National Public Gas Agency

Independent Auditor's Report and Financial Statements

March 31, 2023 and 2022

National Public Gas Agency
March 31, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
National Public Gas Agency
Lincoln, Nebraska

Opinion

We have audited the financial statements of National Public Gas Agency, as of and for the years ended March 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise National Public Gas Agency's 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 National Public Gas Agency, as of March 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 National Public Gas Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 National Public Gas Agency's ability to continue as a going concern for 12 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 National Public Gas Agency'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 National Public Gas Agency'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 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.

FORVIS, LLP

Lincoln, Nebraska
May 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of National Public Gas Agency (NPGA) and the results of operations for the years ended March 31, 2023, 2022 and 2021. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Financial Report Overview

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about NPGA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of NPGA based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of NPGA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of NPGA into various categories of operating revenues and expenses, and non-operating revenues.

Statements of Cash Flows – report the cash provided by and used for operating activities, as well as other cash sources such as investment return.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial statements summarize NPGA's financial position and operating results for the years ended March 31, 2023, 2022 and 2021.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2023	2022	2021	From 2022 to 2023	From 2021 to 2022
Current assets	$ 4,701,551	$ 4,218,193	$ 5,681,787	$ 483,358	$ (1,463,594)
Noncurrent assets	-	2,885,000	324,273	(2,885,000)	2,560,727
Deferred outflows of resources	1,894,000	-	-	1,894,000	-
Total assets and deferred outflows of resources	$ 6,595,551	$ 7,103,193	$ 6,006,060	$ (507,642)	$ 1,097,133
Current liabilities	$ 1,803,436	$ 1,335,784	$ 3,051,580	$ 467,652	$ (1,715,796)
Noncurrent liabilities	1,894,000	-	-	1,894,000	-
Deferred inflows of resources	-	2,885,000	74,000	(2,885,000)	2,811,000
Net position - unrestricted	2,898,115	2,882,409	2,880,480	15,706	1,929
Total liabilities, deferred inflows of resources and net position	$ 6,595,551	$ 7,103,193	$ 6,006,060	$ (507,642)	$ 1,097,133

Current assets increased in 2023 due to an increase in cash and cash equivalents and cost of gas in storage. Timely collection of accounts receivables, maturity of investments, and implementation of storage deposits from members all contributed to the increase in cash and cash equivalents. Current assets decreased in 2022 due to a decrease in cash and cash equivalents, short-term investments, and accounts receivable. Although accounts receivable decreased in 2022, the balance is higher than in recent years due to the rising cost of natural gas.

Noncurrent assets, deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources are impacted by the volume of and changes in the fair value of derivative instruments. Derivative instruments consist of commodity swaps NPGA uses to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of natural gas. Volumes of derivative instruments increased in both 2023 and 2022. The volatility of the price of natural gas resulted in the negative fair value of derivative instruments in 2023 and positive fair value of derivative instruments in 2022 and 2021. The fair value of derivative instruments was negative in 2023 resulting in deferred outflows of resources and noncurrent liabilities. The fair value of derivative instruments was positive in 2022 and 2021 resulting in noncurrent assets and deferred inflows of resources.

The change in current liabilities relates to natural gas prices and volumes purchased to meet needs of members and customers resulting in fluctuations in accounts payable. NPGA also implemented storage deposits from members in 2023. As a result of the higher cost of natural gas, NPGA members provided cash deposits to provide funding for gas in storage purchased by NPGA. Accounts payable in 2023 is consistent with accounts payable in 2022. Although accounts payable decreased in 2022, the balance is higher than in recent years due to the rising cost of natural gas. Accounts payable had increased in 2021 due to the increase in natural gas prices related to Winter storm Uri in February 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	
	2023	2022	2021	From 2022 to 2023	From 2021 to 2022
Sales volumes (MMBtu)	2,651,573	2,487,733	2,500,258	163,840	(12,525)
Operating revenues	$ 13,289,985	$ 8,770,029	$ 8,498,131	$ 4,519,956	$ 271,898
Operating expenses	13,328,660	8,773,753	8,532,142	4,554,907	241,611
Operating loss	(38,675)	(3,724)	(34,011)	(34,951)	30,287
Investment return	54,381	5,653	14,091	48,728	(8,438)
Change in net position	$ 15,706	$ 1,929	$ (19,920)	$ 13,777	$ 21,849

The fluctuation in sales volumes results from changes in demand primarily driven by weather conditions and changes in contracts with customers.

The increase in operating revenues and operating expenses in 2023 related to higher average natural gas prices and higher sales volumes compared to 2022. The increase in operating revenues and operating expenses in 2022 related to higher average natural gas prices compared to 2021.

Fluctuations in investment return relate to fluctuations in interest rates and balances in various investment options each fiscal year. Rising interest rates is the primary reason for the increase in investment return in 2023.

General Trends and Significant Events

The beginning of fiscal year 2022-2023 saw market prices continue to climb, with NYMEX first of month prices peaking in September 2023 at $9.34 per MMBtu. The climb in pricing was precipitated by United States storage levels falling far below the 5-year average by the end of withdrawal season, March 2023, along with European gas supply in doubt due in part to the Russian invasion of Ukraine as many countries looked for alternatives to Russian supply. Supply/demand factors continued to put pressure on gas prices throughout a hot and dry summer. However, by the end of the summer, pricing started to reverse course as production increased and demand decreased. The gas supply balance in the United States was aided by an outage of the Freeport LNG natural gas liquefaction and liquified natural gas export facility which kept 2 Bcf of potential exports available from June through December for domestic use and injection into storage. A mild winter in both the United States and Europe helped to right the storage ship and gas prices reversed course. NYMEX prices fell rather quickly, ending the fiscal year at $2.46 per MMBtu for March 2023.

Risk Management Practices

NPGA is subject to various risks inherent in the natural gas business, including market risk, operating risk, regulatory and political risks, credit risk and interest risk.

Natural gas prepay transactions and other long-term commitments provide a means in which NPGA may purchase gas at an expected discount from the market.

NPGA has entered into natural gas supply contracts as part of projects to obtain long-term supplies of natural gas, at a discount, pursuant to prepaid natural gas purchase and sale agreements. The contract term is generally the earlier of 30 years or an early termination date defined per the terms of the agreement. NPGA has gas supply contracts with a joint action agency to purchase a daily contracted quantity at a set discount. The first contract is from February 2020 through August 2026 and the second is from April 2022 through November 2028. NPGA has a gas supply contract with a natural gas acquisition authority to purchase a daily contracted quantity at a set discount from April 2019 through November 2024. NPGA's continued participation in the gas supply contracts through the remaining contract periods, is subject to the ability of each respective organization to supply gas at a minimum discount during each defined reset period.

NPGA has entered into a natural gas production sharing agreement with a nonprofit corporation. The agreement is supported by related agreements with specific members of NPGA who chose to participate and agreed to take delivery of natural gas provided under the natural gas production sharing agreement.

NPGA also utilizes natural gas commodity swap transactions to manage risks associated with natural gas markets. NPGA's commodity swaps outstanding as of March 31, 2023 have effective dates beginning in May 2023 and extending through March 2026.

NPGA will continue to evaluate hedging opportunities, natural gas prepay transactions and other short-term and long-term commitments to manage forward exposure to commodity price risk for members and customers.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other customers and counterparties with a general overview of NPGA's financial status for the fiscal years 2023, 2022 and 2021. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

National Public Gas Agency

Balance Sheets

March 31, 2023 and 2022

Assets and Deferred Outflows of Resources	2023	2022
Current Assets		
Cash and cash equivalents	$ 2,772,636	$ 1,590,035
Short-term investments	-	248,936
Accounts receivable	1,684,629	2,254,162
Gas in storage	244,286	125,060
Total current assets	4,701,551	4,218,193
Noncurrent Assets		
Fair value of derivative instruments	-	2,885,000
Deferred Outflows of Resources		
Deferred outflows from derivative instruments	1,894,000	-
Total assets and deferred outflows of resources	$ 6,595,551	$ 7,103,193

Liabilities, Deferred Inflows of Resources and Net Position	2023	2022
Current Liabilities		
Accounts payable and accrued expenses	$ 1,296,440	$ 1,292,830
Storage deposits	468,000	-
Due to coalition members	38,996	42,954
Total current liabilities	1,803,436	1,335,784
Noncurrent Liabilities		
Fair value of derivative instruments	1,894,000	-
Deferred Inflows of Resources		
Deferred inflows from derivative instruments	-	2,885,000
Net Position		
Unrestricted	2,898,115	2,882,409
Total liabilities, deferred inflows of resources and net position	$ 6,595,551	$ 7,103,193

National Public Gas Agency

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2023 and 2022

	2023	2022
Operating Revenues		
Gas supply	$ 13,289,985	$ 8,770,029
Operating Expenses		
Cost of gas sold	12,824,344	8,283,925
Administrative and general	504,316	489,828
Total operating expenses	13,328,660	8,773,753
Operating Loss	(38,675)	(3,724)
Nonoperating Revenues		
Investment return	54,381	5,653
Change in Net Position	15,706	1,929
Net Position, Beginning of Year	2,882,409	2,880,480
Net Position, End of Year	$ 2,898,115	$ 2,882,409

National Public Gas Agency

Statements of Cash Flows

Years Ended March 31, 2023 and 2022

	2023	2022
Operating Activities		
Cash received from members and customers	$ 12,554,741	$ 9,431,647
Cash paid to suppliers	(11,176,354)	(10,026,195)
Cash received under agent transactions	1,780,492	1,878,319
Cash paid under agent transactions	(1,780,492)	(1,878,319)
Cash paid to coalition members	(491,388)	(467,454)
Net cash provided by (used in) operating activities	886,999	(1,062,002)
Investing Activities		
Proceeds from sales and maturities of investments	250,000	1,000,000
Purchases of investments	-	(500,000)
Interest received on investments	45,602	7,135
Net cash provided by investing activities	295,602	507,135
Increase (Decrease) in Cash and Cash Equivalents	1,182,601	(554,867)
Cash and Cash Equivalents, Beginning of Year	1,590,035	2,144,902
Cash and Cash Equivalents, End of Year	$ 2,772,636	$ 1,590,035
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities		
Operating Loss	$ (38,675)	$ (3,724)
Changes in operating assets and liabilities		
Accounts receivable	577,248	661,618
Gas in storage	(119,226)	(7,100)
Prepaid expenses	-	3,000
Accounts payable and accrued expenses	3,610	(1,717,632)
Storage deposits	468,000	-
Due to coalition members	(3,958)	1,836
Net Cash Provided By (Used In) Operating Activities	$ 886,999	$ (1,062,002)

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

National Public Gas Agency ("NPGA" or "Agency") was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in the ability of the entity to meet its gas supply needs. NPGA sells gas to its members in the states of Nebraska, Colorado and Kansas. NPGA also sells gas to other local governments in the states of Colorado, Kansas, Oklahoma, and Wyoming.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

NPGA, Nebraska Municipal Power Pool (NMPP), Municipal Energy Agency of Nebraska (MEAN) and Public Alliance for Community Energy (ACE), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to member and nonmember participants while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other organizations.

Basis of Accounting and Presentation

NPGA's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. NPGA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licensees prescribed by the Federal Energy Regulatory Commission (FERC). NPGA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). NPGA's accounting policies also follow GASB Codification Section Re10, *Regulated Operations*, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Cash Equivalents

NPGA considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2023, cash equivalents consisted of a money market mutual fund. NPGA had no cash equivalents at March 31, 2022.

Investments and Investment Return

Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investment return consists of interest, the net change for the year in the fair value of investments, and gains or losses on the sale of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to members and customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. NPGA does not believe an allowance for doubtful accounts is necessary at March 31, 2023 and 2022, as there were no delinquent accounts.

Gas in Storage

Contracts with certain interstate pipeline suppliers include a storage component. Gas in storage consists of natural gas purchased for the benefit of members with contracted storage. The quantity in storage is valued at the weighted-average cost by member.

Storage Deposits

Storage deposits consists of cash payments made by members to provide funding for the purchase of natural gas in storage. Cash requirements are evaluated on a monthly basis and received from the members as natural gas is injected into storage and returned to the members as natural gas is withdrawn from storage.

Derivative Instruments

Derivative instruments are utilized by NPGA to manage market risk and reduce exposure resulting from fluctuations in prices of natural gas. These instruments include commodity swap agreements. Additional information regarding these instruments is shown in Note 4.

Net Position Classification

Net position is required to be classified into three components – investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Investment in capital assets - consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. NPGA had no capital assets at March 31, 2023 and 2022.

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position Classification - Continued

Restricted - consists of restricted assets and deferred outflows, reduced by liabilities and deferred inflows related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2023 and 2022 that meet the restricted definition.

Unrestricted - consists of the assets and deferred outflows, and liabilities and deferred inflows that are not included in the net investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include revenues resulting from the purchase and delivery of gas supplies to members and customers. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities other than capital contributions from members.

Rates and Charges

NPGA annually determines its wholesale gas supply rates and charges to recover costs of providing natural gas service. Rates and charges for providing wholesale gas supply are reviewed and adopted by NPGA's Board of Directors. The cost of natural gas to NPGA is recovered through NPGA's rates and charges which includes a monthly gas cost adjustment mechanism. Variances between the stated rate for NPGA members and actual costs are recovered from, or returned to, NPGA's members. The transportation costs and charges incurred by NPGA are for certain members and are charged to the individual members.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, NPGA, as a local government entity, is exempt from federal and state income taxes.

Revisions

During 2023, NPGA revised the presentation of agent natural gas transportation receipts and payments within its statement of cash flows for 2022 as follows:

	As Previously Reported	Revision	As Revised
Cash Flows From Operating Activities			
Cash received from members and customers	$ 11,309,966	$ (1,878,319)	$ 9,431,647
Cash paid to suppliers	(11,904,514)	1,878,319	(10,026,195)
Cash received under agent transactions	-	1,878,319	1,878,319
Cash paid under agent transactions	-	(1,878,319)	(1,878,319)

These revisions had no effect on the change in net position.

Note 2: Deposits, Investments, and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. NPGA's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to NPGA in the amount of NPGA's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. At March 31, 2023 and 2022, NPGA's deposits exceeded FDIC insurance and pledged government securities by approximately $291,000 and $11,000, respectively.

Investments

NPGA's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable laws of the State of Nebraska. Approved investments are outlined in the investment policy and include bills, notes, bonds or other obligations which as to principal and interest constitute direct obligations of the United States of America (U.S.), municipal bonds, bonds or other obligations which as to principal and interest are guaranteed by the U.S., certain senior obligations issued or guaranteed by noted federal organizations, commercial paper, certificates of deposit and time deposits of any U.S. depository institution or trust company, and certain money market mutual fund accounts. Should investment opportunities arise, that are not listed in the investment policy, investment consent is required through the approval of two of the following: Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or NPGA Executive Director.

At March 31, 2023 and 2022, NPGA had the following investments, maturities, and credit ratings:

	Carrying Value	Maturities in Years Less Than 1	Credit Rating Moody's/S&P
March 31, 2023			
Money market mutual fund - U.S. government obligations	$ 1,765,000	$ 1,765,000	Aaa-mf/AAAm
March 31, 2022			
Negotiable certificates of deposits	$ 248,936	$ 248,936	Not rated

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPGA's investment policy does not place a limit on the amount that may be invested in any one maturity category. NPGA's investment policy limits the investment term to a maximum of two years. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Note 2: Deposits, Investments, and Investment Return - Continued

Investments - Continued

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. NPGA's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA-

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, NPGA would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments are held in safekeeping in NPGA's name, in a broker account with NPGA's primary financial institution.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments NPGA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. As of March 31, 2022, each of NPGA's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed $250,000, and were therefore also excluded from this requirement. NPGA's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to $500,000.

Summary of Carrying Values

The carrying values of deposits and investments at March 31, 2023 and 2022, are as follows:

	2023	2022
Deposits	$ 1,007,636	$ 1,590,035
Investments	1,765,000	248,936
	$ 2,772,636	$ 1,838,971

Included in the following balance sheet captions:

	2023	2022
Cash and cash equivalents	$ 2,772,636	$ 1,590,035
Short-term investments	-	248,936
	$ 2,772,636	$ 1,838,971

Note 2: Deposits, Investments, and Investment Return - Continued

Investment Return

Investment return for the years ended March 31, 2023 and 2022 consisted of interest income and the net change in fair value of investments carried at fair value of $54,381 and $5,653, respectively.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Investments - Money market mutual funds are carried at cost, and thus not included within the fair value hierarchy. NPGA's investments in negotiable certificates of deposit are measured at fair value on a recurring basis and are classified within Level 2 of the fair value hierarchy at March 31, 2022.

Derivative Instruments – The fair values of NPGA's cash flow hedges are estimated using forward-looking natural gas curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy at March 31, 2023 and 2022.

Note 3: Transactions with Coalition Members

NPGA, NMPP, MEAN and ACE through common members and management comprise a coalition. NPGA shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

NPGA incurred expenses of approximately $450,000 and $440,000 for administrative services and rents provided by coalition members during 2023 and 2022, respectively. A summary of amounts due to coalition members at March 31, 2023 and 2022, is as follows:

	2023	2022
Due to MEAN	$ 38,996	$ 42,085
Due to NMPP	-	869
Due to coalition members	$ 38,996	$ 42,954

Note 4: Derivative Instruments

NPGA has entered into commodity swaps to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of natural gas. These commodity swaps are considered derivative instruments under the provisions of GASB Codification Section D40, *Derivative Instruments*. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes. The fair value of NPGA's derivative instruments at March 31, 2023 and 2022 is $(1,894,000) and $2,885,000, respectively.

Cash Flow Hedges - Cash flow hedges are derivative instruments associated with a hedgeable item that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item. At March 31, 2023, the negative fair value of commodity swaps considered cash flow hedges is classified as a noncurrent liability on the balance sheet, with an offsetting deferred outflows of resources for the same amount. At March 31, 2022, the positive fair value of commodity swaps considered cash flow hedges is classified as a noncurrent asset on the balance sheet, with an offsetting deferred inflow of resources for the same amount. The change in fair value of cash flow hedges was a decrease of $4,779,000 for 2023 and an increase of $2,811,000 for 2022. The change in fair value is reflected within deferred outflows from derivative instruments in 2023 and deferred inflows from derivative instruments in 2022.

During 2023 and 2022, NPGA had pay-fixed, receive variable commodity swaps with a national energy corporation. NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month.

Credit risk – At March 31, 2023 and 2022, for the swaps with a positive fair value, NPGA was exposed to credit risk in the amount of the fair value of the swaps. NPGA reduces its exposure to credit risk by requiring the counterparty to maintain credit ratings as defined in contract documents. As of March 31, 2023 and 2022, the counterparty was rated A- by S&P Global Ratings and A3 by Moody's Investors Service. The counterparty is exposed to credit risk for the swaps with a negative fair value. In accordance with the agreement with the counterparty, NPGA would be required to post collateral if the negative fair value exceeds $5,000,000.

Termination risk - NPGA or the counterparties may terminate the swaps if either party fails to perform as outlined in the terms of the contracts. If a swap agreement is terminated, each party will make the calculations on its part, and will provide to the other party a statement showing relevant quotations and specifying any amount payable according to the applicable swap agreements.

Basis risk - NPGA is exposed to basis risk on the swaps because the variable payments on the commodity swaps are based on the Henry Hub pricing point, which is different than the varying pricing points used by NPGA for its natural gas purchases. The basis difference can vary depending on the geographical location of the pricing point.

Note 4: Derivative Instruments – Continued

NPGA's derivative instruments at March 31, 2023 consist of cash flow hedges with the following terms:

March 31, 2023				
Notional Amount (# of contracts)	**Effective Date**	**Termination Date**	**Monthly MMBtu**	**Fixed Price per MMBtu**
	Monthly starting	Monthly through		
1	5/1/2023	5/1/2023	8,042	$2.216
2	5/1/2023	6/1/2023	10,000	$2.850
3	5/1/2023	7/1/2023	6,083	$3.155
4	5/1/2023	8/1/2023	8,042	$3.205
5	5/1/2023	9/1/2023	8,042	$3.445
6	5/1/2023	10/1/2023	8,042	$3.705
7	5/1/2023	11/1/2023	8,042	$3.570
8	5/1/2023	12/1/2023	8,042	$3.530
9	5/1/2023	1/1/2024	8,042	$3.465
10	5/1/2023	2/1/2024	8,042	$3.670
11	5/1/2023	3/1/2024	8,444	$4.135
12	5/1/2023	4/1/2024	8,444	$4.475
12	6/1/2023	5/1/2024	8,444	$5.030
12	7/1/2023	6/1/2024	8,444	$5.005
12	8/1/2023	7/1/2024	8,444	$4.380
12	9/1/2023	8/1/2024	8,444	$5.625
12	10/1/2023	9/1/2024	8,444	$5.450
12	11/1/2023	10/1/2024	8,444	$4.820
12	12/1/2023	11/1/2024	8,444	$4.775
12	1/1/2024	12/1/2024	8,444	$4.665
12	2/1/2024	1/1/2025	8,444	$4.255
12	3/1/2024	2/1/2025	8,444	$3.720
12	4/1/2024	3/1/2025	6,900	$3.790
12	10/1/2024	9/1/2025	4,222	$5.060
12	11/1/2024	10/1/2025	4,222	$4.645
12	12/1/2024	11/1/2025	4,222	$4.625
12	1/1/2025	12/1/2025	4,222	$4.585
12	2/1/2025	1/1/2026	4,222	$4.390
12	3/1/2025	2/1/2026	4,222	$3.980
12	4/1/2025	3/1/2026	3,450	$4.310

Note 4: Derivative Instruments – Continued

NPGA's derivative instruments at March 31, 2022 consist of cash flow hedges with the following terms:

March 31, 2022				
Notional Amount (# of contracts)	**Effective Date**	**Termination Date**	**Monthly MMBtu**	**Fixed Price per MMBtu**
	Monthly starting	Monthly through		
2	5/1/2022	6/1/2022	10,000	$2.600
2	5/1/2022	6/1/2022	10,000	$2.575
3	5/1/2022	7/1/2022	10,000	$2.550
3	5/1/2022	7/1/2022	10,000	$2.540
4	5/1/2022	8/1/2022	10,000	$2.815
4	5/1/2022	8/1/2022	10,000	$2.785
5	5/1/2022	9/1/2022	10,000	$2.785
5	5/1/2022	9/1/2022	10,000	$2.760
8	5/1/2022	12/1/2022	10,000	$2.615
12	7/1/2022	6/1/2023	10,000	$2.850
12	8/1/2022	7/1/2023	6,083	$3.155
3	8/1/2022	10/1/2022	30,417	$3.255
12	9/1/2022	8/1/2023	8,042	$3.205
3	9/1/2022	11/1/2022	11,958	$3.370
12	10/1/2022	9/1/2023	8,042	$3.445
3	10/1/2022	12/1/2022	11,958	$3.815
12	11/1/2022	10/1/2023	8,042	$3.705
3	11/1/2022	1/1/2023	22,375	$4.225
12	12/1/2022	11/1/2023	8,042	$3.570
3	12/1/2022	2/1/2023	3,917	$4.260
12	1/1/2023	12/1/2023	8,042	$3.530
3	1/1/2023	3/1/2023	13,917	$4.105
12	2/1/2023	1/1/2024	8,042	$3.465
4	2/1/2023	5/1/2023	8,042	$3.600
3	2/1/2023	4/1/2023	2,167	$3.745
1	2/1/2023	2/1/2023	4,125	$4.155
12	3/1/2023	2/1/2024	8,042	$3.670
12	4/1/2023	3/1/2024	8,444	$4.135

Note 5: Gas Supply

Gas supply for the years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Members	$ 12,568,767	$ 8,268,663
Customers	721,218	501,366
	$ 13,289,985	$ 8,770,029

NPGA has natural gas supply agreements for total requirements supply with members and customers under various terms and rate schedules. As of March 31, 2023 and 2022, NPGA had agreements with 13 members.

Note 6: Natural Gas Costs and Commitments

Cost of gas sold for the years ended March 31, 2023 and 2022 was as follows:

	2023	2022
Purchased gas	$ 14,370,511	$ 9,425,247
Production	277,079	272,304
Commodity swaps, net	(2,008,163)	(1,533,203)
Transportation	184,917	119,577
	$ 12,824,344	$ 8,283,925

Purchased Gas

NPGA's natural gas requirements are purchased through contracts with various natural gas suppliers. NPGA's contracts with natural gas suppliers provide for the pricing of natural gas purchases primarily based on nationally publicized indices plus or minus applicable premiums and discounts.

At March 31, 2023, NPGA has contracts with a natural gas supplier to purchase fixed monthly volumes, varying by month, from April 2023 through October 2024 at a fixed price per MMBtu. The total value of the contracts is approximately $1,304,000.

NPGA has entered into gas supply contracts as part of projects to obtain long-term supplies of natural gas, at a discount, pursuant to prepaid natural gas purchase and sale agreements. NPGA's continued participation in the gas supply contracts through the earlier of the contract term or an early termination date defined per the terms of the agreement, is subject to the ability of the counterparty to supply gas at a minimum discount during each defined reset period.

Note 6: Natural Gas Costs and Commitments – Continued

Purchased Gas - Continued

NPGA has a gas supply contract with a joint action agency to purchase a daily contracted quantity of 500 MMBtu at a set discount beginning April 2022 through November 2028. The contract term is the earlier of March 31, 2052 or an early termination date defined per the terms of the agreement. NPGA has a gas supply contract with the same joint action agency to purchase a daily contracted quantity of 500 MMBtu at a set discount from February 2020 through August 2026. The contract term is the earlier of January 31, 2050 or an early termination date defined per the terms of the agreement. During the years ended March 31, 2023 and 2022, NPGA purchased approximately 365,000 MMBtu and 183,000 MMBtu, respectively, under the agreements.

NPGA has a gas supply contract with a natural gas acquisition authority to purchase a daily contracted quantity of 1,000 MMBtu at a set discount from April 2019 through November 2024. The contract term is the earlier of November 30, 2048 or an early termination date defined per the terms of the agreement. During the years ended March 31, 2023 and 2022, NPGA purchased approximately 365,000 MMBtu each year under the agreement.

Production

NPGA has entered into a natural gas production sharing agreement with a nonprofit corporation whereby NPGA has agreed to purchase a maximum of approximately 301,000 MMBtu per year for a participation share of 2.2%. The natural gas production sharing agreement obligates NPGA to pay its participation share of all costs incurred by the related gas supply pool until all related debt has been paid and the last volumes have been delivered. Debt is outstanding through 2027. Purchase requirements are subject to production availability. The delivery obligation ceased effective January 1, 2023. During the years ended March 31, 2023 and 2022, NPGA purchased approximately 42,000 MMBtu and 69,000 MMBtu, respectively.

Commodity Swaps

NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month. The amount included in cost of gas sold represents the net amount of commodity swaps settled.

Transportation

NPGA contracts with certain interstate pipeline suppliers for the transportation and storage of its natural gas requirements. NPGA has entered into Asset Management Arrangements (AMA) with natural gas suppliers resulting in payment and consideration for the release of transportation capacity on three interstate pipelines. The terms of the agreements vary by pipeline. Payments received under the AMA are netted against the transportation costs incurred. The transportation costs and charges incurred by NPGA are for certain members and are charged to the individual members. As of March 31, 2023, NPGA has an AMA with a term of April 1, 2023 through October 31, 2023; an AMA with a term of April 1, 2023 through March 31, 2024 with an automatic annual extension unless terminated in accordance with the contract notice provisions; and, an AMA with a term of August 1, 2021 through July 31, 2023.

Note 6: Natural Gas Costs and Commitments – Continued

Transportation - Continued

NPGA has contracted to collect payments for transportation of natural gas on behalf of certain members and customers and remits these payments to the respective interstate pipeline supplier. Since NPGA is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The transportation purchased by the members and customers, that NPGA was responsible for collecting and remitting to the respective transportation suppliers, totaled approximately $1,780,000 and $1,878,000 during 2023 and 2022, respectively.

Note 7: Risk Management

NPGA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. NPGA is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. None of the claims submitted against this commercial coverage in any of the three preceding years were specific to or material to NPGA. All such claims were submitted for losses incurred in the normal course of business.

Note 8: Significant Concentrations

Information regarding major members and customers is provided for those members and customers who individually exceed 10% of NPGA's annual revenues from gas supply or accounts receivable balances at year-end.

At March 31, 2023, three members owed a total of $732,000 or 43% of total accounts receivable. At March 31, 2022, approximately $1,168,000 or 52% of total accounts receivable were owed by three members.

For the year ended March 31, 2023, two members comprised approximately $6,529,000 or 49% of total revenues from gas supply. For the year ended March 31, 2022, two members comprised approximately $4,411,000 or 50% of total revenues from gas supply.