

FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2022 AND 2021
WITH REPORT OF
INDEPENDENT AUDITORS



PENINSULA
CLEAN ENERGY

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Independent Auditor's Report

To the Board of Directors
Peninsula Clean Energy Authority
Redwood City, California

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Peninsula Clean Energy Authority (PCE), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise PCE's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PCE as of June 30, 2022 and 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of PCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 PCE's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 PCE'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 PCE'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise PCE's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related notes to the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of PCE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCE's internal control over financial reporting and compliance.



Santa Rosa, California
November 8, 2022

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

The Management's Discussion and Analysis provides an overview of Peninsula Clean Energy Authority's financial activities as of and for the years ended June 30, 2022 and 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of Peninsula Clean Energy was 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.

Peninsula Clean Energy was created as a California Joint Powers Authority (JPA) on February 29, 2016. Peninsula Clean Energy was established to provide electric power at a competitive cost as well as to provide other benefits within San Mateo County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses.

Peninsula Clean Energy currently serves twenty-one jurisdictions located in San Mateo County and Merced County. The jurisdictions include the City of Los Banos, in Merced County, which Peninsula Clean Energy began serving on April 1, 2022 and each of the twenty cities and towns that make up San Mateo County (Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Millbrae, Pacifica, Portola Valley, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco, and Woodside) in addition to the unincorporated areas of San Mateo County. Peninsula Clean Energy is governed by twenty-three board members, with a representative from each of the twenty cities and towns of San Mateo County, two board members representing the unincorporated areas of San Mateo County, and one board member representing the City of Los Banos. Peninsula Clean Energy's Board of Directors has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. Peninsula Clean Energy is responsible for the acquisition of electric power for its service area.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Financial Reporting

Peninsula Clean Energy presents its financial statements as an enterprise fund under the economic resources measurement focus and the 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.
- The basic financial statements:
 - The *Statements of Net Position* include all of Peninsula Clean Energy’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 Peninsula Clean Energy’s revenues and expenses for the years shown.
 - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions and investment.
 - The notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

FINANCIAL HIGHLIGHTS

The following table is a summary of Peninsula Clean Energy's assets, liabilities, and net position and a discussion of significant changes during the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets			
Cash and cash equivalents	\$ 9,777,452	\$ 16,153,603	\$ 48,437,676
Accounts receivable & accrued revenue	53,591,360	29,365,007	36,650,317
Investments	17,564,207	16,672,184	81,408,338
Other current assets	13,417,474	11,742,230	5,424,892
Total current assets	<u>94,350,493</u>	<u>73,933,024</u>	<u>171,921,223</u>
Noncurrent assets			
Capital and lease assets, net	2,355,826	2,930,410	2,152,196
Investments	107,748,793	137,275,212	80,169,968
Other noncurrent assets	192,878	248,976	134,840
Total noncurrent assets	<u>110,297,497</u>	<u>140,454,598</u>	<u>82,457,004</u>
Total assets	<u>204,647,990</u>	<u>214,387,622</u>	<u>254,378,227</u>
Accrued cost of electricity	27,138,918	23,574,255	28,835,532
Other current liabilities	6,424,980	6,274,032	33,564,250
Noncurrent liabilities	3,413,358	3,822,281	3,460,665
Total liabilities	<u>36,977,256</u>	<u>33,670,568</u>	<u>65,860,447</u>
Net position			
Investment in capital assets	261,774	343,640	427,683
Restricted for security collateral	-	4,449,194	5,618,194
Unrestricted	167,408,960	175,924,219	182,471,903
Total net position	<u>\$167,670,734</u>	<u>\$180,717,053</u>	<u>\$188,517,780</u>

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Current Assets

Cash decreased from 2020 to 2021 as a result of planned operating losses that occurred during 2021 as well as the return of large cash collateral from energy suppliers. Planned operating losses occurred again in 2022, resulting in a further decrease in cash. Accounts receivable and accrued revenue dropped from 2020 to 2021 due to normal customer payment timing fluctuations. From 2021 to 2022, accounts receivable and accrued revenue increased by a large amount. This increase was due to customer rate increases that took effect in April 2022. The current portion of investments dropped from 2020 to 2021 due to the changing maturity dates of investments. Other current assets, which consist mostly of collateral deposits, increased significantly from 2020 to 2021, then held fairly steady from 2021 to 2022.

Noncurrent Assets

Capital assets are reported net of depreciation. Each year, the change is mostly due to leasehold improvements at Peninsula Clean Energy's office, and the acquisition of furniture and equipment less depreciation expense. Peninsula Clean Energy does not own assets used for electricity generation or distribution.

A lease asset is recorded in accordance with Governmental Accounting Standards Board No. 87 (GASB 87) that was implemented during 2022, with a restatement back to 2020. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that previously were not reported.

During 2022, Peninsula Clean Energy decreased its investments with maturities of over one year. These investments are valued at \$107,749,000 and are reported as noncurrent assets in the Statement of Net Position. See Note 5 to the financial statements for further discussion regarding investments.

Other noncurrent assets held fairly stable from 2021 to 2022. This account consists of various deposits for regulatory and other operating purposes expected to be held longer than a year. Included are deposit postings with the California Public Utilities Commission (CPUC), rent deposits, and collateral held by Peninsula Clean Energy from energy suppliers.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Current Liabilities

The most significant element of current liabilities are obligations to pay the cost of electricity delivered to customers. Accrued cost of electricity at the end of each year remained stable.

Peninsula Clean Energy returned a large energy supplier deposit in 2021, which accounts for the decrease in other current liabilities compared to 2020. Also included in other current liabilities are trade accounts payable, taxes and surcharges due to governments, and various other accrued liabilities.

Noncurrent Liabilities

Various contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits will be returned by Peninsula Clean Energy at the completion of the related contract or as other milestones are met. There was little change in deposits in 2022 as compared to 2021.

The following table is a summary of Peninsula Clean Energy's results of operations and a discussion of significant changes for years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 237,898,558	\$ 228,101,324	\$ 278,092,535
Nonoperating revenues	1,824,346	35,636	2,511
Interest and investment income (loss)	(6,153,368)	40,816	2,266,285
Total revenues	<u>233,569,536</u>	<u>228,177,776</u>	<u>280,361,331</u>
Operating expenses	246,539,330	236,303,283	231,271,144
Charitable contributions	-	50,000	-
Interest and finance costs	76,525	179,171	157,583
Total expenses	<u>246,615,855</u>	<u>236,532,455</u>	<u>231,428,727</u>
Change in net position	<u>\$ (13,046,319)</u>	<u>\$ (8,354,679)</u>	<u>\$ 48,932,604</u>

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Operating revenues

Peninsula Clean Energy’s operating revenues are derived from the sale of electricity to commercial and residential customers throughout its territory. Peninsula Clean Energy reports its revenue net of uncollectible accounts. In February 2021, Peninsula Clean Energy implemented a rate reduction across all customer classes in order to provide its customers relief from increased fees associated with the Power Charge Indifference Adjustment (PCIA) and to maintain a competitive advantage in the marketplace. This rate reduction corresponded directly with a large drop in revenue from 2020 to 2021. In order to compensate for this revenue shortfall, Peninsula Clean Energy has been able to draw on its reserve funds. Revenue increased from 2021 to 2022 as a result of customer rate increases in April 2022 as well as the expansion to Los Banos during the spring of 2022.

Other revenues

The nonoperating revenue increase from 2021 to 2022 was primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022. Investment income decreased in 2022 as a result of a reduction of market interest rates. Management intends to hold investments to maturity. Accordingly, most of the reported investment loss was unrealized at the end of 2022.

Operating expenses

Peninsula Clean Energy’s largest expense each year was the purchase of electricity delivered to retail customers. Peninsula Clean Energy procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs. Electricity costs increased each year from 2020 to 2022. The main cause of the increase was overall higher market prices. In 2022, the expansion to Los Banos also required additional resources to be purchased. Expenses for staff compensation, contract services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands.

**PENINSULA CLEAN ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

ECONOMIC OUTLOOK

In December 2017, Peninsula Clean Energy published its first strategic Integrated Resource Plan (IRP), which outlines the procurement strategy to fulfill the State’s regulatory mandates, while also accelerating the State’s decarbonization goals. The IRP describes Peninsula Clean Energy’s approach to mitigating risk by diversifying its power portfolio through contract term length, project ownership, location, technology, size, and additionality (increasing “steel in the ground”).

Peninsula Clean Energy is developing energy programs to reduce greenhouse gas emission from transportation and buildings. Incentives are offered for used electric vehicles to reduce the costs of these vehicles for residents and to increase the number of electric vehicle charging stations. Peninsula Clean Energy has also approved and funded grants for community pilot programs to advance Peninsula Clean Energy’s mission to reduce greenhouse gas emissions, support Peninsula Clean Energy’s workforce policy and serve a high number of Peninsula Clean Energy customers.

Peninsula Clean Energy started delivering electricity services to customers of Los Banos on April 1, 2022.

The COVID-19 pandemic impacted Peninsula Clean Energy’s business like many other businesses during fiscal years 2020-21 and 2021-22 as the regional economy slowed during shelter-in place orders and the subsequent return to a new normal of economic activity. While Peninsula Clean Energy’s overall electricity loads have declined from a high of 3.71 million MWh in fiscal year 2019-20 to 3.55 million MWh in fiscal year 2021-22 driven by pandemic impact and recoveries, we project loads will recover to 3.69 million MWh in fiscal year 2022-23. Additionally included in the projected load are the impacts of electricity service to customers of Los Banos which began on April 1, 2022.

REQUEST FOR INFORMATION

This financial report is designed to provide Peninsula Clean Energy’s customers and creditors with a general overview of the organization’s finances and to demonstrate Peninsula Clean Energy’s accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 2075 Woodside Road, Redwood City, CA 94061.

Respectfully submitted,

Janis Pepper, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

ASSETS	2022	2021
Current assets		
Cash and cash equivalents	\$ 9,777,452	\$ 11,704,409
Accounts receivable, net of allowance	32,869,379	18,409,996
Accrued revenue	20,721,981	10,955,011
Investments	17,564,207	16,672,184
Other receivables	2,986,880	4,389,125
Prepaid expenses	4,976,571	3,571,212
Deposits	5,454,023	3,781,893
Restricted cash	-	4,449,194
Total current assets	<u>94,350,493</u>	<u>73,933,024</u>
Noncurrent assets		
Investments	107,748,793	137,275,212
Deposits and other assets	192,878	248,976
Lease asset, net of amortization	2,094,052	2,586,770
Capital assets, net of depreciation	261,774	343,640
Total noncurrent assets	<u>110,297,497</u>	<u>140,454,598</u>
Total assets	<u>204,647,990</u>	<u>214,387,622</u>
 LIABILITIES		
Current liabilities		
Accrued cost of electricity	27,138,918	23,574,255
Accounts payable	1,171,803	1,247,108
Other accrued liabilities	1,078,334	1,103,134
User taxes and energy surcharges due to other governments	1,081,831	748,987
Supplier deposits - energy suppliers	2,624,090	2,735,397
Lease liability	468,922	439,406
Total current liabilities	<u>33,563,898</u>	<u>29,848,287</u>
Noncurrent liabilities		
Supplier deposits - energy suppliers	1,653,433	1,593,433
Lease liability	1,759,925	2,228,848
Total noncurrent liabilities	<u>3,413,358</u>	<u>3,822,281</u>
Total liabilities	<u>36,977,256</u>	<u>33,670,568</u>
 NET POSITION		
Investment in capital assets	261,774	343,640
Restricted for security collateral	-	4,449,194
Unrestricted	167,408,960	175,924,219
Total net position	<u>\$ 167,670,734</u>	<u>\$ 180,717,053</u>

**PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electricity sales, net	\$ 233,526,144	\$ 225,451,521
Green electricity premium	2,858,977	2,649,803
Grant revenue	1,020,254	-
Liquidated damages revenue	493,183	-
Total operating revenues	<u>237,898,558</u>	<u>228,101,324</u>
OPERATING EXPENSES		
Cost of electricity	226,678,063	213,833,819
Contract services	10,188,609	10,531,713
Staff compensation	6,351,193	5,637,450
General and administration	2,747,244	5,716,643
Depreciation and amortization	574,221	583,658
Total operating expenses	<u>246,539,330</u>	<u>236,303,283</u>
Operating loss	<u>(8,640,772)</u>	<u>(8,201,959)</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	1,824,346	-
Miscellaneous income	-	35,636
Interest and investment income (loss)	(6,153,368)	40,816
Charitable contributions	-	(50,000)
Interest and finance costs	(76,525)	(179,171)
Nonoperating revenues (expenses), net	<u>(4,405,547)</u>	<u>(152,719)</u>
CHANGE IN NET POSITION	(13,046,319)	(8,354,679)
Net position at beginning of year (as restated - Note 12)	<u>180,717,053</u>	<u>189,071,732</u>
Net position at end of year	<u>\$ 167,670,734</u>	<u>\$ 180,717,053</u>

**PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 216,039,305	\$ 239,450,678
Receipts from grantors	1,020,254	-
Receipts from supplier security deposits	2,639,091	4,974,578
Receipts of liquidated damages	493,183	-
Payments to suppliers for electricity	(226,221,013)	(254,214,226)
Payments for other goods and services	(12,725,566)	(15,933,200)
Payments for staff compensation	(6,249,329)	(5,460,310)
Payments of taxes and surcharges to other governments	(3,547,693)	(4,136,810)
Payments of charitable contributions	-	(50,000)
Net cash used by operating activities	<u>(28,551,768)</u>	<u>(35,369,290)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant revenue	1,824,346	-
Deposits and collateral received	4,000,000	2,247,128
Interest and finance costs paid	(76,525)	(179,389)
Deposits and collateral paid	(5,616,033)	(6,143,158)
Net cash provided by (used by) non-capital financing activities	<u>131,788</u>	<u>(4,075,419)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	-	(22,061)
Payments of lease liability	(533,808)	(514,839)
Net cash used by capital and related financing activities	<u>(533,808)</u>	<u>(536,900)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment sales	58,926,086	140,659,234
Investment income received	1,947,354	1,828,256
Purchase of investments	(38,295,803)	(134,789,954)
Net cash provided by investing activities	<u>22,577,637</u>	<u>7,697,536</u>
Net change in cash and cash equivalents	(6,376,151)	(32,284,073)
Cash and cash equivalents at beginning of year	16,153,603	48,437,676
Cash and cash equivalents at end of year	<u>\$ 9,777,452</u>	<u>\$ 16,153,603</u>
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	\$ 9,777,452	\$ 11,704,409
Restricted cash	-	4,449,194
Cash and cash equivalents	<u>\$ 9,777,452</u>	<u>\$ 16,153,603</u>

**PENINSULA CLEAN ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

**RECONCILIATION OF OPERATING LOSS TO NET
CASH USED BY OPERATING ACTIVITIES**

	<u>2022</u>	<u>2021</u>
Operating loss	\$ (8,640,772)	\$ (8,201,959)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	574,221	583,658
Provision for uncollectible accounts	(38,138)	996,988
Nonoperating miscellaneous income	-	35,636
Charitable contributions considered an operating activity for cash flow purposes only	-	(50,000)
(Increase) decrease in:		
Accounts receivable	(14,421,245)	3,501,608
Accrued revenue	(9,766,970)	2,786,714
Other receivables	1,305,636	(2,679,401)
Prepaid expenses	(1,405,359)	118,146
Increase (decrease) in:		
Accrued cost of electricity	3,564,669	(5,261,283)
Accounts payable	(75,305)	52,514
Other accrued liabilities	69,595	(961,217)
User taxes and energy surcharges due to other governments	333,207	(108,402)
Supplier security deposits	(51,307)	(26,182,292)
Net cash used by operating activities	<u>\$ (28,551,768)</u>	<u>\$ (35,369,290)</u>

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. REPORTING ENTITY

Peninsula Clean Energy is a joint powers authority created on February 29, 2016. As of June 30, 2022, parties to its Joint Powers Agreement consist of the following local governments:

County	Cities and Towns	
San Mateo	Atherton	Menlo Park
	Belmont	Millbrae
	Brisbane	Pacifica
	Burlingame	Portola Valley
	Colma	Redwood City
	Daly City	San Bruno
	East Palo Alto	San Carlos
	Foster City	San Mateo
	Half Moon Bay	South San Francisco
	Hillsborough	Woodside
	Los Banos	

Peninsula Clean Energy is separate from and derives no financial support from its members. Peninsula Clean Energy is governed by a Board of Directors whose membership is composed of elected officials representing the member governments.

A core function of Peninsula Clean Energy is to provide electric service that includes renewable sources, and it operates as a Community Choice Aggregation Program subject to California Public Utilities Code Section 366.2.

Peninsula Clean Energy began its energy delivery operations in October 2016. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

Peninsula Clean Energy'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.

Peninsula Clean Energy'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 – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is Peninsula Clean Energy's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, Peninsula Clean Energy defines cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral for letters of credit, deposits from energy suppliers, as well as a required minimum balance to be maintained in one of Peninsula Clean Energy's bank accounts.

PREPAID EXPENSES AND DEPOSITS

Contracts to purchase energy may require Peninsula Clean Energy 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. Also included are prepaid expenses and deposits for regulatory and other operating purposes.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASE ASSET AND LEASE LIABILITY

Peninsula Clean Energy recognizes an asset and liability when it enters into certain leasing arrangements. 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. Peninsula Clean Energy's only leased asset and liability relates to its office premises.

CAPITAL ASSETS AND DEPRECIATION

Peninsula Clean Energy's policy is to capitalize furniture and equipment valued over \$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, seven years for furniture and ten years for leasehold improvements. Peninsula Clean Energy does not own any electric generation assets.

SUPPLIER DEPOSITS – ENERGY SUPPLIERS

Various energy contracts entered into by Peninsula Clean Energy require the supplier to provide Peninsula Clean Energy with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and reduced by outstanding borrowings that are attributable to the acquisition, construction, or improvement of those assets. Peninsula Clean Energy did not have any such outstanding borrowings as of June 30, 2022 and 2021.

Restricted: This component of net position consists of constraints placed on net asset use through external creditor constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws 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 "investment in capital assets" or "restricted."

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers. Many of Peninsula Clean Energy's retail customers have opted to purchase a 100% renewable electricity product and pay a \$0.01 per kilowatt hour premium. Revenues derived from this premium are reported throughout these financial statements as "Green electricity premium."

Investment income includes interest earned on bank deposits as well as unrealized gains and losses on its investment holdings. Interest and investment income (loss) is considered a nonoperating activity.

REVENUE RECOGNITION

Peninsula Clean Energy 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.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity and services, administrative expenses, and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

ELECTRICAL POWER PURCHASED

During the normal course of business, Peninsula Clean Energy purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from Peninsula Clean Energy's participation in the California Independent System Operator's 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, Peninsula Clean Energy acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). Peninsula Clean Energy obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. Peninsula Clean Energy recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position. Payments made to suppliers reduce accrued cost of electricity.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED (CONTINUED)

Peninsula Clean Energy 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 the California Independent System Operator 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

Peninsula Clean Energy fully pays employees semi-monthly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. Peninsula Clean Energy is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. Peninsula Clean Energy provides compensated time off, and the related liability is recorded in these financial statements.

INCOME TAXES

Peninsula Clean Energy 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 previously reported net position or change in net position.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

3. CASH AND CASH EQUIVALENTS

Peninsula Clean Energy maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. Peninsula Clean Energy's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110%. Certain short-term investments with original maturities of less than three months are classified as cash and cash equivalents, which are not subject to the collateral requirement or FDIC coverage previously mentioned. Accordingly, the amount of risk is not disclosed. Peninsula Clean Energy monitors its risk exposure on an ongoing basis.

At the end of 2021, Peninsula Clean Energy had restricted cash that was held as collateral for letters of credit posted by Peninsula Clean Energy and for supplier security deposits received by Peninsula Clean Energy. The restriction expired in April 2022.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable from customers	\$34,793,412	\$20,372,167
Allowance for uncollectible accounts	(1,924,033)	(1,962,171)
Net accounts receivable	<u>\$32,869,379</u>	<u>\$18,409,996</u>

The majority of account collections occur within the first few months following customer invoicing. Peninsula Clean Energy estimates that a portion of the billed accounts will not be collected. Peninsula Clean Energy continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, Peninsula Clean Energy continues to have success in collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. During 2022 Peninsula Clean Energy recorded a combined \$2,045,000 in accounts receivable write-offs and increases to its allowance for uncollectible accounts. In 2022, Peninsula Clean Energy received CAPP funds (see Note 8) that helped recover for previously written off accounts receivable.

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

5. INVESTMENTS

During the years ended June 30, 2022 and 2021, Peninsula Clean Energy purchased investments with original maturities of three months or more. As of June 30, the fair value of investments were as follows:

	<u>2022</u>	<u>2021</u>
Current Investments:		
U.S. Treasury Securities	\$ 16,280,704	\$ 16,567,184
Corporate bonds	1,283,503	-
Municipal bonds	-	105,000
Total current investments	<u>\$ 17,564,207</u>	<u>\$ 16,672,184</u>
	<u>2022</u>	<u>2021</u>
Noncurrent Investments:		
U.S. Treasury Securities	\$ 69,956,207	\$ 95,313,500
Corporate bonds	31,409,654	34,917,691
Municipal bonds	6,382,932	7,044,021
Total noncurrent investments	<u>\$ 107,748,793</u>	<u>\$ 137,275,212</u>

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That 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 different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Peninsula Clean Energy's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of June 30, 2022 and 2021, Peninsula Clean Energy's investments are considered Level 1 inputs.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

5. INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Peninsula Clean Energy would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in Peninsula Clean Energy's name, and are held by the counterparty.

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. Peninsula Clean Energy manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of June 30, 2022:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Securities	\$ 86,236,911	\$ 16,280,704	\$ 69,956,206
Corporate bonds-U.S.	32,198,932	1,283,503	30,915,429
Corporate bonds-foreign	494,225	-	494,225
Municipal bonds	6,382,932	-	6,382,932
	<u>\$ 125,313,000</u>	<u>\$ 17,564,207</u>	<u>\$ 107,748,793</u>

Following is a summary of investment maturities as of June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>
U.S. Treasury Securities	\$ 111,880,684	\$ 16,567,184	\$ 95,313,500
Corporate bonds-U.S.	34,917,691	-	34,917,691
Municipal bonds	7,149,021	105,000	7,044,021
	<u>\$ 153,947,396</u>	<u>\$ 16,672,184</u>	<u>\$ 137,275,212</u>

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

6. CAPITAL ASSETS AND LEASE ASSET

Capital asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at June 30, 2020	\$ 439,684	\$ 213,233	\$ (225,234)	\$ 427,683
Additions	6,897	-	(90,940)	(84,043)
Balances at June 30, 2021	446,581	213,233	(316,174)	343,640
Additions	-	-	(81,503)	(81,503)
Dispositions	(2,179)	-	1,816	(363)
Balances at June 30, 2022	<u>\$ 444,402</u>	<u>\$ 213,233</u>	<u>\$ (395,861)</u>	<u>\$ 261,774</u>

Lease asset activity for the years ended June 30, 2022 and 2021 was as follows:

	Lease Asset	Accumulated Amortization	Total
Balances at June 30, 2020	\$ -	\$ -	\$ -
Additions	3,079,488	(492,718)	2,586,770
Balances at June 30, 2021	3,079,488	(492,718)	2,586,770
Additions	-	(492,718)	(492,718)
Balances at June 30, 2022	<u>\$ 3,079,488</u>	<u>\$ (985,436)</u>	<u>\$ 2,094,052</u>

7. DEBT

During fiscal year 2021, Peninsula Clean Energy had an available bank line of credit in the amount of \$12,000,000 to provide additional liquidity for operations, as needed. There is no collateral requirement related to the line of credit and Peninsula Clean Energy did not draw any funds against it. Amounts drawn from the line of credit are charged interest at one-month LIBOR plus 3.1%. Peninsula Clean Energy terminated this line of credit as of June 30, 2021.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

8. GRANTS

Peninsula Clean Energy administers a grant from the California Arrearage Payment Program (CAPP) that offers financial assistance for California energy utility customers to help reduce past due energy bill balances that increased during the COVID-19 pandemic. This program is funded through the federal American Rescue Plan Act (ARPA) with Coronavirus State and Local Fiscal Recovery Funds.

Peninsula Clean Energy also administers a grant from the California Public Utilities Commission (CPUC) for the Disadvantaged Communities Green Tariff (DAC-GT). This grant provides bill discounts for eligible customers.

The following is a summary of grant revenue for the years ending June 30:

	2022	2021
CAPP	\$ 1,824,346	\$ -
DAC	1,020,254	-
Total grant revenue	\$ 2,844,600	\$ -

9. DEFINED CONTRIBUTION RETIREMENT PLAN

Peninsula Clean Energy provides retirement benefits through the County of San Mateo 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by Massachusetts Mutual Life Insurance Company. As of June 30, 2022, there were 33 plan members. Peninsula Clean Energy is required to contribute 6% of annual covered payroll and up to an additional 4% of annual covered payroll to match employee contributions. Peninsula Clean Energy contributed \$473,000 and \$395,000 during the years ended June 30, 2022 and 2021, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

10. RISK MANAGEMENT

Peninsula Clean Energy 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, Peninsula Clean Energy purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. Settled claims have not exceeded coverage in the last two years. There were no significant reductions in coverage compared to the prior year. Peninsula Clean Energy has general liability coverage of \$2,000,000 as well as a \$10,000,000 umbrella policy. Deductibles on the various policies range from \$0 to \$25,000. From time to time, Peninsula Clean Energy may be party to various pending claims and legal proceedings. Peninsula Clean Energy has no current litigation or claims pending that are expected to have a material adverse effect on Peninsula Clean Energy's financial position or results of operations.

Peninsula Clean Energy maintains 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, Peninsula Clean Energy enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

11. PURCHASE COMMITMENTS

In the ordinary course of business, Peninsula Clean Energy enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydro-electric facilities.

The following table details the obligations to purchase existing energy, renewable, and resource adequacy (RA) contracts as of June 30, 2022:

Year ending June 30,	
2023	\$ 228,000,000
2024	192,000,000
2025	157,000,000
2026	143,000,000
2027	140,000,000
2028-45	<u>1,185,000,000</u>
Total	<u><u>\$2,045,000,000</u></u>

As of June 30, 2022, Peninsula Clean Energy had outstanding non-cancelable commitments to professional service providers through June 2024, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately \$6.7 million.

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

12. LEASE

In June 2017, GASB issued Statement No. 87, *Leases*. As amended, the effective date of the Statement was for fiscal years beginning after June 15, 2021. Peninsula Clean Energy implemented the Statement in these financial statements. According to GASB, the Statement aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that previously were not reported. As a result of implementing the Statement, net position at June 30, 2021 has been reduced by approximately \$81,000.

On August 1, 2017, Peninsula Clean Energy entered into an 86-month non-cancelable lease for its office premises. The rental agreement includes an option to renew the lease for two additional five-year terms. In September 2019, the lease was extended an additional two years to September 30, 2026. As part of the extension, Peninsula Clean Energy leased additional office space through the same termination date.

Rental expense under this lease was \$530,000 and \$512,000 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, future minimum lease payments under this lease were projected as follows:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 468,922	\$ 62,487	\$ 531,410
2024	499,837	47,515	547,352
2025	532,209	31,563	563,772
2026	566,100	14,586	580,686
2027	161,778	877	162,655
Total	<u>\$ 2,228,847</u>	<u>\$ 157,028</u>	<u>\$ 2,385,875</u>

**PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after June 30, 2022:

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Management is evaluating the effect of implementation of these statements.

SUPPLEMENTARY INFORMATION

**PENINSULA CLEAN ENERGY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Department of the Treasury			
California Department of Community Services and Development (CSD)			
COVID-19 American Rescue Plan Act (ARPA)			
Coronavirus State and Local Fiscal Recovery Funds			
California Arrearage Payment Program (CAPP)	21.027	68-0283471	\$ 1,824,346
<u>Total Department of the Treasury</u>			<u>1,824,346</u>
Total expenditures of federal awards			<u><u>\$ 1,824,346</u></u>

PENINSULA CLEAN ENERGY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Peninsula Clean Energy (PCE) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, PCE's financial statements. Because the Schedule presents only a selected portion of the operations of PCE, it is not intended to and does not present the financial position, changes in the net position or cash flows of PCE.

All federal awards received directly from federal agencies, as well as federal awards passed through nonfederal agencies and organizations are included in the Schedule. Pass-through entity identifying numbers are presented when available.

The reporting entity for PCE is based upon criteria established by the Governmental Accounting Standards Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARDS

Expenditures on the accompanying Schedule are reported on an accrual basis of accounting. Expenditures are recognized when approved for payment and posted to PCE's accounting system. Expenditures are paid prior to including on the Schedule. Expenditures for federal awards are recognized following the cost principles contained in the Uniform Guidance. Under these cost principles certain types of expenditures are not allowable or are limited as to reimbursement.

3. SUB-RECIPIENTS

Of the federal expenditures presented in the Schedule, PCE did not provide federal awards to sub-recipients for the year ended June 30, 2022.

4. INDIRECT COSTS

PCE did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Peninsula Clean Energy Authority
Redwood City, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities Peninsula Clean Energy Authority ("PCE"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise PCE's basic financial statements, and have issued our report thereon dated November 8, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PCE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PCE's internal control. Accordingly, we do not express an opinion on the effectiveness of PCE's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of PCE's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards (continued)**


Independent Auditor's Report (continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PCE's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PCE's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Presente & Brink LLP

Santa Rosa, California
November 8, 2022



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of Directors
Peninsula Clean Energy Authority
Redwood City, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Peninsula Clean Energy Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Peninsula Clean Energy Authority's major federal programs for the year ended June 30, 2022. Peninsula Clean Energy Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Peninsula Clean Energy Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Peninsula Clean Energy Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Peninsula Clean Energy Authority's compliance with the compliance requirements referred to above.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance (continued)**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Peninsula Clean Energy Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Peninsula Clean Energy Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Peninsula Clean Energy Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Peninsula Clean Energy Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Peninsula Clean Energy Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Peninsula Clean Energy Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance (continued)**

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness over internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pisenti & Brinku LLP

Santa Rosa, California
November 8, 2022

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No
 Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No
 Significant deficiencies identified? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major federal programs:

Assistance Listing Number (s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Schedule of Findings and Questioned Costs (continued)

Year Ended June 30, 2022

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

No Uniform Guidance audit performed in prior year.