	$ 14,925,264
Other operating revenues	8,994
TOTAL OPERATING REVENUE	14,934,258
OPERATING EXPENSES	
Cost of natural gas	7,915,682
PG&E passthrough	6,388,458
Contracted salaries and benefits	268,325
Professional fees	213,091
Overhead	130,540
Other	25,249
TOTAL OPERATING EXPENSES	14,941,345
OPERATING LOSS	(7,087)
NONOPERATING REVENUE	
Interest income	7,087
TOTAL NONOPERATING REVENUE	7,087
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, 2023

Cash flows from operating activities	
Cash receipts from customers and others	$ 13,601,353
Cash payments to suppliers and contractors for goods and services	(14,603,808)
Net cash used for operating activities	(1,002,455)
Cash flows from investing activities	
Interest received	7,082
Net cash provided by investing activities	7,082
Net decrease in cash	(995,373)
Balances- beginning of year	1,383,704
Balances - end of year	$ 388,331

Reconciliation of operating loss to net cash used for operating activities	
Operating loss	$ (7,087)
Adjustments to reconcile operating net cash provided by operating activities:	
Net effect of changes in:	
Accounts receivable	(1,332,905)
Natural gas inventory	54,248
Prepaid items	20,400
Accounts payable	80,533
Due to other government	182,356
Net cash used for operating activities	$ (1,002,455)

See accompanying 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)," and currently offers two voluntary programs for public agencies:

- A natural gas program which aggregates the natural gas requirements of its members as allowed by the California Public Utilities Commission. POWER then purchases gas directly from natural gas producers that offer competitive prices and reliable supply. POWER arranges for delivery of the purchased gas to the PG&E system for distribution. The goal of POWER's Natural Gas Program is to provide both cost savings and price stability.
- A renewable natural gas (RNG) program which conducts purchasing of RNG and related fuels to achieve reductions in greenhouse gas emissions, address the recycling of organic waste, and assist participants with the promotion and use of low carbon fuels.

The 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 Operations

The area served by POWER is encompassed by Pacific Gas & Electric Company (PG&E) service territory. POWER has contracted with a number of vendors for natural gas purchases. As required by the natural gas suppliers, the amount of gas POWER purchases each month must be nominated to PG&E's transmission and/or 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 by allocation to a future month's use.

In July 2017 ABAG staff were 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 $398,865 for these services in the fiscal year ended June 30, 2023. 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/RNG are recognized in the period in which the gas is billed to members. Members are billed monthly on a levelized basis reflecting anticipated average usage.

New Accounting Pronouncements

GASB Statement No. 91, *Conduit Debt Obligations,* provides a 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. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has 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. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact 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 government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. POWER adopted this standard for fiscal year ended June 30, 2023. The adoption of the standard has no impact on POWER's financial statements.

GASB Statement No. 99, *Omnibus 2022*, enhances comparability in accounting and financial reporting and to improves 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 of this statement are effective as follows: (a) The requirements in paragraphs 26-32 related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by the 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. (b) The requirements in paragraphs 11-25 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements in paragraphs 4-10 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. POWER adopted paragraphs 26-32 of this statement in fiscal year 2022, and paragraphs 11-25 in fiscal year 2023. The adoption of the above requirements has no impact on POWER's financial statements. Management is currently evaluating the effect of the remaining paragraphs of this statement on POWER’s financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62,* enhances 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. The requirements of this statement are effective for accounting changes and errors corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER’s financial statements.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Management is currently evaluating the effect of this statement on POWER's financial statements.

D. Cash and cash equivalents

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 POWER's 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 short-term investments as cash equivalents. Cash equivalents that meet the following definitions are as follows:

- 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. Accounts Receivable

The accounts receivable consists of member billings not yet collected and gas imbalance as of June 30, 2023. Any excess or deficit of actual cost compared to member billings is also recorded as a receivable and will be included as true-up adjustments in billings in fiscal year 2024. As of June 30, 2023, there was a true-up adjustment of $2,067,984 that will be collected in the next fiscal year, which made up majority of the total receivable balance of $2,396,515.

F. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumptions method.

G. Natural Gas Inventory

Any excess of natural gas purchased is recorded as natural gas inventory and is accounted at the Lower of Cost or Market Basis (LCM).

H. Due to Other Government

The due to other government consists of the amount due to MTC for services provided in fiscal year 2023.

I. Deposits from Members

POWER maintains three member agreements that govern participation in the two programs. The natural gas aggregation program contains core (i.e. small usage) and non-core (i.e. large usage) agreements. The RNG program is governed by a single agreement. In all cases, upon execution of the relevant agreement, the joining member is required to provide a working capital deposit to POWER prior to the transference of utility accounts to the POWER program. The member agreements provide POWER the right to increase working capital deposits. This deposit is refundable when the member leaves the program and all liabilities to 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)

J. Operating and Nonoperating Revenues and Expenses

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.

K. Accounts Payable

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

L. Use of Estimates

POWER's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, 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.

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, 2023. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from its members.

3. CASH AND CASH EQUIVALENTS

A. The composition of cash and cash equivalents at June 30, 2023 is as follows:

Cash at banks	$ 383,685
Government Pools	
Local Agency Investment Fund	4,646
Total Cash and cash equivalents	$ 388,331

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 notice or penalty and there is minimal risk to 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 posted as collateral with its agent having a fair value of 110% to 150% of POWER's cash on deposit.

4. PURCHASE COMMITMENTS

During the fiscal year, POWER entered into two agreements with various energy suppliers to facilitate the sale and purchase of natural gas for a delivery period extending to October 31, 2023. The agreements constituted an estimated combined purchase commitment of $634,712.

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 transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by POWER from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverage is subject to market volatility. Therefore, where it makes financial sense, POWER retains part or all of its risk but only after diligent executive review of any risk retention decision.