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California Community Choice Financing Authority

Financial Statements

Year Ended December 31, 2022 and Period from Inception to December 31, 2021

with Report of

Independent Auditors

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
YEAR ENDED DECEMBER 31, 2022 AND
PERIOD FROM INCEPTION TO 2021

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Independent Auditors' Report

To the Board of Directors of
California Community Choice Financing Authority

Opinion

We have audited the accompanying financial statements of the California Community Choice Financing Authority (CCCFA), as of and for the years ended December 31, 2022 and period from inception (June 25, 2021) to December 31, 2021,, and the related notes to the financial statements, which collectively comprise the CCCFA'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 the CCCFA as of December 31, 2022 and period from inception (June 25, 2021) to December 31, 2021, 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.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CCCFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CCCFA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CCCFA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CCCFA'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.

Baker Tilly US, LLP

Madison, Wisconsin
November 9, 2023

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEAR ENDED DECEMBER 31, 2022 AND
PERIOD FROM INCEPTION TO DECEMBER 31, 2021

The Management's Discussion and Analysis provides an overview of California Community Choice Financing Authority (CCCFA) financial activities for the calendar year ended December 31, 2022, and the period from inception (June 25, 2021) to December 31, 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

CCCFA is a Joint Powers Agency comprised of Community Choice Aggregators (CCAs) and was created on June 25, 2021 under the California Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the California Government Code (Act), and the joint powers agreement by and among the Members of CCCFA (JPA). Each Member is a public agency and a joint powers authority under the Act, and a community choice aggregator (CCA) which operates a community choice aggregation program. Community choice aggregation programs were made possible in 2002 by the passage of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation. CCCFA has no employees. Members make contributions to CCCFA to fund the actual costs of providing general and administrative services. CCCFA is governed by a Board consisting of one director representing each founding Member of CCCFA.

ENERGY PREPAYMENT TRANSACTIONS

CCCFA was formed for, among other purposes, financing energy prepayments with tax-exempt bonds (Bonds) for the benefit of its Members. For each prepayment transaction, CCCFA issues Bonds pursuant to a trust indenture (Trust Indenture) between CCCFA and the bond trustee for that transaction. The Bonds are limited obligations of CCCFA secured solely by the revenues from the transaction and certain other rights and interests pledged by CCCFA pursuant to the related Trust Indenture. CCCFA does not retain the proceeds of the Bonds. Proceeds are expended to fund the prepayment to the energy supplier, fund certain reserves and pay costs of issuance of the Bonds. The transactions are structured so CCCFA receives funds to pay for the principal and interest on the bonds through the scheduled sale of electricity to members.

The proceeds of the Bonds are used to prepay for a supply of electricity to be delivered over a multi-year period under a Prepaid Energy Purchase and Sale Agreement or similar agreement (PEPSA) between CCCFA and an energy supplier. CCCFA sells the electricity to the participating Member or Members (Participating Member) in accordance with a Clean Energy Purchase Contract (CEPC) or similar agreement between CCCFA and each Participating Member. Each CEPC corresponds to a specific PEPSA with an energy supplier. The PEPSA and corresponding CEPC(s) (collectively, Prepayment Agreements) are "back-to-back" energy purchase and sales agreements which enable the simultaneous transfer of electricity from the energy supplier to the Participating Member(s). CCCFA is only responsible for delivering energy to the Participating Member(s) under the applicable CEPC(s) that it has received from the energy supplier under the PEPSA.

ENERGY PREPAYMENT TRANSACTIONS (continued)

CCCFA is not ultimately responsible for any shortfall of deliveries to a Participating Member under a CEPC nor any failure by an energy supplier to deliver energy under a PEPSA. Member CCAs who are not a party to a CEPC are not responsible for the purchase or sale of electricity through any of the Prepayment Agreements.

In connection with each PEPSA, CCCFA enters into a swap agreement which provides for the conversion of variable receipts from the sale of electricity under the related CEPC(s) to fixed receipts. Amounts due from CCCFA under each swap agreement are payable solely from the revenues from the related transaction under the terms of the Trust Indenture, and CCCFA is not ultimately responsible for making payments under any such swap agreement.

CCCFA invests cash in reserves and other accounts pursuant to Investment Agreements with financial institutions arranged by the Participating Member(s) and advisors and earns interest income on these investments. Invested funds are applied to make payments to bond holders in accordance with the applicable Trust Indenture. CCCFA remits interest earned on investments to Participating Members annually consistent with the Trust Indentures and related CEPCs. CCCFA is not responsible for the failure by financial institutions to perform under Investment Agreements.

CCCFA issued Bonds and entered into related Trust Indentures and Prepayment Agreements for prepayment transactions in September 2021 for Participating Members East Bay Community Energy and Silicon Valley Clean Energy, in November 2021 for Participating Member Marin Clean Energy, and in July 2022 for Participating Member East Bay Community Energy.

Financial Reporting

CCCFA presents its financial statements as an enterprise fund under the economic resources measurement focus and accrual basis of accounting, in accordance with Generally Accepted Accounting Principles (GAAP) for proprietary funds, as prescribed by the Governmental Accounting Standards Board (GASB).

Contents of this report

This report is divided into the following sections:

- Management's discussion and analysis, which provides an overview of the financial operations.

- The basic financial statements:

    - The *Statements of Net Position* includes all of CCCFA's assets, liabilities, and net position and provides information about the nature and amount of resources and obligations at a specific point in time.

    - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of CCCFA's revenue and expenses for the period shown.

    - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as debt financing, if applicable.

    - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

FINANCIAL HIGHLIGHTS

The following is a summary of CCCFA's assets, liabilities, and net position and a discussion of significant changes for the periods ended December 31:

	2022	2021
Current assets	$ 96,068,348	$ 49,042,900
Noncurrent assets	2,952,449,853	2,104,019,193
Total assets	3,048,518,201	2,153,062,093
Current liabilities	52,818,166	14,265,952
Noncurrent liabilities	3,080,520,476	2,161,472,945
Total liabilities	3,133,338,642	2,175,738,897
Net position		
Unrestricted (deficit)	(84,820,441)	(22,676,804)
Total net position	$ (84,820,441)	$ (22,676,804)

Current and Noncurrent Assets

CCCFA's most significant assets are Prepaid Energy Supply, of which the current portion was $75,274,000 and $48,770,000 at the end of 2022 and 2021, respectively. The noncurrent portion was $2,889,250,000 and $2,055,035,000 at the end of 2022 and 2021, respectively.

CCCFA also had $63,200,000 and $48,984,000 in investments subject to restrictions under Trust Indentures in 2022 and 2021, respectively.

The increases in current and noncurrent assets are the direct result of the execution of an additional prepaid power agreement during 2022.

Current and Noncurrent Liabilities

Current liabilities consist primarily of accrued interest payable on bonds outstanding.

Noncurrent liabilities consist entirely of bonds outstanding with serial maturities from 2023 through 2053.

The increases in current and noncurrent liabilities are the direct result of an additional bond issuance related to the prepaid power agreement executed in 2022.

Results of Operations

The following table is a summary of CCCFA's results of operations and a discussion of changes for the period from inception through December 31:

	2022	2021
Operating revenues	$ 84,962,907	$ 54,605
Operating expenses	72,640,570	67,502
Nonoperating revenues (expenses)		
Interest income	1,064,856	129,095
Debt issuance costs	(5,820,067)	(11,929,938)
Interest on debt	(69,710,763)	(10,863,064)
Nonoperating revenues (expenses), net	(74,465,974)	(22,663,907)
Change in net position	$ (62,143,637)	$ (22,676,804)

Operating Revenues

CCCFA had operating revenues from electricity sales for the first time during 2022. Revenues were derived from electricity sales to members, energy swap settlements, and member contributions.

Operating Expenses

Operating expenses include prepaid energy supply amortization, energy purchases, contract services, and other general expenses.

Nonoperating revenues (expenses)

CCCFA earned $1,065,000 in interest income during 2022 compared to $129,000 in 2021. The increase is primarily due to an increase in investments from a new bond issuance, as well as the first full year of interest earned on the investment balances from the prior year.

Debt issuance costs were $5,820,000 during 2022. These costs covered underwriter's discount and other bond issuance costs during 2022. In 2021, these costs were $11,929,000 and were the result of two bonds issuances that year.

Interest on debt was $69,711,000 and $10,863,000 for periods ended December 31, 2022 and 2021, respectively. The increase in 2022 is due to an additional bond issuance during the year, as well as the first full year of interest incurred on debt issued during the prior year.

Change in Net Position

The net position decreased by $62,144,000 and $22,677,000 in 2022 and 2021, respectively. Expenses exceeded revenues in 2022 and 2021 primarily as a result of the incurrence of one-time debt issuance costs, the accrual of higher interest charges earlier in the bond term, and the commencement of energy deliveries and sales in months following bond issuance. The commencement of energy deliveries and sales after bond issuance resulted in months during which interest charges were accrued and no sales or lower sales of electricity were recorded. Issuance costs and first year bond interest payments are funded by bond proceeds as described in the following sections.

The decreases in net position in 2022 and 2021 reflect the terms of Trust Indentures and Prepayment Agreements and do not in any way imperil or compromise the operations of the CCCFA.

Cash Flow from Operating Activities

Cash flow from operating activities was negative $852,127,000 and negative $2,103,802,000 in FY 2022 and 2021 respectively. Negative cash flow from operating activities arose primarily from the prepayment of energy to suppliers pursuant to PEPSAs. One supplier was prepaid for a long-term supply of energy in 2022 and two suppliers were prepaid for a long-term supply of energy in 2021. Cash flow from operations in 2022 also included $83,565,000 of receipts from the sale of electricity to member CCAs under CEPCs and $20,502,000 of payments to energy suppliers under PEPSAs for delivered energy. CCCFA prepays suppliers for all delivered energy at the time of bond issuance and does not pay suppliers for energy delivered during the delivery period. Payments to energy suppliers under PEPSAs represent prepaid energy that was delivered during 2022.

Cash Flow from Non-Capital Financing Activities

Cash flow from non-capital financing activities was $868,310,000 and $2,152,930,000 in FY 2022 and 2021 respectively. Cash flow from non-capital financing activities arose primarily from the issuance of one prepaid bond in 2022 and two prepaid bonds in 2021. Proceeds of the bonds were used to fund bond issuance costs, bond interest expenses that were incurred prior to the commencement of energy deliveries, reserve and other accounts and the prepayment of energy to suppliers pursuant to PEPSAs. Cash flow from non-capital financing activities included the payment of interest to bondholders totaling $64,854,000 and $557,000 in 2022 and 2021, respectively.

Cash Flow from Investment Activities

Cash flow from investment activities was negative $13,132,000 and negative $48,891,000 in 2022 and 2021, respectively. Investing activities comprised the purchase and sale of interest-earning investments and interest earned from those investments. Investments were funded from bond proceeds and from funds held prior to disbursement for debt service and represent amounts held in reserve and other accounts pursuant to Trust Indentures and Prepayment Agreements.

Net Change in Cash and Cash Equivalents

CCCFA cash balances increased by $3,288,000 and $237,000 in 2022 and 2021, respectively.

REQUEST FOR INFORMATION

This financial report is designed to provide CCCFA's members and creditors with an overview of CCCFA's finances and to demonstrate CCCFA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 1125 Tamalpais Ave, San Rafael CA 94901.

Respectfully submitted,

Garth Salisbury, Treasurer/Controller

BASIC FINANCIAL STATEMENTS

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 162,350	$ 126,400
Restricted cash and cash equivalents	3,126,078	110,181
Accounts receivable	17,488,169	-
Interest receivable	17,527	36,342
Prepaid energy supply contracts	75,274,224	48,769,977
Total current assets	96,068,348	49,042,900
NONCURRENT ASSETS		
Prepaid energy supply contracts	2,889,250,137	2,055,035,274
Restricted investments	63,199,716	48,983,919
Total noncurrent assets	2,952,449,853	2,104,019,193
TOTAL ASSETS	3,048,518,201	2,153,062,093
LIABILITIES		
CURRENT LIABILITIES		
Accrued interest payable	37,043,689	14,249,849
Accounts payable and accrued expenses	13,774,477	16,103
Bonds payable	2,000,000	-
Total current liabilities	52,818,166	14,265,952
NONCURRENT LIABILITIES		
Bonds payable, net	3,080,520,476	2,161,472,945
TOTAL LIABILITIES	3,133,338,642	2,175,738,897
NET POSITION		
Unrestricted (deficit)	(84,820,441)	(22,676,804)
Total net position	$ (84,820,441)	$ (22,676,804)

The accompanying notes are an integral part of these financial statements.

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022 AND
PERIOD FROM INCEPTION TO DECEMBER 31, 2021

	2022	2021
OPERATING REVENUES		
Electricity sales to members	$ 101,052,911	$ -
Energy swap settlement, net	(16,297,559)	-
Member contributions	207,555	54,605
Total operating revenues	84,962,907	54,605
OPERATING EXPENSES		
Amortization of prepaid energy supply contracts	48,769,977	-
Energy purchases	23,709,863	-
Contract services and other operating costs	160,730	67,502
Total operating expenses	72,640,570	67,502
OPERATING INCOME (LOSS)	12,322,337	(12,897)
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,064,856	129,095
Debt issuance costs	(5,820,067)	(11,929,938)
Interest on debt, net	(69,710,763)	(10,863,064)
Nonoperating revenues (expenses), net	(74,465,974)	(22,663,907)
CHANGE IN NET POSITION	(62,143,637)	(22,676,804)
Net position at beginning of period	(22,676,804)	-
Net position at end of period	$ (84,820,441)	$ (22,676,804)

The accompanying notes are an integral part of these financial statements.

CALIFORNIA COMMUNITY CHOICE FINANCING AUTHORITY
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022 AND
PERIOD FROM INCEPTION TO DECEMBER 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from members for electricity sales	$ 83,564,742	$ -
Receipts of member contributions	207,555	54,605
Payments of energy swap settlement	(5,771,302)	
Payments for energy purchases	(20,502,388)	-
Payments for prepaid energy supply	(909,489,087)	(2,103,805,251)
Payments for contract services and other operating costs	(136,088)	(51,399)
Net cash used by operating activates	(852,126,568)	(2,103,802,045)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bond issuance	934,201,398	2,156,747,973
Debt issuance costs and underwriter's discount	(1,037,257)	(3,261,142)
Interest paid	(64,853,600)	(557,039)
Net cash provided by noncapital financing activates	868,310,541	2,152,929,792
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	1,083,671	92,753
Sale of investments	65,238,664	628,833
Purchase of investments	(79,454,461)	(49,612,752)
Net cash used by investing activates	(13,132,126)	(48,891,166)
Net change in cash and cash equivalents	3,051,847	236,581
Cash and cash equivalents at beginning of period	236,581	-
Cash and cash equivalents at end of period	$ 3,288,428	$ 236,581
Reconciliation to the Statement of Net Position		
Cash	$ 162,350	$ 126,400
Restricted cash and cash equivalents	3,126,078	110,181
Cash and cash equivalents	$ 3,288,428	$ 236,581
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES		
Operating income (loss)	$ 12,322,337	$ (12,897)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Amortization expense	48,769,977	-
(Increase) decrease in:		
Accounts receivable	(17,488,169)	-
Prepaid energy supply contracts	(909,489,087)	(2,103,805,251)
Increase (decrease) in:		
Accounts payable and accrued expenses	13,758,374	16,103
Net cash used by operating activities	$ (852,126,568)	$ (2,103,802,045)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

California Community Choice Financing Authority (CCCFA) is a California joint powers authority created on June 25, 2021, pursuant to California Joint Exercise of Powers Act, constituting Chapter 5 of Division 7 of Title 1 of the California Government Code, and a joint powers agreement by and among its Founding and Associate members, comprised of the following Community Choice Aggregators (CCAs) as of December 31, 2022:

Central Coast Community Energy
Clean Power Alliance of Southern California
East Bay Community Energy
Marin Clean Energy
Pioneer Community Energy
Silicon Valley Clean Energy

CCCFA is distinct from its members and is governed by a Board of Directors consisting of one director from each Founding member of CCCFA.

CCCFA was established as a pass-through issuer of debt to provide cash to pay in advance for a supply of electricity to be delivered over a multi-year period. The transactions occur through Prepaid Energy Purchase and Sale Agreements (PEPSAs) or equivalent agreements between CCCFA and electricity suppliers, and Clean Energy Purchase Contracts (CEPCs) or equivalent agreements between CCCFA and CCA members (PEPSAs and CEPCs, together Prepayment Agreements).

CCCFA has entered into three Trust Indentures and related Prepayment Agreements as of December 31, 2022. One Trust Indenture and related Prepayment Agreements are related to Marin Clean Energy, one Trust Indenture and related Prepayment Agreements are related to East Bay Community Energy and the one Trust Indenture and Prepayment Agreements are related to both East Bay Community Energy and Silicon Valley Clean Energy. The members that participate are obligated to pay CCCFA for the electricity delivered under their CEPC only. The member CCAs have no obligation to pay for the electricity that CCCFA fails to deliver. CCCFA anticipates that additional Prepayment Agreements will be entered into in subsequent years.

The JPA will remain in effect until terminated by a supplemental written agreement of the parties; provided, that in no event shall the JPA terminate while any of the Prepayment Agreements are in effect, or while any of CCCFA's debt is outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues related to Prepayment Agreements and the debt service payments are dependent upon the continued delivery of electricity under the Prepayment Agreements. Various termination events are specified in each PEPSA. Upon the occurrence of any such event, the PEPSA may be terminated. If a PEPSA is terminated, the energy supplier will be required to make a scheduled termination payment to CCCFA. Any termination of a PEPSA will cause the simultaneous termination of the related CEPC(s) and will result in the extraordinary mandatory redemption of CCCFA's long-term debt related to the specific Prepayment Agreements. Members have no obligation or liability to CCCFA beyond that specifically provided for in the JPA.

As a pass-through issuer, CCCFA is only responsible for delivering energy to CCA's under each CEPC that it has received from the energy supplier under the related PEPSA. CCCFA is not ultimately responsible for any shortfall of deliveries to member CCAs under the CEPCs nor any failure of an energy supplier to deliver energy under a PEPSA. Swap agreements entered into by CCCFA in connection with the Prepayment Agreements are secured by and payable solely from the revenues of CCCFA from the related Prepayment Agreements and CCCFA is not ultimately responsible for making payments under such swap agreements. CCCFA does not retain the proceeds of the bonds issued to fund the prepayments and pursuant to the Trust Indenture is not ultimately responsible for the repayment of the bonds or the payment of bond interest. CCCFA remits the proceeds of interest income to member CCAs annually consistent with operating agreements associated with the related Prepayment Agreements.

BASIS OF ACCOUNTING

CCCFA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

CCCFA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. General and administrative costs, electric energy sale revenues, and electric energy purchase costs that are directly related to delivery of electricity are reported as operating revenues and expenses. All other revenues and expenses are reported as non-operating revenues and expenses. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories, if applicable – investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available for use, CCCFA will use restricted resources first, then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH

For the purpose of the Statement of Cash Flows, CCCFA has defined cash to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less.

RESTRICTED ASSETS

CCCFA's restricted assets are comprised of money market funds and Guaranteed Investment Contracts (GICs) for which use is limited to specific purposes pursuant to Trust Indenture (Indenture) requirements. The Indentures specify the flow of cash into the various trust accounts and when they may be used or become unrestricted.

PREPAID ELECTRICITY SUPPLY

CCCFA has prepaid for acquisition of electricity supply with the proceeds of revenue bonds. CCCFA provides for amortization of the historical cost of the Prepaid Energy Supply based on the contracted volume expected to be delivered under contract. When CCCFA amortizes its Prepaid Electricity Supply, the amortization is recorded against the current portion of Prepaid Electricity Supply.

DEBT ISSUANCE COSTS

CCCFA considers all debt issuance costs as an expense in the year of issuance.

DERIVATIVE FINANCIAL INSTRUMENTS

Forward Contracts – CCCFA enters into forward contracts (electricity price swap agreements) to manage its exposure to market volatility of electricity commodity prices and not for trading purposes. Due to the termination provisions of these agreements, they have no fair value, and therefore, there is no adjustment to mark-to-market. CCCFA does not report these derivative financial instruments on its Statement of Net Position. CCCFA is exposed to the risk of early termination of Prepaid Agreements if the counterparties default or if the swap agreements are terminated. Net swap payments received or paid are reported in the Statement of Revenues, Expenses and Changes in Net Position.

Interest Rate Swap Agreements - CCCFA enters into interest rate swap agreements to modify the effective interest rates on outstanding debt. Due to the termination provisions of these agreements, they have no fair value. Interest expense is reported net of the swap payments received or paid as a component of Interest on Debt in the Statement of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

CCCFA classifies its Net Position as follows:

Unrestricted - This component of net position consists of net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "Restricted."

Restricted - This component of net position consists of assets with constraints placed on their use, either externally or internally. Constraints include those imposed by debt indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation, or by the Board. These restricted assets are reduced by liabilities and deferred inflows of resources related to those assets. No net position was considered restricted as of December 31, 2022 or 2021.

OPERATING REVENUES

Included in operating revenues are electricity sales to members. Revenue is recorded when the electricity is delivered. Energy swap settlements represent the conversion of variable receipts from the sale of electricity to fixed receipts as determined by the relevant PEPSA and swap agreements. Amounts contributed by CCA members to provide for the cost of administrative and general expenses are recorded as Member Contributions.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of electricity sold, professional services, and administrative expenses as incurred. CCCFA's policy is to recognize an expense for energy costs associated with the volume of electricity delivered. The majority of such expenses will be through the amortization of prepaid electricity supply contract assets. The amortization of prepaid electricity is recognized in proportion to the total scheduled volume of energy to be delivered under each contract. CCCFA also recognizes an expense for energy purchases that are separate from the amortization of prepaid electricity. These energy purchases are for the portion of energy volumes from contracts assigned to CCCFA that were not included in the prepay transaction.

FAIR VALUE REPORTING

CCCFA's investments in guaranteed investment contracts (GIC) have been determined to be nonparticipating and are valued at amortized cost as required by Governmental Standards Board Statement No. 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

CCCFA is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements. These reclassifications did not result in any change in the previously reported net position or change in net position.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

CCCFA's investments are governed by the California State and Municipal Code which allow Agency investments to include: obligations which are unconditionally guaranteed by the U.S. Government or its agencies or instrumentalities; direct and general obligations of the State or any local agency within the State; bankers' acceptances; commercial paper; certificates of deposit; repurchase and reverse repurchase agreements; medium term corporate notes; Local Agency Investment Fund; and money market funds.

CCCFA also maintains cash for general operations at River City Bank in Sacramento, California. CCCFA's deposits with River City Bank are subject to California Government Code Section 16521 which requires that banks collateralize the amount of public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000 at 110% of the amount on deposit.

CREDIT RISK

This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. To mitigate the risk, CCCFA limits investments to Guaranteed Investment Contracts to be held only by trustee banks rated "A" or better and money market funds held at the trustee banks.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

This is the risk that in the event of the failure of a depository financial institution or counterparty to a transaction, CCCFA's deposits may not be returned or CCCFA will not be able to recover the value of its deposits, investments or securities that are in the possession of another party. CCCFA's invested funds are governed according to each trust indenture. CCCFA is exposed to custodial risk in that cash and investments are held by Bank of New York Mellon Trust Company, N.A. and U.S. Bank N.A.

CONCENTRATION OF CREDIT RISK

This is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. CCCFA places no limit on the amounts invested in any one issuer for Guaranteed Investment Contract providers that are rated at least "A".

CCCFA's investments in uncollateralized guaranteed investment contracts were as follows as of December 31:

	2022	2021
GIC 2021A	$ 12,865,207	$ 23,624,953
GIC 2021A	9,600,000	9,600,000
GIC 2021B	18,294,329	15,758,966
GIC 2022A	22,440,180	-
	$ 63,199,716	$ 48,983,919

INTEREST RATE RISK

This is the risk that investments are exposed to fair value losses arising from increasing interest rates. Though CCCFA has restrictions as to the maturities of some of the investments, it does not have a formal policy for interest rate risk.

3. PREPAID ELECTRICITY SUPPLY

During 2022 and 2021, CCCFA paid for electricity supply that is expected to be delivered each year until 2053.

	2022	2021
Prepaid electricity supply	$ 2,964,524,361	$2,103,805,251
Less: current portion	(75,274,224)	(48,769,977)
Total prepaid electricity supply - noncurrent portion	$ 2,889,250,137	$2,055,035,274

	Prepaid electricity supply	Amortization	Total
Balances at June 25, 2021 (Inception)	$ -	$ -	$ -
Additions	2,103,805,251	-	2,103,805,251
Balances at December 31, 2021	2,103,805,251	-	2,103,805,251
Additions	909,489,087	(48,769,977)	860,719,110
Balances at December 31, 2022	$ 3,013,294,338	$ (48,769,977)	$ 2,964,524,361

4. DEBT

CCCFA issued $1,234,720,000 of fixed rate (2021B-1) and SIFMA Index Rate (2021B-2) bonds in September 2021 (2021B Bonds) with fixed and variable interest rates maturing from 2025 to 2052. CCCFA also issued $602,655,000 of 2021A (Green Bonds – Climate Bond Certified) bonds in November 2021 (2021A Bonds) with fixed interest rates maturing from 2023 to 2052.

In 2022 CCCFA issued $931,120,000 of fixed rate (2022A-1) and SOFR Index Rate (2022A-2) bonds in July 2022 (2022A Bonds), with fixed and variable interest rates, maturing from 2024 to 2053.

4. DEBT (continued)

CCCFA's debt is presented below:

	Coupon Rate	Effective Rate	Maturity Date	December 31, 2022	December 31, 2021
2021A Bonds	4.00%	0.540% - 1.380%	2023-2027	$ 9,405,000	$ 9,405,000
2021A Bonds	4.00%	1.440%	2052	593,250,000	593,250,000
Unamortized premiums				81,294,535	86,353,318
Less: amounts due within one year				(2,000,000)	-
Total long-term debt, net				$ 681,949,535	$ 689,008,318

	Coupon Rate	Effective Rate	Maturity Date	December 31, 2022	December 31, 2021
2021B Bonds	4.00%	1.440% - 1.540%	2025-2031	$ 39,340,000	$ 39,340,000
2021B Bonds	4.00%		2052	1,041,380,000	1,041,380,000
2021B Bonds	2%	1.540%	2052	4,000,000	4,000,000
2021B Bonds	SIFMA Index plus 45 basis	1.540%	2052	150,000,000	150,000,000
Unamortized premiums				225,094,922	237,744,627
Less: amounts due within one year				-	-
Total long-term debt, net				$ 1,459,814,922	$ 1,472,464,627

	Coupon Rate	Effective Rate	Maturity Date	December 31, 2022	December 31, 2021
2022A Bonds	4.00%	2.920% -3.780%	2024-2028	$ 42,515,000	$ -
2022A Bonds	4.00%	3.83%	2053	791,605,000	-
2022A Bonds	67% of SOFR Index plus 170 basis points	3.73%	2053	97,000,000	-
Unamortized premiums				7,636,019	-
Less: amounts due within one year				-	-
Total long-term debt, net				$ 938,756,019	$ -

4. DEBT (continued)

The following is a summary of long-term activity for the periods ended December 31:

	December 31, 2021	Additions	Reductions	December 31, 2022
Nominal value				
2021A Bonds	$ 602,655,000	$ -	$ -	$ 602,655,000
2021B Bonds	1,234,720,000	-	-	1,234,720,000
2022A Bonds	-	931,120,000	-	931,120,000
Subtotal	1,837,375,000	931,120,000	-	2,768,495,000
Premiums				
2021A Bonds	86,353,318	-	(5,058,783)	81,294,535
2021B Bonds	237,744,627	-	(12,649,705)	225,094,922
2022A Bonds	-	7,864,209	(228,190)	7,636,019
Subtotal	324,097,945	7,864,209	(17,936,678)	314,025,476
Total long-term debt	$ 2,161,472,945	$ 938,984,209	$(17,936,678)	3,082,520,476
Less: Amounts due within one year				(2,000,000)
Amounts due after one year				$ 3,080,520,476

	June 25, 2021 (Inception)	Additions	Reductions	December 31, 2021
Nominal value				
2021A Bonds	$ -	$ 602,655,000	$ -	$ 602,655,000
2021B Bonds	-	1,234,720,000	-	1,234,720,000
Subtotal	-	1,837,375,000	-	1,837,375,000
Premiums				
2021A Bonds		86,866,126	(512,808)	86,353,318
2021B Bonds		241,175,643	(3,431,016)	237,744,627
Subtotal	-	328,041,769	(3,943,824)	324,097,945
Total long-term debt	$ -	$ 2,165,416,769	$ (3,943,824)	2,161,472,945
Less: Amounts due within one year				-
Amounts due after one year				$ 2,161,472,945

4. DEBT (continued)

The annual debt service requirements to maturity for the Bonds are as follows:

Year	Principal	Interest	Total
2023	$ 2,000,000	$ 106,739,900	$ 108,739,900
2024	9,830,000	106,583,200	116,413,200
2025	13,220,000	106,186,800	119,406,800
2026	15,700,000	105,597,000	121,297,000
2027	16,200,000	104,963,400	121,163,400
2028-2032	192,005,000	499,570,380	691,575,380
2033-2037	372,255,000	448,226,187	820,481,187
2038-2042	493,960,000	370,683,920	864,643,920
2043-2047	677,455,000	265,252,029	942,707,029
2048-2052	924,335,000	111,313,119	1,035,648,119
2053	51,535,000	1,274,343	52,809,343
	$ 2,768,495,000	$ 2,226,390,278	$ 4,994,885,278

Interest in the preceding table includes interest requirements at the stated fixed rates and the effective rate for variable-rate bonds. Some bonds include requirements for remarketing within the next 10 years. The amortization included in the table assumes the interest rates after the remarketing dates are the same as before the remarketing dates.

As of December 31, 2022, CCCFA had pledged future net revenues to repay $2,768,495,000 for outstanding bonds. Proceeds from the bonds were used to purchase prepaid electricity. The bonds, payable through 2053, are secured solely by a pledge of a lien on the trust estate under the Indentures which include bond proceeds, revenues, any termination payment and any investment income. Semi-annual principal and interest payments on the bonds are expected to require approximately 100 percent of CCCFA's net revenues.

The ability of CCCFA to pay related principal and interest payments associated with the bonds is contingent upon the continued successful operation of the Prepaid Agreements. If a Prepaid Agreement were to terminate, a termination payment would be received into the trust estate from the respective energy supplier. The amount of the termination payment, together with the amounts required to be on deposit in certain funds and accounts held by the trustee, has been calculated to provide a sum sufficient to pay the redemption price of the bonds upon early termination of the Prepaid Agreement. The amount of termination payment declines over time as the energy suppliers perform their electricity delivery obligations under the Prepaid Agreement. CCCFA Members are not obligated to pay debt service costs if the energy project is unable to operate pursuant to the Prepaid Agreement or if revenues generated by the Energy Project are insufficient to meet debt service obligations.

5. DERIVATIVE INSTRUMENT AGREEMENT

CCCFA entered into interest rate swaps in order to hedge against the interest rate risk related to variable rate debt. The swaps were entered into simultaneously with the related debt and were valued at zero on that date. Under the swap agreements, CCCFA makes payments at fixed interest rates. The counterparty is obligated to pay CCCFA based on the same notional amount and interest rate applicable to the bond for which the swap is intended to hedge. CCCFA had net payments under the swap agreement of $1,265,000 and $417,000 for the periods ended December 31, 2022 and 2021, respectively.

Notional amount	$150,000,000
Effective date	September 23, 2021
Maturity Date	August 1, 2031
Terms	
Pay	1.54%
Receive	SIFMA + 0.45%

Notional amount	$97,000,000
Effective date	June 28,2022
Maturity Date	August 1, 2028
Terms	
Pay	3.73%
Receive	67% of SOFR + 1.70%

Future net cash flows on variable-rate debt are shown below. These amounts assume that the interest rate of the bond and the reference rate of the hedging derivative instruments remain at December 31, 2022 levels. These rates will vary and, as they do, interest payments on the variable-rate bonds and net receipts/payments on the interest rate swaps will vary. The table below includes only CCCFA's effectively hedged variable-rate debt, which is a subset of the CCCFA's total debt. As of December 31, 2022, all of CCCFA's variable-rate debt is effectively hedged.

5. DERIVATIVE INSTRUMENT AGREEMENT (continued)

Year	Principal	Interest	Net Derivative Payment (Receipt)	Total
2023	$ -	$ 10,615,069	$ (4,686,969)	$ 5,928,100
2024	-	10,627,261	(4,699,161)	5,928,100
2025	-	10,615,069	(4,686,969)	5,928,100
2026	-	10,615,069	(4,686,969)	5,928,100
2027	-	10,615,069	(4,686,969)	5,928,100
2028 - 2032	10,130,000	52,605,588	(23,347,134)	39,388,454
2033 - 2037	34,715,000	47,753,042	(21,091,335)	61,376,707
2038 - 2042	45,715,000	39,471,592	(17,097,043)	68,089,550
2043 - 2047	63,600,000	28,165,322	(11,858,033)	79,907,289
2048 - 2052	87,215,000	11,349,981	(4,354,208)	94,210,773
2053	5,625,000	145,527	(14,884)	5,755,643
	$ 247,000,000	$ 232,578,589	$ (101,209,674)	$ 378,368,915

INTEREST RATE RISK

CCCFA has exposure to interest rate risk on its pay-fixed, receive-variable interest rate swaps that is the inverse of the interest rate risk of the bonds that it is hedging.

ROLLOVER RISK

CCCFA is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, CCCFA will be re-exposed to the risks being hedged by the hedging derivative instrument. For the 2021B bond, CCCFA is exposed to rollover risk on the pay-fixed, receive-variable interest rate swap scheduled to mature in August 2031 because the hedged debt is scheduled to mature in February 2052. For the 2022A bond, CCCFA is exposed to rollover risk on the pay-fixed, receive-variable interest rate swap scheduled to mature in August 2028 because the hedged debt is scheduled to mature in May 2053.

TERMINATION RISK

CCCFA or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The termination will not result in any amounts payable by either party, except for any amounts unpaid at the time of termination.

6. SUBSEQUENT EVENT

BOND ISSUANCE

In 2023, CCCFA entered into new Prepaid Agreements and issued bonds in the amount of $4,256,155,000 as described in the following table.

Deal	Member	Date Issued	Amount
2023A	Pioneer Community Energy	January 2023	$ 459,640,000
2023B	Silicon Valley Clean Energy	January 2023	841,550,000
2023C	Clean Power Alliance of Southern California	February 2023	998,780,000
2023D	Clean Power Alliance of Southern California	June 2023	958,290,000
2023E	East Bay Community Energy	July 2023	997,895,000
2023F	Central Coast Community Energy	October 2023	647,750,000
			$ 4,903,905,000