



# Audit & Finance Committee Meeting

October 12, 2021

# Agenda

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- Call to Order / Roll Call
- Public Comment (for items not on the Agenda)
- Action to set the Agenda and Approve Consent Items
  - Consent Public Comment
- Chair Report

# Staff Report

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- Audit Complete
  - Some changes from preliminary financials presented on August 9, 2021
    - Revenues higher by approximately \$228,000
    - Expenses lower by approximately \$2,102,000
    - Investment earnings higher by approximately \$36,000
  - Combined impact to Change in Net Position = \$2,365,000 (positive)

FY2020-2021

Approve Increased Spending  
vs.  
Approved Budget



# Operating Expenses over Budgeted Level

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- FY2020-2021 Budget was approved by A&F Committee and Board as Not-to-Exceed Operating Expenses
  - Approved Level = \$225,642,453
  - Actual Level = \$236,361,472
- A&F Committee Resolution to recommend that the Board approve spending in excess of authorized level (on consent)

*Recommend Board Approval of Revised Spending Plan for Fiscal Year (FY) 2020-2021 to Authorize Operating Expenses in an Amount Not to Exceed \$236,361,472, an Amount that is \$10,719,019 Above the Originally Approved Budget of \$225,642,453. (Action)*

# Financial Statement vs. Budget – FY 2020-2021

FY 2020-2021 Budget & Actual	FY 2021	FY 2021	Variance	Variance
	Approved Budget	YTD Actual through June 2021	Forecast \$ vs. FY20/21 Budget Fav/(Unf)	Forecast % vs. FY20/21 Budget Fav/(Unf)
<b>OPERATING REVENUES</b>				
Electricity Sales, net	213,552,721	225,451,520	11,898,799	5.6%
ECO100 Premium	2,150,775	2,649,804	499,029	23.2%
<b>Total Operating Revenues</b>	<b>215,703,496</b>	<b>228,101,323</b>	<b>12,397,827</b>	<b>5.7%</b>
<b>OPERATING EXPENSES</b>				
Cost of electricity	197,445,054	213,833,820	(16,388,766)	-8.3%
Personnel	6,236,981	5,637,451	599,530	9.6%
Data Manager	3,420,000	3,384,564	35,436	1.0%
Service Fees - PG&E	1,260,000	1,254,565	5,435	0.4%
Professional Services	3,068,340	1,995,013	1,073,327	35.0%
Legal	1,708,230	1,371,676	336,554	19.7%
Marketing and Noticing	2,873,350	1,416,816	1,456,534	50.7%
General and Administrative	1,947,282	1,654,264	293,018	15.0%
Community Energy Programs	7,550,000	5,722,363	1,827,637	24.2%
Depreciation	133,216	90,940	42,276	31.7%
<b>Total Operating Expenses</b>	<b>225,642,453</b>	<b>236,361,472</b>	<b>(10,719,019)</b>	<b>-4.8%</b>
<b>Operating Income/(Loss)</b>	<b>(9,938,957)</b>	<b>(8,260,148)</b>	<b>1,678,809</b>	<b>16.9%</b>
<b>Total Non-operating Income/(Expense)</b>	<b>1,408,000</b>	<b>(13,047)</b>	<b>(1,421,047)</b>	<b>-100.9%</b>
<b>CHANGE IN NET POSITION</b>	<b>(8,530,957)</b>	<b>(8,273,195)</b>	<b>257,762</b>	<b>3.0%</b>
<b>CHANGE IN NET POSITION</b>				
Net Position at the beginning of period	195,458,248	189,071,732	(6,386,517)	
Inc/(Dec) in Net Position	(8,530,957)	(8,273,195)	257,762	
Net Position at the end of period	<b>186,927,291</b>	<b>180,798,536</b>	<b>(6,128,755)</b>	

## Full Year Results

### Budgeted Expenses

- \$225,642,453

### Actual Expenses

- \$236,361,472
- Spending over Budget = \$10,719,019

### Cost of Electricity

- Accounted for all of the over-spending
  - Q1 accounted for most of overage
  - Extreme smoke and fire periods contributed to higher costs and lower production
  - Hedges limited the impact, but only cover forecasted amounts
- All other categories were below Budget

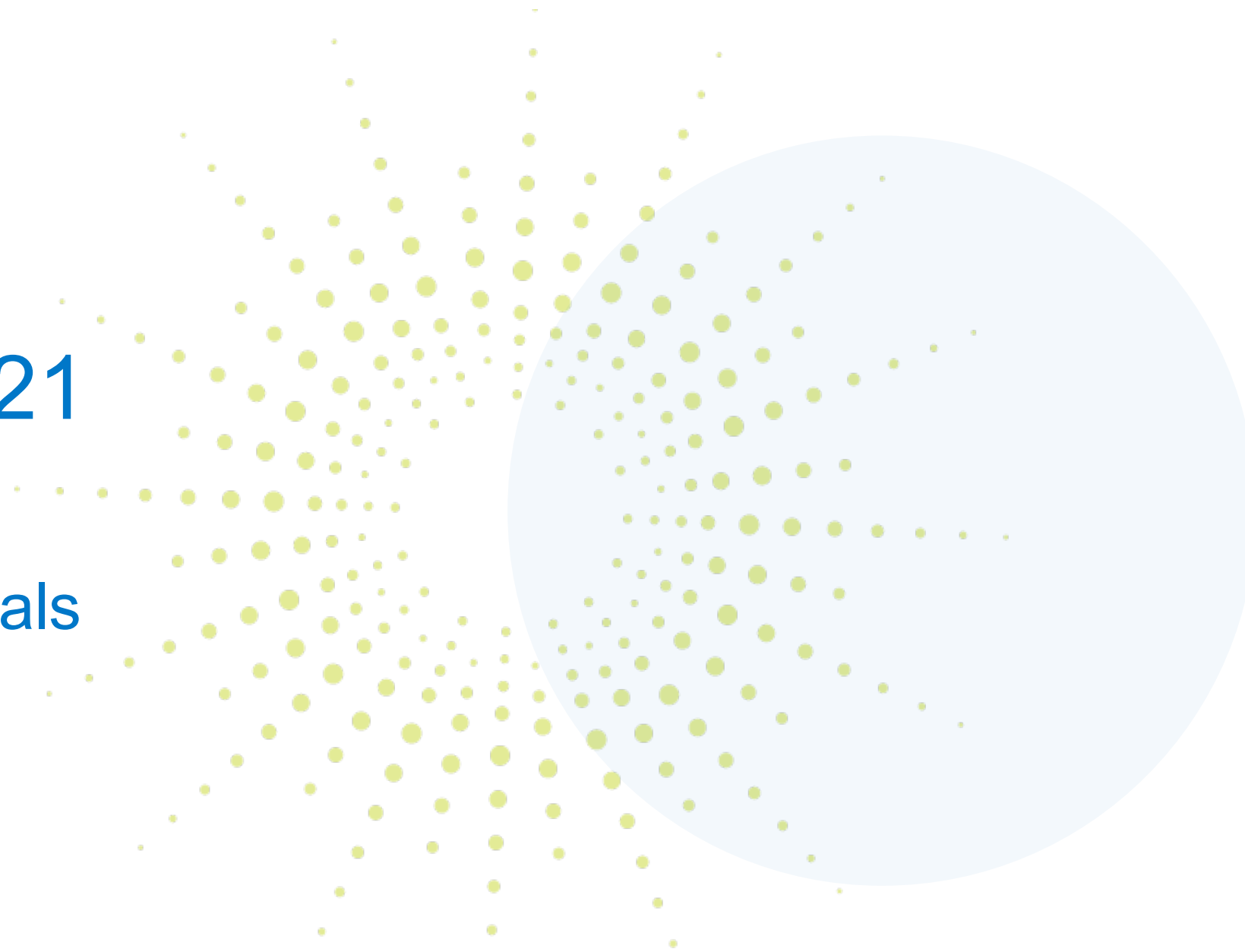
# Resolution

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FY2020-2021

Audited Financials





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*Peninsula Clean Energy  
Report to the Audit Committee  
October 12, 2021*

# Introduction

- Brett Bradford, CPA
  - Audit Partner
  - 18 years in public accounting and performing audits of government entities
  - Currently working with several CCA's throughout California
- Andrea Lifto, CPA
  - Engagement Manager
  - 5 years in public accounting and performing audits of governments (CCA's)

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# Results of current year audit:

- The audit is near completion. We expect to report the following:
  - Unmodified opinion – Based on our audit, the financial statements are materially accurate.
  - No significant deficiencies or material weakness in internal control noted.

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# Audit of the year ended June 30, 2021

## Financial Statements

### Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control.
- **Auditor** is responsible for auditing the Financial Statements
  - Considering risks of material misstatement in the Financial Statements
  - Considering internal controls relevant to the Financial Statements
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures

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# Risk Assessment for the year ended June 30, 2021

## Significant areas of focus

- Revenue recognition
  - Accounts receivable and accrued revenue
    - Test a sample of customer billings
    - Relate total cash received during the year to revenue
    - Look at cash received subsequent to year-end and relate to A/R
    - Review revenue recognition through year-end and method for determining (accrued revenue)
- Cash
  - Confirmations sent to financial institutions

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# Risk Assessment for the year ended June 30, 2021

## Significant areas of focus

- Accrued Cost of Electricity
  - Review subsequent bills from electricity providers and cash payments
- Accrued REC expense
- Supplier Security Deposits
  - Reviewed contracts and determined completeness of amounts recorded
- Financial Statement Note Disclosures – Complete and without bias

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# Required Board Communications

- The significant accounting policies adopted by PCE throughout the periods audited appear appropriate and consistently applied.
- No alternative treatments of accounting principles for material items in the financial statements have been discussed with management.

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# Required Board Communications (continued)

- We are not expecting to propose any adjustments to the financial statements.
- We have not identified any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.

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# Required Board Communications (continued)

- There have been no disagreements with management concerning the scope of our audit, the application of accounting principles, or the basis for management's judgments on any significant matters.
- We have not encountered any difficulties in dealing with management during the performance of our audit.

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# Questions?

Brett Bradford: 707-577-1582

Andrea Lifto: 707-559-7317



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