National Public Gas Agency

Independent Auditor's Report and Financial Statements

March 31, 2021 and 2020

NPGA®

NATIONAL PUBLIC GAS AGENCY

National Public Gas Agency
March 31, 2021 and 2020

Contents

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Independent Auditor's Report

Board of Directors
National Public Gas Agency
Lincoln, Nebraska

We have audited the accompanying financial statements of National Public Gas Agency, as of and for the years ended March 31, 2021 and 2020, 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.

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 audits. We conducted our audits 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 National Public Gas Agency as of March 31, 2021 and 2020, and the changes in financial position and cash flows for the years 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 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 audits 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.

BKD, LLP

Lincoln, Nebraska
May 20, 2021

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, 2021, 2020 and 2019. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements, and notes to the financial statements.

Summary of the Financial Statements

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 income.

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, 2021, 2020 and 2019.

Condensed Balance Sheets and Financial Highlights

	March 31, 2021	March 31, 2020	March 31, 2019	Change From 2020 to 2021	Change From 2019 to 2020
Assets and Deferred Outflows of Resources					
Current assets	$ 5,681,787	$ 3,586,235	$ 4,203,408	$ 2,095,552	$ (617,173)
Noncurrent assets	324,273	-	24,000	324,273	(24,000)
Deferred outflows of resources	-	188,000	-	(188,000)	188,000
Total assets and deferred outflows of resources	$ 6,006,060	$ 3,774,235	$ 4,227,408	$ 2,231,825	$ (453,173)
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	$ 3,051,580	$ 685,835	$ 1,301,118	$ 2,365,745	$ (615,283)
Noncurrent liabilities	-	188,000	-	(188,000)	188,000
Deferred inflows of resources	74,000	-	24,000	74,000	(24,000)
Net position - unrestricted	2,880,480	2,900,400	2,902,290	(19,920)	(1,890)
Total liabilities, deferred inflows of resources and net position	$ 6,006,060	$ 3,774,235	$ 4,227,408	$ 2,231,825	$ (453,173)

Current assets increased at March 31, 2021 due primarily to an increase in accounts receivable. The increase in receivables is due to additional volumes and higher natural gas prices related to Winter storm Uri in February 2021. Current assets decreased at March 31, 2020 due primarily to a decrease in accounts receivable.

Noncurrent assets and noncurrent liabilities are impacted by the volume of and changes in the fair value of derivative instruments. The fair value of derivative instruments was positive at March 31, 2021 and 2019 resulting in a noncurrent asset. The fair value of derivative instruments was negative at March 31, 2020 resulting in a noncurrent liability. Noncurrent assets also increased as of March 31, 2021 as NPGA moved more funds into the investment portfolio resulting in a balance in long-term investments. The maturity in years of the investment portfolio will fluctuate at each year end.

Deferred outflows of resources and deferred inflows of resources also fluctuate annually as a result of the volume of and changes in the fair value of derivative instruments. The deferred inflows of resources as of March 31, 2021 and 2019 result from the positive fair value of cash flow hedges. The deferred outflows of resources as of March 31, 2020 result from the negative fair value of cash flow hedges.

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. Accounts payable increased at March 31, 2021 as a result of the increase in natural gas prices due to Winter storm Uri in February 2021.

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

	March 31,			Change	
	2021	2020	2019	From 2020 to 2021	From 2019 to 2020
Sales volumes (MMBtu)	2,500,258	2,315,035	2,715,416	185,223	(400,381)
Operating revenues	$ 8,498,131	$ 5,001,443	$ 8,148,671	$ 3,496,688	$ (3,147,228)
Operating expenses	8,532,142	5,052,177	8,187,904	3,479,965	(3,135,727)
Operating loss	(34,011)	(50,734)	(39,233)	16,723	(11,501)
Total nonoperating revenues	14,091	48,844	55,296	(34,753)	(6,452)
Distribution to members	-	-	(5,000,000)	-	5,000,000
Change in net position	$ (19,920)	$ (1,890)	$ (4,983,937)	$ (18,030)	$ 4,982,047

The fluctuation in sales volumes results from changes in demand primarily driven by weather conditions and changes in contracts with customers. One community converted from a customer contract to a member in 2021. One community did not renew a customer contract for 2020 while another community converted from a customer contract to a member in 2020. A portion of the increase in operating revenues and operating expenses in 2021 related to increased demand and higher average natural gas prices compared to 2020. The majority of the increase in operating revenues and operating expenses in 2021 resulted from the increase in demand and drastic increase in natural gas prices during Winter storm Uri in February 2021. The decrease in operating revenues and operating expenses in 2020 related to decreased demand compared to 2019 and lower average natural gas prices compared to 2019.

Fluctuations in total nonoperating revenues relate to fluctuations in interest rates and funds invested each fiscal year impacting annual investment return.

After analysis of NPGA's net position and financial policies and guidelines, NPGA's Board of Directors approved a distribution to members in June 2018 of $5,000,000.

General Trends and Significant Events

At the end of fiscal 2020, about one-third of the nation was under some type of "shelter-in-place" order with many additional people working from home due to the global pandemic caused by COVID-19. Throughout 2021, the COVID-19 pandemic introduced challenges. NPGA adapted to keep staff, members and customers safe and healthy while continuing to meet gas supply needs.

The COVID-19 pandemic impacted both supply and demand of natural gas, which kept prices in check, until the oil market crashed and went negative for the first time in history in April 2020. With lost production came the loss of associated gas, causing modest pressure on natural gas prices in 2020 compared to the low rates of 2019.

In February 2021, Winter storm Uri brought prolonged frigid temperatures to the midwestern United States. These prolonged frigid temperatures created a significant increase in natural gas demand while also posing some operating challenges to production facilities and certain pipelines. As a result, the supply of natural gas was projected to fall short of the demand and many utilities were asked to limit use of natural gas to human need. In addition, certain natural gas pipelines instituted restrictions on the flow of natural gas in order to stabilize the system resulting in potential penalties and additional pressure on natural gas prices. This imbalance between supply and demand caused considerable volatility in the price of natural gas resulting in rapid and often substantial fluctuations in the price of natural gas purchased and sold by numerous utilities. Ten NPGA members experienced a significant increase in the February cost of gas which increased NPGA's 2021 operating revenues and operating expenses. NPGA worked with the gas suppliers to extend payment terms, without interest, to give the impacted members more time to remit payment to NPGA. The extended payment terms resulted in increased accounts receivable and accounts payable at March 31, 2021. The impacted members remitted full payment to NPGA by May 2021. NPGA provided full payment to the gas suppliers in May 2021.

Despite entering the 2020 calendar year with record U.S. natural gas production, COVID-19 and the loss of oil and natural gas rigs saw production decline throughout the year. Production rebounded but as business and industry came back online, industrial demand, exports to Mexico and LNG exports outpaced production, ending March 2021 with a net supply-demand deficit of -1.2 MMBtu/day compared to March 2020. Winter Storm Uri brought record demand in mid-February matched against a 20% loss in production largely due to freeze-offs in Texas, forcing purchase of incremental gas at intraday prices 100 to 300 times the normal range of $3 per MMBtu. By the end of February, spot pricing had returned to normal at $2.775 per MMBtu on February 26. As of March 26, 2021, working gas in underground storage was slightly below the five-year historical range according to EIA estimates, compared to a storage level 17% above the five-year range on March 27, 2020. Although federal regulation has not yet impacted production, restriction of new gas drilling leases on public lands and waters may impact production going forward with 12% of national production currently stemming from public lands. At fiscal year-end, the NYMEX forward curve was relatively flat for fiscal 2022, ranging from $2.50 to $3.00 per MMBtu.

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. In December 2019, NPGA entered into a gas supply contract with a joint action agency to purchase a daily contracted quantity at a set discount beginning February 2020 through August 2026. NPGA entered into a gas supply contract with a natural gas acquisition authority in September 2018 to purchase a daily contracted quantity at a set discount beginning 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, 2021 have effective dates beginning in May 2021 and extending into fiscal year 2023.

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 2021, 2020 and 2019. 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, 2021 and 2020

Assets and Deferred Outflows of Resources	2021	2020
Current Assets		
Cash and cash equivalents	$ 2,144,902	$ 2,271,747
Short-term investments	500,145	251,032
Accounts receivable	2,915,780	902,643
Gas in storage	117,960	160,813
Prepaid expenses	3,000	-
Total current assets	5,681,787	3,586,235
Noncurrent Assets		
Long-term investments	250,273	-
Fair value of derivative instruments	74,000	-
Total noncurrent assets	324,273	-
Deferred Outflows of Resources		
Deferred outflows from derivative instruments	-	188,000
Total assets and deferred outflows of resources	$ 6,006,060	$ 3,774,235

Liabilities, Deferred Inflows of Resources and Net Position	2021	2020
Current Liabilities		
Accounts payable and accrued expenses	$ 3,010,462	$ 650,499
Due to coalition members	41,118	35,336
Total current liabilities	3,051,580	685,835
Noncurrent Liabilities		
Fair value of derivative instruments	-	188,000
Deferred Inflows of Resources		
Deferred inflows from derivative instruments	74,000	-
Net Position		
Unrestricted	2,880,480	2,900,400
Total liabilities, deferred inflows of resources and net position	$ 6,006,060	$ 3,774,235

National Public Gas Agency

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2021 and 2020

	2021	2020
Operating Revenues		
Gas supply	$ 8,498,131	$ 5,001,443
Operating Expenses		
Cost of gas sold	8,074,688	4,581,865
Administrative and general	457,454	470,312
Total operating expenses	8,532,142	5,052,177
Operating Loss	(34,011)	(50,734)
Nonoperating Revenues		
Investment return	14,091	48,844
Decrease in Net Position	(19,920)	(1,890)
Net Position, Beginning of Year	2,900,400	2,902,290
Net Position, End of Year	$ 2,880,480	$ 2,900,400

National Public Gas Agency

Statements of Cash Flows

Years Ended March 31, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from members and customers	$ 8,192,026	$ 7,236,402
Cash paid to suppliers	(7,383,679)	(6,955,947)
Cash paid to coalition members	(449,897)	(484,823)
Net cash provided by (used in) operating activities	358,450	(204,368)
Investing Activities		
Proceeds from sales and maturities of investments	250,000	-
Purchases of investments	(750,000)	(250,000)
Interest received on investments	14,705	47,812
Net cash used in investing activities	(485,295)	(202,188)
Decrease in Cash and Cash Equivalents	(126,845)	(406,556)
Cash and Cash Equivalents, Beginning of Year	2,271,747	2,678,303
Cash and Cash Equivalents, End of Year	$ 2,144,902	$ 2,271,747
Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities		
Operating Loss	$ (34,011)	$ (50,734)
Changes in operating assets and liabilities		
Accounts receivable	(2,013,137)	508,961
Gas in storage	42,853	(48,379)
Prepaid expenses	(3,000)	-
Accounts payable and accrued expenses	2,359,963	(573,642)
Due to/from coalition members	5,782	(40,574)
Net Cash Provided By (Used In) Operating Activities	$ 358,450	$ (204,368)

National Public Gas Agency
Notes to Financial Statements
March 31, 2021 and 2020

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 who are located in the states of Nebraska, Colorado and Kansas. NPGA also sells gas to other local governments located 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.

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

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.

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, 2021 and 2020, cash equivalents consisted of a money market mutual fund.

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, 2021 and 2020, 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.

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

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, 2021 and 2020.

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, 2021 and 2020 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.

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.

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.

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. NPGA's deposits were covered by FDIC insurance and pledged government securities at March 31, 2021. At March 31, 2020, NPGA's deposits exceeded FDIC insurance and pledged government securities by approximately $132,000.

Investments

NPGA's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. NPGA may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper, and municipal bonds. In the event that secured investment opportunities arise, other than those specified above, 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, 2021 and 2020, NPGA had the following investments, maturities, and credit ratings:

	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1-5	Credit Rating Moody's/S&P
March 31, 2021				
Money market mutual fund				
- U.S. government obligations	$ 850,000	$ 850,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposits	750,418	500,145	250,273	Not rated
	$ 1,600,418	$ 1,350,145	$ 250,273	
March 31, 2020				
Money market mutual fund				
- U.S. government obligations	$ 1,640,000	$ 1,640,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposits	251,032	251,032	-	Not rated
	$ 1,891,032	$ 1,891,032	$ -	

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

Investments - Continued

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. 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.

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, 2021 and 2020, 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, 2021 and 2020, are as follows:

	2021	2020
Deposits	$ 1,294,902	$ 631,747
Investments	1,600,418	1,891,032
	$ 2,895,320	$ 2,522,779

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

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

	2021	2020
Cash and cash equivalents	$ 2,144,902	$ 2,271,747
Short-term investments	500,145	251,032
Long-term investments	250,273	-
	$ 2,895,320	$ 2,522,779

Investment Return

Investment return for the years ended March 31, 2021 and 2020 consisted of interest income and the net change in fair value of investments of $14,091 and $48,844, 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.

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 at March 31, 2021 and 2020 are measured at fair value on a recurring basis and are classified within Level 2 of the fair value hierarchy.

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 $420,000 and $410,000 for administrative services and rents provided by coalition members during 2021 and 2020.

At March 31, 2021, amounts due to coalition members consisted of $5,800 payable to NMPP and $35,318 payable to MEAN. At March 31, 2020, amounts due to coalition members consisted of $35,336 payable to MEAN.

Note 4: Derivative Instruments

Objectives and Terms of 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.

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, 2021, 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. At March 31, 2020, 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 outflow of resources for the same amount. The change in fair value of cash flow hedges was an increase of $262,000 for 2021 and a decrease of $212,000 for 2020. The change in fair value is reflected within deferred inflows from derivative instruments in 2021 and deferred outflows from derivative instruments in 2020.

During 2021 and 2020, 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. As of March 31, 2021, the counterparty was rated A- by Standard & Poor's and A3 by Moody's Investors Service. As of March 31, 2020, the counterparty was rated A- by Standard & Poor's and A2 by Moody's Investors Service.

The fair value of NPGA's derivative instruments at March 31, 2021 and 2020 is $74,000 and $(188,000), respectively.

National Public Gas Agency

Notes to Financial Statements

March 31, 2021 and 2020

Note 4: Derivative Instruments – Continued

Objectives and Terms of Derivative Instruments – Continued

A summary of objectives and terms of NPGA's derivative instruments at March 31, 2021, (all contracts are structured with a quantity of 10,000 MMBtu per contract) follows:

March 31, 2021			
Notional Amount (# of contracts)	**Effective Date**	**Termination Date**	**Fixed Price per MMBtu**
Cash Flow Hedges:			
	Monthly starting	Monthly through	
2	5/1/2021	6/30/2021	$2.650
5	5/1/2021	9/30/2021	$2.590
8	5/1/2021	12/31/2021	$2.490
12	7/1/2021	6/30/2022	$2.600
12	7/1/2021	6/30/2022	$2.575
12	8/1/2021	7/31/2022	$2.550
12	8/1/2021	7/31/2022	$2.540
12	9/1/2021	8/31/2022	$2.815
12	9/1/2021	8/31/2022	$2.785
12	10/1/2021	9/30/2022	$2.785
12	10/1/2021	9/30/2022	$2.760
12	1/1/2022	12/31/2022	$2.615

A summary of objectives and terms of NPGA's derivative instruments at March 31, 2020, (all contracts are structured with a quantity of 10,000 MMBtu per contract) follows:

March 31, 2020			
Notional Amount (# of contracts)	**Effective Date**	**Termination Date**	**Fixed Price per MMBtu**
Cash Flow Hedges:			
	Monthly starting	Monthly through	
3	5/1/2020	7/31/2020	$2.695
7	5/1/2020	11/30/2020	$2.730
9	5/1/2020	1/31/2021	$2.660
12	7/1/2020	6/30/2021	$2.650
12	10/1/2020	9/30/2021	$2.590
12	1/1/2021	12/31/2021	$2.490

Note 4: Derivative Instruments – Continued

Objectives and Terms of Derivative Instruments – Continued

Credit risk – At March 31, 2021, for the swaps with a positive fair value, NPGA was exposed to credit risk in the amount of the fair value of the swaps. At March 31, 2020, NPGA was not exposed to credit risk for swaps that had a negative fair value. NPGA reduces its exposure to credit risk by requiring the counterparty to maintain credit ratings as defined in contract documents.

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 5: Gas Supply

Gas supply for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Members	$ 8,199,178	$ 4,373,281
Customers	298,953	628,162
	$ 8,498,131	$ 5,001,443

NPGA has agreements with various parties to provide for the sale of natural gas to the parties under various terms and rate schedules. As of March 31, 2021 and 2020, NPGA had 13 and 12 member participants, respectively.

Note 6: Natural Gas Costs and Commitments

Cost of gas sold for the years ended March 31, 2021 and 2020 was as follows:

	2021	2020
Purchased gas	$ 7,746,855	$ 4,186,019
Production	166,819	206,111
Commodity swaps, net	56,468	70,962
Transportation	104,546	118,773
	$ 8,074,688	$ 4,581,865

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 all natural gas primarily based on nationally publicized indices plus or minus applicable premiums and discounts.

At March 31, 2021, NPGA has contracts with a natural gas supplier to purchase daily volumes, varying by month, from November 1, 2021 through March 31, 2022 at a fixed price per MMBtu. The total contract value is approximately $128,000.

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 natural gas acquisition authority to supply gas at a minimum discount during each defined reset period. In December 2019, NPGA entered into a gas supply contract with a joint action agency to purchase a daily contracted quantity of 500 MMBtu at a set discount beginning 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, 2021 and 2020, NPGA purchased 183,000 and 30,000 MMBtu under the agreement, respectively. In September 2018, NPGA entered into a gas supply contract with a natural gas acquisition authority to purchase a daily contracted quantity of 1,000 MMBtu at a set discount beginning 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, 2021 and 2020, NPGA purchased 365,000 and 366,000 MMBtu under the agreement, respectively.

Note 6: Natural Gas Costs and Commitments – Continued

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 2.89%. 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. During the years ended March 31, 2021 and 2020, NPGA purchased approximately 83,000 MMBtu and 110,000 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 cost 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 two 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, 2021, NPGA has an AMA with a term of April 1, 2021 through October 31, 2021. NPGA also has an AMA with a term of April 1, 2021 through March 31, 2022 with an automatic annual extension unless terminated in accordance with the contracted notice provisions.

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 $1,707,000 and $1,726,000 during 2021 and 2020, respectively.

In February 2021, Winter storm Uri brought prolonged frigid temperatures to the midwestern United States. These prolonged frigid temperatures created a significant increase in natural gas demand while also posing some operating challenges to production facilities and certain pipelines. Certain natural gas pipelines instituted restrictions on the flow of natural gas in order to stabilize the system resulting in potential penalties. One pipeline has not yet assessed penalties nor has the pipeline waived the potential penalty. The potential penalty could have a significant impact on transportation costs for one NPGA member. If penalties are assessed, NPGA, as agent, is responsible for collecting and remitting the related payment.

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, 2021, $2,157,000 or 74% of total accounts receivable were owed by four members. At March 31, 2020, approximately $542,000 or 60% of total accounts receivable were owed by three members and one customer.

For the year ended March 31, 2021, four members comprised approximately $5,027,000 or 59% of total revenues from gas supply. For the year ended March 31, 2020, two members comprised approximately $2,356,000 or 47% of total revenues from gas supply.