

Financial Statements

Fiscal Years Ended June 30, 2026 and 2025
with Report of Independent Auditors

ORANGE COUNTY
POWER AUTHORITY
YOUR CLEAN ENERGY CHOICE

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sorren CPAs P.C.

Independent Auditor's Report

To the Board of Directors
Orange County Power Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orange County Power Authority (OCPA), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise OCPA'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 respective financial position of OCPA, as of June 30, 2026 and 2025, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OCPA 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 OCPA'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.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 OCPA'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 OCPA'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.

Independent Auditor's Report (continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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.

Sorren CPAs P.C.

Santa Rosa, California
November 2, 2026

ORANGE COUNTY POWER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2026 AND 2025

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Orange County Power Authority's (OCPA) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of OCPA's finances.

If you have questions about this report or require further information, our website at https://www.ocpower.org/contact-us/ contains information on how to contact us.

Overview of the Financial Statements

OCPA's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of OCPA's assets, liabilities, and net position and provide information about the nature and amounts of resources and obligations at a specific point in time.

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

- The *Statements of Cash Flows* report on the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

Financial Summary

OCPA's Net Position

	2026	2025	2024
Current assets	$ 93,381,935	$130,247,587	$158,152,396
Noncurrent assets	13,640,438	14,107,749	14,278,857
Total assets	**107,022,373**	**144,355,336**	**172,431,253**
Current liabilities	44,771,558	60,483,211	74,718,452
Noncurrent liabilities	638,706	8,857,683	7,847,131
Total liabilities	**45,410,264**	**69,340,894**	**82,565,583**
Deferred inflows of resources	**-**	**30,000,000**	**45,000,000**
Net position			
Net investment in capital assets	127,265	206,965	-
Restricted for security collateral	488,397	1,241,140	-
Unrestricted	60,996,447	43,566,337	44,865,670
Total net position	**$ 61,612,109**	**$ 45,014,442**	**$ 44,865,670**

As of June 30, 2026, OCPA's total net position was approximately $61.6 million, an increase of $16.6 million compared to June 30, 2025. The increase was primarily attributable to lower electricity procurement costs and the planned recognition of the remaining $30 million balance in the Rate Stabilization Fund, partially offset by lower electricity sales revenues and increased administrative expenses.

OCPA's Changes in Net Position

	2026	2025	2024
Operating revenues	$ 281,507,212	$ 283,584,250	$ 337,084,243
Nonoperating revenues	1,869,239	4,630,570	2,467,019
Total income	**283,376,451**	**288,214,820**	**339,551,262**
Operating expenses	266,446,233	287,767,291	333,022,450
Nonoperating expenses	332,551	298,757	199,735
Total expenses	**266,778,784**	**288,066,048**	**333,222,185**
Change in net position	**$ 16,597,667**	**$ 148,772**	**$ 6,329,077**

Operating revenues decreased by $2.1 million during fiscal year 2026, while operating expenses decreased by $21.3 million. The decrease in operating revenues was primarily attributable to lower customer electricity rates, partially offset by an additional $15 million recognized from the Rate Stabilization Fund compared to fiscal year 2025. Operating expenses decreased primarily due to lower electricity procurement costs, particularly as market prices for resource adequacy and renewable energy certificates declined.

Detailed Analysis

Assets and Liabilities

Current assets decreased by approximately $36.9 million, from $130.2 million at June 30, 2025 to $93.4 million at June 30, 2026. The decrease was primarily attributable to reductions in cash, investments, and collateral deposits, partially offset by increases in accounts receivable and prepaid expenses.

Cash and investments decreased by approximately $35.1 million during the year, primarily reflecting cash used in operating activities. Net cash used in operating activities totaled $35.6 million, compared with $22.2 million in fiscal year 2025. Operating cash flows were affected by payments to electricity suppliers, including the settlement of previously accrued electricity costs. The recognition of $30 million from the Rate Stabilization Fund increased operating revenues but did not generate additional cash during the year.

Total deposits decreased by approximately $9.1 million, from $22.9 million at June 30, 2025 to $13.9 million at June 30, 2026. The decrease was primarily attributable to the return of collateral deposits associated with PG&E and the Grace Orchard Energy Center, partially offset by an increase in collateral posted with the California Independent System Operator. The remaining deposits primarily consist of collateral associated with long-term electricity procurement arrangements.

Noncurrent assets decreased by approximately $0.5 million, from $14.1 million at June 30, 2025 to $13.6 million at June 30, 2026. Noncurrent assets primarily consist of collateral deposits, restricted cash, and capital assets. Although total deposits decreased during the year, a greater portion was classified as noncurrent due to the expected duration of the related collateral requirements. Noncurrent restricted cash decreased from the prior year as a result of the reclassification of a significant portion to current restricted cash, reflecting the anticipated expiration of the underlying agreement.

Current liabilities decreased by approximately $15.7 million, from $60.5 million at June 30, 2025 to $44.8 million at June 30, 2026. The decrease was primarily attributable to a $23.8 million reduction in accrued electricity costs, reflecting lower electricity procurement prices and the timing of supplier invoices at year-end. This decrease was partially offset by the reclassification of approximately $6.8 million in loans payable to current liabilities as the loans approach their January 2027 maturity.

Noncurrent liabilities decreased by approximately $8.2 million, from $8.9 million at June 30, 2025 to $0.6 million at June 30, 2026, primarily due to the reclassification of loans payable to current liabilities.

Detailed Analysis (continued)

Operating Revenues

Operating revenues were $281.5 million in fiscal year 2026, compared with $283.6 million in fiscal year 2025, a decrease of $2.1 million. Electricity sales decreased by $16.9 million, primarily due to lower customer electricity rates, while electricity consumption remained relatively stable.

During fiscal year 2026, OCPA continued to evaluate its generation rates in response to changing market and regulatory conditions. In January 2026, OCPA's Board approved maintaining its existing October 2025 generation rates and product differentials throughout calendar year 2026, providing greater rate predictability for customers amid fluctuations in Southern California Edison's generation rates and changes in the Power Charge Indifference Adjustment.

The decrease in electricity sales was substantially offset by recognition of the remaining $30 million balance in the Rate Stabilization Fund, compared with $15 million recognized during fiscal year 2025. The use of these previously deferred revenues was planned as part of OCPA's financial strategy to help manage anticipated financial pressures while maintaining stable customer rates.

Operating Expenses

Operating expenses decreased by approximately $21.3 million, from $287.8 million in fiscal year 2025 to $266.4 million in fiscal year 2026. The decrease was primarily attributable to a $22.6 million reduction in the cost of electricity, reflecting an overall softening of energy market prices, particularly in the resource adequacy and renewable energy certificate markets.

The reduction in electricity procurement costs was partially offset by increases in staff compensation and other administrative expenses. Staff compensation increased by approximately $0.9 million as OCPA expanded its workforce to support its continued organizational development, ongoing operations, and additional programs.

Nonoperating Revenues and Expenses

Investment income decreased by approximately $2.8 million, from $4.6 million in fiscal year 2025 to $1.9 million in fiscal year 2026, primarily reflecting lower investment balances during the year. Interest expense remained relatively consistent with the prior year.

Significant Capital Asset and Long-Term Financing Activity

OCPA's capital assets consist primarily of lease-related assets and equipment used in administrative operations. Capital assets, net of accumulated depreciation and amortization, totaled approximately $0.9 million at June 30, 2026, compared with $1.1 million at June 30, 2025.

During fiscal year 2026, OCPA made a $750,000 principal repayment on its loans from the City of Irvine. The remaining loan balance of approximately $6.8 million as of June 30, 2026, is due in January 2027. In September 2026, subsequent to fiscal year-end, OCPA made an additional $2.5 million principal repayment, reducing its outstanding loan balance to approximately $4.3 million. OCPA expects to repay the remaining balance at maturity.

In September 2026, subsequent to fiscal year-end, OCPA entered into a new $60 million revolving credit facility with JPMorgan Chase Bank, replacing its previous $35 million credit facility with U.S. Bank. The new facility provides increased borrowing capacity and additional financial flexibility to support OCPA's working capital, financing and collateral requirements.

Currently Known Facts, Decisions, or Conditions

OCPA continues to operate in an evolving California electricity market characterized by fluctuations in wholesale electricity prices, resource adequacy requirements, renewable energy procurement costs, and changes in the Power Charge Indifference Adjustment. These factors may affect future customer rates, operating margins, and financial performance.

OCPA continues to balance customer affordability and rate stability with the need to maintain adequate financial resources to support ongoing operations and long-term electricity procurement commitments. The Board's decision to maintain generation rates throughout calendar year 2026 was intended to provide customers with greater rate predictability while allowing OCPA to manage its financial position amid changing market conditions.

During fiscal year 2026, OCPA recognized the remaining $30 million balance in its Rate Stabilization Fund, leaving no deferred balance at June 30, 2026. Future operating results will therefore depend on electricity sales revenues, procurement costs, and other operating expenses without further revenue recognition from the previously established fund.

In April 2027, OCPA is scheduled to expand retail electricity service to the City of Fountain Valley, which joined OCPA in November 2024. The expansion is expected to increase OCPA's customer base and electricity sales, providing additional operating revenues while also increasing electricity procurement requirements and related operating costs. OCPA has incorporated the anticipated expansion into its financial planning and procurement strategies to support a successful transition and continued financial stability.

OCPA continues to manage electricity procurement costs through its energy portfolio and contracting strategies. The new revolving credit facility entered into subsequent to year-end provides additional financial flexibility to support collateral requirements and other financing needs as OCPA continues to mature as an organization.

BASIC FINANCIAL STATEMENTS

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash - unrestricted	$ 44,311,762	$ 58,486,083
Cash - restricted	5,539,405	200,000
Investments	2,023,865	21,948,918
Accounts receivable, net of allowance	17,026,488	14,299,580
Accrued revenue	14,053,298	14,057,594
Other receivables	6,010,000	4,801,083
Prepaid expenses	3,131,594	84,241
Deposits	1,285,523	16,370,088
Total current assets	93,381,935	130,247,587
Noncurrent assets		
Cash - restricted	148,992	6,441,140
Deposits	12,597,909	6,578,659
Capital assets, net of depreciation and amortization	893,537	1,087,950
Total noncurrent assets	13,640,438	14,107,749
Total assets	107,022,373	144,355,336
LIABILITIES		
Current liabilities		
Accrued cost of electricity	34,242,104	58,010,025
Accounts payable	523,925	735,275
Other accrued liabilities	2,431,783	1,017,276
User taxes and energy surcharges due to other governments	668,339	605,921
Lease liability	127,566	114,714
Loans payable	6,777,841	-
Total current liabilities	44,771,558	60,483,211
Noncurrent liabilities		
Loans payable	-	7,527,841
Accrued interest	-	563,571
Lease liability	638,706	766,271
Total noncurrent liabilities	638,706	8,857,683
Total liabilities	45,410,264	69,340,894
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	-	30,000,000
NET POSITION		
Net investment in capital assets	127,265	206,965
Restricted for security collateral	488,397	1,241,140
Unrestricted	60,996,447	43,566,337
Total net position	$ 61,612,109	$ 45,014,442

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 251,507,212	$ 268,450,943
Revenue directed from Rate Stabilization Fund	30,000,000	15,000,000
Other income	-	133,307
Total operating revenues	281,507,212	283,584,250
OPERATING EXPENSES		
Cost of electricity	253,082,897	275,724,133
Contract services	6,210,115	6,049,763
Staff compensation	5,292,616	4,388,061
Other operating expenses	1,666,192	1,423,819
Depreciation and amortization	194,413	181,515
Total operating expenses	266,446,233	287,767,291
Operating income (loss)	15,060,979	(4,183,041)
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,869,239	4,630,570
Interest expense	(332,551)	(298,757)
Nonoperating revenues (expenses), net	1,536,688	4,331,813
CHANGE IN NET POSITION	16,597,667	148,772
Net position at beginning of year	45,014,442	44,865,670
Net position at end of year	$ 61,612,109	$ 45,014,442

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 251,884,066	$ 290,540,829
Receipts from wholesale sales	29,644,429	34,113,300
Receipts of security deposits	10,610,750	1,472,695
Payments to suppliers for electricity	(309,851,020)	(320,719,896)
Payments for other goods and services	(8,337,000)	(7,689,536)
Payments for deposits and collateral	(1,319,792)	(11,622,600)
Payments for staff compensation	(5,232,037)	(4,127,457)
Payments of taxes and energy surcharges to other governments	(3,037,048)	(4,131,684)
Net cash used by operating activities	(35,637,652)	(22,164,349)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Principal payments - loan	(750,000)	-
Interest payments	(814,358)	-
Net cash used by non-capital financing activities	(1,564,358)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease payments	(164,525)	(66,215)
Purchases of capital assets	-	(376,742)
Net cash used by capital and related financing activities	(164,525)	(442,957)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	2,239,471	4,333,780
Proceeds from investment sales and maturities of investments	22,000,000	2,000,000
Purchase of investments	(2,000,000)	(3,934,667)
Net cash provided by investing activities	22,239,471	2,399,113
Net change in cash	(15,127,064)	(20,208,193)
Cash at beginning of year	65,127,223	85,335,416
Cash at end of year	$ 50,000,159	$ 65,127,223
Reconciliation to the Statement of Net Position		
Cash - unrestricted, current	$ 44,311,762	$ 58,486,083
Cash - restricted, current	5,539,405	200,000
Cash - restricted, noncurrent	148,992	6,441,140
Total cash at end of year	$ 50,000,159	$ 65,127,223

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

ORANGE COUNTY POWER AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2026 AND 2025

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

	2026	2025
Operating income (loss)	$ 15,060,979	$ (4,183,041)
Adjustments to reconcile operating income (loss) to net cash used by operating activities		
Depreciation and amortization expense	194,413	181,515
(Increase) decrease in:		
Accounts receivable	(2,726,908)	12,528,971
Other receivables	(1,654,096)	2,381,817
Accrued revenue	4,296	6,028,254
Prepaid expenses	(3,047,352)	109,204
Deposits	9,065,315	(9,835,420)
Increase (decrease) in:		
Accrued cost of electricity	(23,767,921)	(13,602,607)
Accounts payable	(211,350)	(281,446)
Other accrued liabilities	1,382,554	107,427
User taxes and energy surcharges due to other governments	62,418	(599,023)
Rate Stabilization Fund	(30,000,000)	(15,000,000)
Net cash used by operating activities	$ (35,637,652)	$ (22,164,349)

NONCASH INVESTING ACTIVITIES

Change in fair value of investments	$ 74,947	$ 91,520
Change in interest receivable	$ (445,179)	$ 205,270

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of lease asset	$ -	$ 892,723

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Orange County Power Authority (OCPA) is a California joint powers authority (JPA) created on November 20, 2020, and its jurisdictions consist of the following local governments as of June 30, 2026:

Cities	
Buena Park	Fullerton
Fountain Valley	Irvine

OCPA is separate from and derives no financial support from its members. It is governed by a Board of Directors (Board) consisting of five regular members and five alternates, all of whom are elected officials representing the participating communities.

OCPA was established to procure retail electricity for residents and businesses within its members' jurisdiction, promote and manage energy and climate change programs, and exercise all other necessary powers to achieve these objectives. A core function of OCPA is to provide electric service using renewable energy sources through the Community Choice Aggregation Program, as authorized by California Public Utilities Code Section 366.2.

OCPA began energy delivery operations in April 2022. Electricity is purchased from commercial suppliers and delivered through the existing infrastructure and equipment managed by Southern California Edison (SCE).

BASIS OF ACCOUNTING

OCPA'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.

OCPA'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. 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 – net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available for use, OCPA will use restricted resources first, and then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH

For purposes of the Statements of Cash Flows, OCPA defines cash to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. Restricted cash reported on the Statements of Net Position includes collateral for a line of credit as well as a required minimum balance that must be maintained in one of OCPA's bank accounts.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities, except for certificates of deposits which are stated at cost. OCPA intends to hold its securities to maturity. Investments with a maturity of less than one year are classified as current assets in the Statements of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statements of Net Position.

OCPA's Investment Policy permits the following types of investments:

U.S. Treasury obligations	Commercial paper
U.S. agency obligations	Medium-term notes
Municipal obligations	Negotiable certificates of deposits
Deposits at banks	Mortgage pass-through and asset-backed securities
Placement service deposits	Supranational obligations
Local Agency Investment Fund	Joint powers authority pool

ACCRUED REVENUE

Accrued revenue reflects the estimated value of electricity delivered to customers during the reporting period for which invoices had not been issued by the end of the fiscal year.

OTHER RECEIVABLES

Other receivables consist primarily of amounts due from energy suppliers and other counterparties arising from transactions outside of retail electricity sales. These amounts are recognized when the underlying transactions occur and collection is reasonably assured.

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEPOSITS

Contracts to purchase energy may require OCPA to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

LEASE ASSET AND LEASE LIABILITY

OCPA recognizes an asset and liability when it enters into certain leasing arrangements. The cost of the leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. OCPA's leased asset and liability are related to its office lease.

CAPITAL ASSETS AND DEPRECIATION

OCPA's policy is to capitalize furniture and equipment valued greater than $5,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, five years for furniture, and the lease term for leasehold improvements. OCPA does not own any electric generation, transmission, or distribution assets.

RATE STABILIZATION FUND

In June 2024, OCPA established a Rate Stabilization Fund that is reported in accordance with GASB Statement No. 62. This fund allows OCPA to defer revenue during years of strong financial performance for use in future years when financial results may weaken. Amounts deposited into the fund are reported as a reduction of operating revenues and classified on the Statements of Net Position as deferred inflows of resources. OCPA recognized $30,000,000 and $15,000,000 from the fund in 2026 and 2025, respectively. The fund had no remaining balance as of June 30, 2026.

NET POSITION

Net position is presented in the following components:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION (CONTINUED)

Restricted: This component of net position consists of restraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted: This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to retail customers. Operating revenues also include contributions to and distributions from the Rate Stabilization Fund.

Investment income is considered nonoperating revenues.

REVENUE RECOGNITION

OCPA recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered, but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. Revenue is presented net of this allowance.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and amortization and depreciation of capital assets. Interest expense is considered a nonoperating expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COST OF ELECTRICITY

During the normal course of business, OCPA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from contracts with energy suppliers as well as generation credits, load and other charges arising from OCPA's participation in the California Independent System Operator's (CAISO) centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, OCPA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. OCPA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized when the cost of the Certificate is due and payable to the supplier.

OCPA purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFFING COSTS

OCPA pays employees semi-monthly and fully satisfies its obligation for health benefits and contributions to its defined contribution retirement plan. OCPA does not provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements.

OCPA provides compensated absences, including paid time off, which are accrued when earned and recorded as part of accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

OCPA is a JPA under the provisions of the California Government Code and is not subject to federal or state income or franchise taxes.

USER TAXES AND ENERGY SURCHARGES DUE TO OTHER GOVERNMENTS

OCPA is required by governmental authorities to collect and remit user taxes on certain customer sales. These taxes are not considered revenues or expenses to OCPA.

RECLASSIFICATIONS

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

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.

2. CASH

OCPA maintains its cash in interest and non-interest-bearing accounts at U.S. Bank. OCPA's deposits are subject to California Government Code Section 16521 which requires banks to provide collateral of 110% of account balances in excess of the $250,000 insurance coverage by Federal Deposit Insurance Corporation. OCPA has an investment policy addressing risks beyond the requirements of the relevant code and monitors its risk exposure on an ongoing basis. As of June 30, 2026 and 2025, all of OCPA's cash was held as depository accounts or certificates of deposit.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2026	2025
Accounts receivable from customers	$30,316,488	$26,649,580
Allowance for uncollectible accounts	(13,290,000)	(12,350,000)
Net accounts receivable	$17,026,488	$14,299,580

The majority of account collections occur within the first few months following the issuance of customer invoices. OCPA estimates the allowance for uncollectible accounts based on the aging of outstanding receivables and historical collection experience. OCPA continues collection efforts on delinquent accounts, including balances originating in prior fiscal years, where recovery remains possible.

4. INVESTMENTS

During the years ended June 30, 2026 and 2025, OCPA purchased investments with original maturities of three months or more. As of June 30, the fair value of investments, except for certificates of deposits which are stated at cost, was as follows:

	2026	2025	Level
Current Investments:			
Certificates of deposits	$ -	$ 20,000,000	NA
U.S. Treasury securities	-	1,948,918	1
Joint powers authority pool	2,023,865	-	NA
Total current investments	$ 2,023,865	$ 21,948,918	

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into more than one level in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. OCPA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

4. INVESTMENTS (continued)

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk.

OCPA's investment policy addresses this risk. OCPA's investment policy limits investments to those allowed by Section 53601 of the California Government Code. As of June 30, 2026, OCPA held approximately $2,024,000 in the California Asset Management Program Term portfolio, which is rated AAAf by Fitch Ratings.

CUSTODIAL CREDIT RISK

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, OCPA's deposits may not be returned to OCPA. OCPA's deposits are subject to California Government Code Section 16521, which requires banks to provide collateral of 110% of account balances in excess of the $250,000 insurance coverage by Federal Deposit Insurance Corporation.

As of June 30, 2026 and 2025, none of OCPA's investments in certificates of deposit are considered to be exposed to custodial credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, OCPA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of OCPA's investments are exposed to custodial credit risk.

OCPA's investment policy addresses this risk. All investments owned by OCPA are held in safekeeping by a third-party custodian, acting as an agent for OCPA under the terms of a custody agreement.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. OCPA manages its exposure to declines in fair values by limiting the weighted average maturity of its investments. As of June 30, 2026 and 2025, all of OCPA's investments had a remaining maturity of less than one year.

4. INVESTMENTS (continued)

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of OCPA's investment in a single issuer. OCPA manages the concentration of credit risk by diversifying its portfolio so that reliance on any one issuer will not place an undue burden on OCPA.

As of June 30, 2026 and 2025, there were no concentrations of credit risk requiring disclosure. Investments in external investment pools are excluded from the concentration of credit risk disclosure requirements applicable to individual issuers.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 217,292	$ -	$ -	$ 217,292
Leasehold improvements	159,450	-	-	159,450
Right-to-use lease asset - building	892,723	-	-	892,723
Total capital assets being depreciated and amortized	1,269,465	-	-	1,269,465
Less accumulated depreciation and amortization				
Furniture, equipment and leasehold improvements	(53,980)	(66,884)	-	(120,864)
Right-to-use lease asset - building	(127,535)	(127,529)	-	(255,064)
Total accumulated depreciation and amortization	(181,515)	(194,413)	-	(375,928)
Total capital assets, net of depreciation and amortization	$ 1,087,950	$ (194,413)	$ -	$ 893,537

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ -	$ 217,292	$ -	$ 217,292
Leasehold improvements	-	159,450	-	159,450
Right-to-use lease asset - building	-	918,417	(25,694)	892,723
Total capital assets being depreciated and amortized	-	1,295,159	(25,694)	1,269,465
Less accumulated depreciation and amortization				
Furniture, equipment and leasehold improvements	-	(53,980)	-	(53,980)
Right-to-use lease asset - building	-	(127,535)	-	(127,535)
Total accumulated depreciation and amortization	-	(181,515)	-	(181,515)
Total capital assets, net of depreciation and amortization	$ -	$ 1,113,644	$ (25,694)	$ 1,087,950

6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB 87).

In February 2024, OCPA entered into an 84-month non-cancelable lease for its office premises effective July 2024.

As of June 30, 2026, future minimum lease payments under this lease were projected as follows:

Year ending June 30,	Principal	Interest	Total
2027	$ 127,566	$ 42,568	$ 170,134
2028	141,211	34,531	175,742
2029	156,661	25,625	182,286
2030	173,065	15,765	188,830
2031	167,769	4,926	172,695
Total	$ 766,272	$ 123,415	$ 889,687

7. DEBT

LOANS PAYABLE

Pre-launch

In January 2021, OCPA borrowed $2,500,000 from the City of Irvine for working capital costs associated with its launch. In September 2021, OCPA borrowed an additional $5,000,000 from the City of Irvine to use as collateral for its bank credit facility. The loan repayment is due on January 1, 2027. Interest on the loan is calculated based on the quarterly yield on the City of Irvine's Pooled Investment Portfolio. As of June 30, 2026, the interest rate was estimated at 3.9% per annum. During the year ended June 30, 2026, OCPA made early principal repayments totaling $750,000, reducing the outstanding principal balance to $6,750,000.

Formation costs

In addition to the loans mentioned, formation-related costs were paid directly by the City of Irvine to various professional consultants. OCPA is obligated to reimburse the City of Irvine for these costs no later than January 1, 2027. Interest does not accrue on the formation costs advanced by the City of Irvine. In 2023, OCPA repaid approximately $125,000 of these costs, leaving a balance of approximately $28,000 outstanding as of June 30, 2026 and June 30, 2025.

7. DEBT (continued)

LOANS PAYABLE (continued)

REVOLVING CREDIT FACILITIES

In September 2021, OCPA and U.S. Bank entered into a Revolving Credit Agreement for a $35,000,000 credit facility. The credit agreement enhances OCPA's overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in September 2026. The borrowing rate on the credit facility is based on the daily Secured Overnight Financing Rate (SOFR) plus 1.5%. OCPA had no debt outstanding under the credit agreement at June 30, 2026 or 2025. OCPA had no standby letters of credit secured by the line of credit at June 30, 2026 or 2025.

In September 2026, subsequent to fiscal year-end, OCPA entered into a $60,000,000 revolving credit agreement with JPMorgan Chase Bank, N.A., to provide liquidity for working capital needs and collateral requirements. The agreement matures in September 2031 and provides for revolving loans and the issuance of standby letters of credit. Borrowings bear interest at variable rates based on SOFR plus an applicable margin ranging from 1.625% to 1.925%, depending on OCPA's days of liquidity on hand. The agreement also provides for fees on unused borrowing capacity and outstanding letters of credit. The credit facility is secured by a senior pledge of OCPA's net revenues and a security interest in specified deposit account collateral.

Loan principal activity and balances were as follows:

	Beginning	Payments	Ending
Year ended June 30, 2026			
Loan payable-pre-launch costs	$ 7,500,000	$ (750,000)	$ 6,750,000
Loan payable-formation costs	27,841	-	27,841
Total	$ 7,527,841	$ (750,000)	6,777,841
Amounts due within one year			6,777,841
Amounts due after one year			$ -

	Beginning	Payments	Ending
Year ended June 30, 2025			
Loan payable-pre-launch costs	$ 7,500,000	$ -	$ 7,500,000
Loan payable-formation costs	27,841	-	27,841
Total	$ 7,527,841	$ -	7,527,841
Amounts due within one year			-
Amounts due after one year			$ 7,527,841

8. DEFINED CONTRIBUTION RETIREMENT PLAN

OCPA provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan), which is a defined contribution (IRC 401(a)) retirement plan administered by Lincoln Financial. As of June 30, 2026, there were 23 plan participants. OCPA is required to contribute 10% of annual covered payroll. During the fiscal years ended June 30, 2026 and 2025, OCPA contributed approximately $409,000 and $375,000, respectively, to the Plan. OCPA has elected out of the Social Security system for employees eligible for the Plan. The Plan's provisions and contribution requirements are established and may be amended by the Board. Additionally, OCPA offers a 457(b) Retirement Plan where employees may elect to participate and make tax-deferred contributions. OCPA provides an employer contribution to the 457(b) plan that matches the employee's voluntary contribution, up to a maximum of 4% of salary.

9. RISK MANAGEMENT

OCPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year ended June 30, 2026, OCPA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with cyber liability, earthquakes, theft, general liability, errors and omissions, and property damage. OCPA has general liability coverage of $2,000,000 with a deductible of $500.

OCPA maintains energy risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, OCPA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

10. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, OCPA enters into various power purchase agreements to procure renewable energy, and other energy and electric capacity. The price and volume of purchased power are typically fixed but can also be variable. Variable pricing is generally based on the market price of either natural gas or electricity at the time of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydroelectric facilities.

OCPA enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas free products and to ensure stable and competitive electric rates for its customers.

The following table details the expected, undiscounted, contractual obligations outstanding as of June 30, 2026:

Year ended June 30,	
2027	$ 223,200,000
2028	173,200,000
2029	129,300,000
2030	116,400,000
2031	109,400,000
2032-2047	750,900,000
Total	$ 1,502,400,000

11. JOINT VENTURE

OCPA participates in a JPA through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through tax-advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member do not constitute an asset or reserve of that member.

CCCFA issued bonds which are to be used to finance energy purchases that will be delivered to OCPA. OCPA will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. OCPA purchased approximately $3,145,000 and $0 from CCCFA during fiscal years 2026 and 2025, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 10. This amount represents executed energy contracts assigned to CCCFA at June 30, 2026. Additional contracts will be assigned throughout the full bond period.

The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

12. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

OCPA implemented GASB Statement No. 102, *Certain Risk Disclosures*, during fiscal year 2025. OCPA also early adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*, during fiscal year 2025. The implementation of these statements did not have a material effect on OCPA's financial statements.

GASB Statement No. 105, *Subsequent Events*, establishes guidance for the recognition and disclosure of subsequent events. The statement is effective for OCPA's fiscal year ending June 30, 2027. OCPA is evaluating the potential impact of this statement on its financial statements.