MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA
OAKLEY | PINOLE | PITTSBURG | RICHMOND | SAN PABLO | SAN RAMON | WALNUT CREEK

MCE SPECIAL MEETING
September 18, 2020
9:00 A.M.

The Board of Directors Meeting will be conducted pursuant to the provisions of the Governor's Executive Order N-29-20 (March 17, 2020) which suspends certain requirements of the Ralph M. Brown Act. Board of Director Members will be teleconferencing into the MCE Special Meeting.

Members of the public who wish to observe the meeting may do so telephonically via the following teleconference call-in number and meeting ID:

Dial: 1 669 900 9128
Meeting ID: 839 0703 6043
Meeting Password: 131496

For Viewing Access Join Zoom Meeting:
https://us02web.zoom.us/j/83907036043?pwd=OThnQi8wQi93UTc2YW5PazdwRXlaUT09

1. Roll Call

2. Public Open Time

3. Opening Remarks by Chair (9:00-9:20)
    a. 10 Year Anniversary, Financial Standing and Programs Supporting our Communities
    b. Board Member Introductions, Part I

4. Inaugural MCE Climate Action Leadership Award Presentation to Senator Mike McGuire (9:20 – 9:35)
    Introduction by MCE Director, Kate Sears

5. Report on the MCE FY2019/20 Financial Audit (9:35-9:40)
    Introduction by MCE Director, Bob McCaskill

6. MCE Responses to 2020 Events (9:40-10:30)
    a. COVID-19 Operational Impacts and Responses

b. Resiliency Activities
c. Social Equity
d. Customer Engagement and Participation with COVID-19
e. Discussion

Break: 10:30 – 10:45

7. On the Horizon (10:45-12:00)
    a. The Future of Reliability Procurement
        i. CAISO Challenges and Renewable Integration
        ii. CPUC Requirements and Fossil Generation
        iii. Market Constraints
        iv. How to Avoid <u>use of</u> Fossil Generation: Load Shifting
    b. Owning Energy Projects: MCE Bond Issuance
        Introduction by MCE Director, Ray Withy

Lunch: 12:00 – 1:00

8. Board Member Introductions, Part II (1:00 – 1:15)

9. Addition of Board Members to Committees: Action (1:15-1:20)

10. New Technology: Renewable Hydrogen (1:20 – 2:00)
    Introduction by MCE Director, John Gioia
    Presentation by Janice Lin, CEO of Green Hydrogen Coalition

11. Carry-over Discussion from Morning Items (2:00 - 2:55)

12. Adjourn

DISABLED ACCOMMODATION: If you are a person with a disability which requires an accommodation, or an alternative format, please contact the Clerk of the Board at (925) 378-6732 as soon as possible to ensure arrangements for accommodation.

MCE | My community. My choice.

FINANCIAL STATEMENTS

Years Ended March 31, 2020 & 2019
with Report of Independent Auditors

mceCleanEnergy.org

MARIN CLEAN ENERGY
YEARS ENDED MARCH 31, 2020 AND 2019

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marin Clean Energy
San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of Marin Clean Energy, as of and for the years ended March 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Marin Clean Energy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Marin Clean Energy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Marin Clean Energy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Baker Tilly US, LLP, trading as Baker Tilly, is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Clean Energy as of March 31, 2020 and 2019, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Tilly US, LLP

Madison, Wisconsin
August 6, 2020

MARIN CLEAN ENERGY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

The Management's Discussion and Analysis provides an overview of Marin Clean Energy's (MCE) financial activities as of and for the years ended March 31, 2020 and 2019. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

The formation of MCE was made possible by the passage, in 2002, of California Assembly Bill 117, enabling communities to purchase power on behalf of their residents and businesses and creating competition in power generation.

MCE was created as a California Joint Powers Authority (JPA) on December 19, 2008. MCE was established to provide electric power and related benefits within MCE's service area, including developing a wide range of renewable energy sources and energy efficiency programs. Governed by an appointed board of directors, MCE has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and issue bonds or other obligations. MCE is responsible for the acquisition of electric power for its service area.

Financial Reporting

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

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

(Continued)

Contents of this Report

This report is divided into the following sections:

- Management discussion and analysis.
- The Basic Financial Statements:
  - The *Statements of Net Position* include all of MCE's assets, liabilities, deferred inflows of resources 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 MCE's revenue 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 investments.
  - Notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

(Continued)

FINANCIAL HIGHLIGHTS

The following table is a summary of MCE's assets, liabilities, deferred inflows or resources and net position and a discussion of significant changes for the years ending March 31:

	2020	2019	2018
Current assets	$ 211,708,945	$ 127,633,995	$ 64,627,008
Noncurrent assets			
Capital assets, net	1,142,836	1,127,966	667,482
Other noncurrent assets	10,881,417	2,840,511	2,804,092
Total noncurrent assets	12,024,253	3,968,477	3,471,574
Total assets	223,733,198	131,602,472	68,098,582
Current liabilities	51,359,862	39,994,907	17,367,279
Noncurrent liabilities	67,796	30,950	-
Total liabilities	51,427,658	40,025,857	17,367,279
Deferred inflows of resources	10,500,000	-	-
Net position:			
Investment in capital assets	1,142,836	1,127,966	667,482
Restricted	-	2,500,000	2,500,000
Unrestricted	160,662,704	87,948,649	47,563,821
Total net position	$ 161,805,540	$ 91,576,615	$ 50,731,303

Current assets

Current assets were approximately $214,700,000 at the end of 2020 and are mostly comprised of $156,700,000 in cash, $29,800,000 in accounts receivable, and $15,758,000 in accrued revenue, each of which mark an increase from 2019 to 2020. Most notably, cash increased each year as a result of operating surpluses. Accounts receivable and accrued revenue experienced moderate increases mostly attributable to territory expansion. Accrued revenue differs from accounts receivable in that it is the result of electricity use by MCE customers before invoicing to those customers has occurred.

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

(Continued)

Capital assets

Capital assets are reported net of depreciation. Each year, the increase is mostly due to leasehold improvements at MCE's offices. Capital assets held by MCE are comprised of leasehold improvements, furniture and equipment. MCE does not own assets used for electric generation or distribution.

Other noncurrent assets

Other noncurrent assets increased in 2020 primarily due to a transfer of $10,500,000 to an Operating Reserve Fund to defer revenue for later years when financial results may not be as strong or are stressed. Deferring revenue to be used in future years will allow MCE to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

Current liabilities

Current liabilities consist mostly of the cost of electricity delivered to customers that is not yet due to be paid by MCE. Current liabilities increased each year mostly due to cost of energy related to customer expansions. Other components include trade accounts payable, taxes and surcharges due to governments, advances from grantors, and various other accrued liabilities.

The following table is a summary of MCE's results of operations and a discussion of significant changes for years ending March 31:

	2020	2019	2018
Operating revenues	$ 416,119,323	$ 362,292,027	$ 205,752,830
Interest income	2,957,808	943,712	325,492
Total income	419,077,131	363,235,739	206,078,322
Operating expenses	348,716,887	322,343,205	199,966,736
Nonoperating expenses	131,319	47,222	40,000
Total expenses	348,848,206	322,390,427	200,006,736
Change in net position	$ 70,228,925	$ 40,845,312	$ 6,071,586

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

(Continued)

Operating revenues

Operating revenues increased each year, primarily driven by rate changes as well as electricity sales from the inclusion of new communities beginning in April 2018. This expansion covered unincorporated Contra Costa county, as well as the cities and towns of Concord, Martinez, Oakley, Pinole, Pittsburg, San Ramon, Danville and Moraga.

MCE also receives revenues from sources other than retail customer sales. These sources include wholesale energy sales to other suppliers, as well as grant income used to assist with various customer programs.

Interest income increased each year as a result of rising cash balances and increased interest rates.

Operating expenses

Operating expenses increased each year, primarily due to increasing pricing for certain products in the energy market as well as the result of an expansion in April 2018 and the need to increase the quantity of energy purchases to provide for the new customer base. MCE procures energy from a variety of sources to minimize this risk and maintain a balanced renewable power portfolio.

MARIN CLEAN ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED MARCH 31, 2020 AND 2019

(Continued)

ECONOMIC OUTLOOK

In the normal course of business, MCE enters into various agreements, including renewable energy agreements and other power purchase agreements to purchase power and electric capacity. MCE enters into power purchase agreements in order to comply with state law and elevated voluntary targets for renewable and greenhouse gas (GHG) free products as described in its Integrated Resource Plans. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities ("LSEs"), such as MCE, to gradually increase the amount of renewable energy they deliver to their customers. Senate Bill ("SB") 100, signed by California's Governor in September 2018, directs LSEs to supply 60% of their retail sales with RPS-eligible resources by 2030. MCE began supplying its retail sales with 60% RPS-eligible resources in 2017, 13 years ahead of the SB 100 schedule. In addition, pursuant to California SB 350 (signed into law in October 2015), at least 65 percent of the procurement a retail seller, such as MCE, counts toward its renewables portfolio standard requirement for each compliance period shall be from contracts of ten years or more in duration ("long-term contracts"), starting with compliance period 4 (which begins January 1, 2021). As of March 31, 2020, MCE has executed RPS contracts of ten years or more in duration that are projected to meet MCE's SB 350 long-term contracting requirement through 2027, and MCE is planning to continue its long-term RPS procurement as opportunities arise.

MCE manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and by securing a diversity of technologies, geographical locations, and suppliers. Expected obligations under power purchase agreements totaled approximately $2.23 billion as of March 31, 2019 and $2.32 billion as of March 31, 2020.

Management intends to continue its conservative use of financial resources and expects ongoing operating surpluses.

REQUEST FOR INFORMATION

This financial report is designed to provide MCE's board members, stakeholders, customers and creditors with a general overview of the MCE's finances and to demonstrate MCE's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to the Director of Finance, 1125 Tamalpais Avenue, San Rafael, CA 94901.

BASIC FINANCIAL STATEMENTS

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	$ 144,607,424	$ 54,426,942
Accounts receivable, net of allowance	29,801,063	27,525,151
Accrued revenue	15,758,273	11,960,984
Market settlements receivable	-	5,828,255
Other receivables	2,879,452	3,422,518
Prepaid expenses	1,455,435	1,465,199
Investments	-	10,000,000
Deposits	8,091,551	6,642,817
Restricted cash	9,115,747	6,362,129
Total current assets	211,708,945	127,633,995
Noncurrent assets		
Unrestricted cash in Operating Reserve Fund	10,500,000	-
Restricted cash	-	2,500,000
Capital assets, net of depreciation	1,142,836	1,127,966
Deposits	381,417	340,511
Total noncurrent assets	12,024,253	3,968,477
Total assets	223,733,198	131,602,472
LIABILITIES		
Current liabilities		
Accounts payable	2,266,392	1,807,129
Accrued cost of electricity	32,995,146	29,693,302
Other accrued liabilities	1,096,341	894,468
User taxes and energy surcharges due to other governments	1,336,236	1,237,879
Security deposits from energy suppliers	4,550,000	-
Advances from grantors	9,115,747	6,362,129
Total current liabilities	51,359,862	39,994,907
Noncurrent liabilities		
Contract retention	67,796	30,950
Total liabilities	51,427,658	40,025,857
DEFERRED INFLOWS OF RESOURCES		
Operating Reserve Fund	10,500,000	-
NET POSITION		
Net position		
Investment in capital assets	1,142,836	1,127,966
Restricted for line of credit collateral	-	2,500,000
Unrestricted	160,662,704	87,948,649
Total net position	$ 161,805,540	$ 91,576,615

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES		
Electricity sales, net	$ 413,996,865	$ 353,959,271
Revenue transferred to Operating Reserve Fund	(10,500,000)	-
Grant revenue	3,414,529	2,285,626
Wholesale resource sales	5,428,151	5,399,080
Liquidated damages	3,750,000	437,253
Other revenue	29,778	210,797
Total operating revenues	416,119,323	362,292,027
OPERATING EXPENSES		
Cost of electricity	322,052,462	299,406,063
Contract services	13,396,517	12,126,677
Staff compensation	9,365,433	7,904,309
General and administration	3,642,487	2,716,666
Depreciation	259,988	189,490
Total operating expenses	348,716,887	322,343,205
Operating income	67,402,436	39,948,822
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,957,808	943,712
Loan fee expense	(131,319)	(47,222)
Total nonoperating revenues (expenses)	2,826,489	896,490
CHANGE IN NET POSITION	70,228,925	40,845,312
Net position at beginning of year	91,576,615	50,731,303
Net position at end of year	$ 161,805,540	$ 91,576,615

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 420,801,354	$ 346,828,777
Receipts from market settlements	5,015,042	12,977,257
Receipts from grantors	6,353,753	3,881,097
Receipts from liquidated damages	3,750,000	197,253
Other operating receipts	3,134,180	406,891
Payments to suppliers for electricity	(319,314,339)	(301,509,357)
Payments for other goods and services	(16,577,025)	(13,966,296)
Payments for staff compensation	(9,351,367)	(7,706,516)
Tax and surcharge payments to other governments	(5,441,790)	(4,969,458)
Net cash provided by operating activities	88,369,808	36,139,648
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loan fee expense	(143,819)	(34,722)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(349,927)	(544,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Certificate of deposit redemption	10,000,000	(10,000,000)
Interest received	3,058,038	843,482
Net cash provided (used) by investing activities	13,058,038	(9,156,518)
Net change in cash and cash equivalents	100,934,100	26,404,285
Cash and cash equivalents at beginning of year	63,289,071	36,884,786
Cash and cash equivalents at end of year	$ 164,223,171	$ 63,289,071
Reconciliation to the Statement of Net Position		
Current assets		
Cash and cash equivalents (unrestricted)	$ 144,607,424	$ 54,426,942
Restricted cash	9,115,747	8,862,129
Noncurrent assets		
Cash and cash equivalents (unrestricted)	10,500,000	-
Cash and cash equivalents	$ 164,223,171	$ 63,289,071

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 67,402,436	$ 39,948,822
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	259,988	189,490
Revenue adjusted for allowance for uncollectible accounts	3,939,401	2,477,987
(Increase) decrease in:		
Accounts receivable	(6,215,313)	(15,171,137)
Market settlements receivable	5,828,255	(5,290,369)
Other receivables	442,836	(628,234)
Accrued revenue	(3,797,289)	(4,117,765)
Prepaid expenses	9,765	95,286
Deposits	(1,489,640)	(3,956,190)
Increase (decrease) in:		
Accounts payable	546,831	773,984
Accrued cost of electricity	3,301,844	20,021,892
Other accrued liabilities	238,719	426,344
Security deposits from energy suppliers	4,550,000	(240,000)
User taxes due to other governments	98,357	278,729
Operating Reserve Fund	10,500,000	-
Advances from grantors	2,753,618	1,330,809
Net cash provided by operating activities	$ 88,369,808	$ 36,139,648

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

1. REPORTING ENTITY

Marin Clean Energy (MCE) is a California joint powers authority created on December 19, 2008. As of March 31, 2020, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities and Towns		
Contra Costa	Belvedere	Martinez	San Anselmo
Marin	Benicia	Mill Valley	San Pablo
Napa	Concord	Moraga	San Rafael
Solano	Corte Madera	Novato	San Ramon
	Danville	Oakley	Sausalito
	El Cerrito	Pinole	Tiburon
	Fairfax	Pittsburg	Walnut Creek
	Lafayette	Richmond	
	Larkspur	Ross	

MCE is separate from and derives no financial support from its members. MCE is governed by a Board of Directors whose membership is composed of elected officials representing one or more of the parties.

MCE's mission is to address climate change by reducing energy related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers while providing local economic and workforce benefits. MCE provides electric service to retail customers as a Community Choice Aggregation Program under the California Public Utilities Code Section 366.2.

Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company. MCE administers energy efficiency programs which supports the development, coordination and implementation of energy efficiency programs in and around MCE's service area. The energy efficiency programs are supported by rate-payer funds regulated by the California Public Utilities Commission.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

MCE'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.

MCE'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 MCE's policy to use restricted resources first, then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purpose of the Statements of Cash Flows, MCE 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 Statement of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes cash advanced from grantors.

MARKET SETTLEMENTS RECEIVABLE

MCE receives generation scheduling and other services from a registered, California Independent System Operator (CAISO) scheduling coordinator. Market settlements due from the scheduling coordinator were $0 and $5,828,000 as of March 31, 2020 and 2019, respectively.

DEPOSITS

Various energy contracts entered into by MCE require MCE to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent depending on the length of the time the deposits will be held. While these energy contract related deposits make up the majority of this item, other components of deposits include those for regulatory and other operating purposes.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS AND DEPRECIATION

MCE's policy is to capitalize furniture and equipment valued over $500 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 and seven years for furniture. Leasehold improvements are depreciated over 10 years.

OPERATING RESERVE FUND

In March 2020, MCE created an Operating Reserve Fund to allow MCE to defer revenue in years when financial results are strong to be used in future years when financial results are not as strong or stressed. In accordance with GASB 62, the amount deposited into the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

MCE transferred $10,500,000 to the Operating Reserve Fund for the year ended March 31, 2020.

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. MCE did not have any outstanding borrowings as of March 31, 2020, and 2019

Restricted: This component of net position consists of constraints placed on net asset use through external 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".

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NON-OPERATING REVENUE

Operating revenues include revenue derived from the provision of energy to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments. Operating revenues are affected by contributions to or distributions from the Operating Reserve Fund.

Interest income is considered “non-operating revenue.”

REVENUE RECOGNITION

MCE 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 cost of sales and services, administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED

During the normal course of business MCE 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 MCE'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, MCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). MCE 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 at the point that the cost of the Certificate is due and payable to the supplier. MCE purchases capacity commitments from qualifying generators to comply with the California Energy 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. MCE is in compliance with external mandates and self-imposed benchmarks.

STAFFING COSTS

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

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SECURITY DEPOSITS FROM ENERGY SUPPLIERS

Various energy contracts entered into by MCE require the supplier to provide MCE 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 the time the deposits will be held.

ADVANCES FROM GRANTORS

MCE received grant funding from various grantors. The amount in this category represents funds received by MCE, but not yet expended to carry out specific goals.

INCOME TAXES

MCE 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.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

3. CASH AND CASH EQUIVALENTS

MCE maintains its cash in both interest-bearing and non-interest-bearing demand and term deposit accounts at River City Bank of Sacramento, California. MCE's deposits with River City Bank are subject to California Government Code Section 16521 which requires that River City Bank collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000 by 110%. MCE monitors its risk exposure to River City Bank on an ongoing basis. MCE's Investment Policy permits the investment of funds in depository accounts, certificates of deposit and the Local Agency Investment Fund (LAIF) program operated by the California State Treasury, United States Treasury obligations, Federal Agency Securities, commercial paper, money market funds and FDIC insured placement service deposits.

At March 31, 2019, MCE had restricted cash of $2,500,000 that was held as collateral for a bank line of credit agreement. During the year ended March 31, 2020, that agreement expired and the cash is no longer considered restricted.

4. ACCOUNTS RECEIVABLE

Accounts receivable were as follows:

	2020	2019
Accounts receivable from customers	$ 38,308,451	$ 32,093,138
Allowance for uncollectible accounts	(8,507,388)	(4,567,987)
Net accounts receivable	$ 29,801,063	$ 27,525,151

The majority of account collections occur within the first few months following customer invoicing. MCE estimates that a portion of the billed accounts will not be collected. MCE 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, MCE continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

5. INVESTMENTS

During 2018-19, MCE purchased Certificates of Deposits (CDs) utilizing a Certificate of Deposit Account Registry Service (CDARS). The purpose of CDARS is for institutions, such as MCE, to invest in CDs in order to stay below the Federal Deposit Insurance Corporation (FDIC) insurance limits at any given bank.

Below is a summary of accounts reflecting placements through CDARS at River City Bank as of March 31, 2019. The CDARS matured during 2019-20 and were not renewed during the year ended March 31, 2020.

Effective date	Maturity date	Interest rate	Amount
11/1/2018	5/2/2019	2.32289%	$ 4,000,000
11/1/2018	10/31/2019	2.46936%	6,000,000
Total investments			$ 10,000,000

6. CAPITAL ASSETS

Capital asset activity for the years ended March 31, 2019 and 2020 was as follows:

	Furniture & Equipment	Leasehold Improvements	Construction in Progress	Accumulated Depreciation	Total
Balances at March 31, 2018	$ 432,965	$ 537,053	$ 56,404	$ (358,940)	$ 667,482
Additions	399,993	230,702	19,279	(189,490)	460,484
Dispositions	(54,146)	(5,881)	-	60,027	-
Balances at March 31, 2019	778,812	761,874	75,683	(488,403)	1,127,966
Additions	79,198	195,660	-	(259,988)	14,870
Transfers	-	75,683	(75,683)	-	-
Balances at March 31, 2020	$ 858,010	$ 1,033,217	$ -	$ (748,391)	$ 1,142,836

Construction in progress reported as of March 31, 2019, includes costs to build a solar carport at MCE's San Rafael office. This project was completed during the fiscal year ended March 31, 2020.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

7. DEBT

LINE OF CREDIT AND LETTERS OF CREDIT

MCE entered into a non-revolving credit agreement with River City Bank (RCB) in August 2015 that may be used for short term borrowing and to issue standby Letters of Credit used for performance security. In July 2017, the agreement was amended to increase the limit to $25 million, reduce borrowing rates and fees and allow cash advances for working capital needs. RCB requires collateral for the line of credit of $2.5 million which is reported as restricted cash and restricted net position. The agreement with RCB was terminated during the year ended March 31, 2020.

In November 2019, MCE entered into a revolving credit agreement with JPMorgan Chase Bank. The available credit line under this agreement is $40,000,000 and enhances MCE's overall liquidity for potential working capital needs, collateral requirements, and enhances MCE's investment credit grade rating. This agreement terminates in November 2022.

MCE had no standby Letters of Credit or amounts outstanding under its line of credit agreements as of March 31, 2019 or 2020.

Fees related to opening and renewal of the line of credit and posting the letters of credit are reported as interest and related expenses.

8. GRANTS

MCE administers various grants, including ratepayer-funded energy efficiency programs regulated by the Public Utilities Commission of the State of California (CPUC). The CPUC also allocated funds to MCE to conduct a Low-Income Family and Tenants (LIFT) pilot program to better serve income-qualified multifamily communities with energy efficiency programs. These grant revenues are recognized when a corresponding eligible expense is incurred, not when funds are received.

MCE also administers grants from the Bay Area Air Quality Management District, California Energy Commission and Marin Community Foundation.

Amounts earned for 2020 and 2019 under these programs were approximately $3,415,000 and $2,286,000.

9. DEFINED CONTRIBUTION RETIREMENT PLAN

The Marin Clean Energy Plan (Plan) is a defined contribution retirement plan established by MCE to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. As of March 31, 2020, there were 64 plan members. MCE is required to contribute 10% of annual covered payroll to the Plan and contributed $654,000 and $604,000 during the years ended March 31, 2020 and 2019, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

10. RISK MANAGEMENT

MCE 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, MCE 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.

MCE 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, MCE enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

11. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, MCE 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.

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

The following table represents the expected, undiscounted, contractual obligations outstanding as of March 31, 2020:

Year ended March 31,	
2021	$ 310,000,000
2022	270,000,000
2023	220,000,000
2024	150,000,000
2025	120,000,000
2026-41	1,250,000,000
	$ 2,320,000,000

As of March 31, 2020, MCE had noncancelable contractual commitments to professional service providers through December 31, 2022, for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be approximately $17 million.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

12. OPERATING LEASE

Rental expense for MCE's office space was $779,000 and $541,000 for the years ended March 31, 2020 and 2019, respectively. On March 9, 2015, MCE entered into a ten-year non-cancelable lease for its San Rafael office premise. The rental agreement includes an option to renew the lease for five additional years. On December 12, 2017, MCE entered into a 68-month non-cancelable lease for its Concord office premise.

Future minimum lease payments under these leases are as follows:

Year ended March 31,	
2021	$ 807,000
2022	836,000
2023	866,000
2024	799,000
2025	539,000
	$ 3,847,000

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after March 31, 2020:

GASB has approved GASB Statement No. 87, *Leases*, GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, *GASB 96*, *Subscription-Based Information Technology Arrangements;* and GASB No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. When they become effective, application of these standards may restate portions of these financial statements.

MARIN CLEAN ENERGY

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2020 AND 2019

14. SUBSEQUENT EVENT

Covid-19

In December 2019, a novel strain of coronavirus disease (“COVID-19”) was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The extent of which the ongoing response to and impacts of COVID-19 will affect MCE’s operational and financial performance are unknown at this time and will be monitored by management. To date, MCE has continued to provide electricity across its entire service territory without interruption.

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Reporting and insights from 2020 audit:

Marin Clean Energy

August 6, 2020

Executive summary

We have completed our audit of the financial statements of Marin Clean Energy (MCE) for the year ended March 31, 2020, and plan to issue our report thereon to be dated July 17, 2020. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas MCE should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Bethany Ryers, Firm Director: Bethany.Ryers@bakertilly.com or +1 (608) 240 2382
- Ryan Theiler, Senior Associate: Ryan.Theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP

Bethany L Ryers

Bethany Ryers, CPA

Firm Director

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Audit objectives

Audit objectives

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of MCE's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Directors, including:

- Qualitative aspects of MCE's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

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Management's responsibilities

Management		Auditor
	Prepare and fairly present the financial statements	Our audit does not relieve management or the Board of Directors of their responsibilities
	Establish and maintain effective internal control over financial reporting	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
	Provide us with written representations at the conclusion of the audit	See Appendix B for a copy of management's representations

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Audit status

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

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Audit approach and results

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of MCE and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about MCE's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise; test journal entries for evidence of possible management override and conduct inquiries of employees, management and the Board related to knowledge of fraud, allegations of fraud and fraud risks	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

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Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Deferred revenue (i.e. rate stabilization)	Net position calculations	Financial reporting and required disclosures

Internal control matters

We considered MCE's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of MCE's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by MCE are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing accounting policies was not changed during fiscal year 2020. We noted no transactions entered into by MCE during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Unbilled revenue	Evaluation of the T+12 data that is submitted to CAISO	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for MCE or that otherwise appear to be unusual due to their timing, size or nature.

Difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

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Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the engagement letter.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of MCE's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and MCE that, in our professional judgment, may reasonably be thought to bear on our independence.

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Related parties

We did not have any significant findings or issues arise during the audit in connection with MCE's related parties.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MCE's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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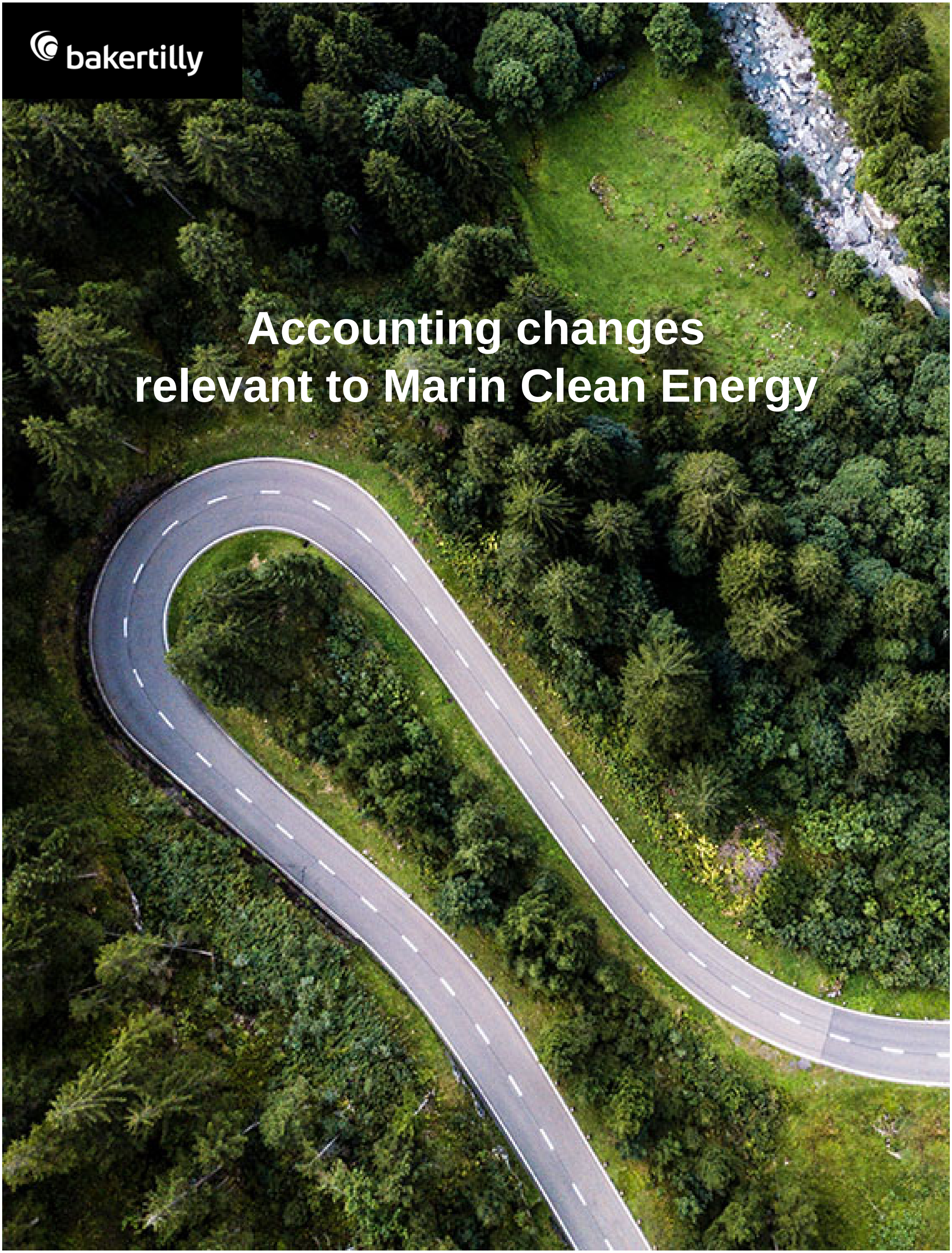

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Accounting changes relevant to Marin Clean Energy

Accounting changes relevant to Marin Clean Energy

Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
84	Fiduciary Activities	✓	3/31/21*
87	Leases	✓	3/31/23*
88	Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements	✓	3/31/21*
89	Accounting for Interest Incurred before the End of a Construction Period		3/31/22*
90	Majority Equity Interests and amendment of GASB Statements No. 14 and No. 61		3/31/21*
91	Conduit Debt		3/31/21*
92	Omnibus 2020		3/31/23*
93	Replacement of Interfund Bank Offered Rates		3/31/23*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	3/31/23
96	Subscription-Based Information Technology Arrangements	✓	3/31/24
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	Immediately (as it relates to GASB 84); 3/31/23 (for all else)

*The statements listed above through Statement No. 91 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Gui*dance, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming GASB pronouncements

Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for the upcoming year. This standard will require entity's to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

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We recommend MCE review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, MCE should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about GASB 87.

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Trending challenges for organizations

Trending challenges for organizations

Management and the governing body of MCE must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

COVID-19 Risks and ongoing response

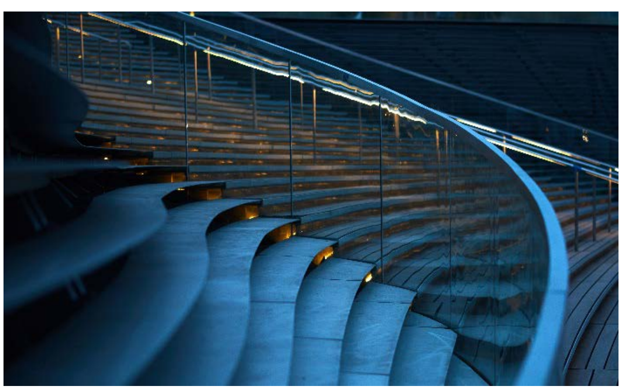
Staying nimble and resilient during unprecedented disruption

COVID-19 has challenged all organizations and the effects continue to unfold. It is critical that management and governing bodies stay nimble to respond to direct and indirect effects of this disruption on operations, cash flow, and people. Some best practices to consider include:

- Establish mechanisms to track COVID-19 related expenses, lost revenues or delayed revenues
- Monitor cash flow projections and seek short term liquidity help
- Create a policy and forms for compliance with Family First Coronavirus Response Act
- Compare anticipated results to bond covenants and track any continuing disclosure items
- Re-evaluate TIF projections with revised development scenarios
- Develop a strategy for leading your community through the crisis

Learn about public sector Coronavirus resources, including the latest news on business continuity and cash flow management, Federal stimulus and tax developments, and more.

2020 strategic risks for boards



Evaluating and mitigating the greatest risks

Public sector organizations face a multitude of internal and external risks in an evolving landscape. Risks can stem from strategy, finances, legal situations, operations, regulatory compliance, information technology, economic environment, and/or fraud, waste and abuse.

By employing a risk assessment, areas with the greatest needs and highest risks are evaluated. Then a risk mitigation plan can be developed and deployed.

Learn about risk assessment types, tools and strategies.

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Cybersecurity

Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

Learn more about cybersecurity risk management.

WATCH: On demand webinar about board governance over cybersecurity.

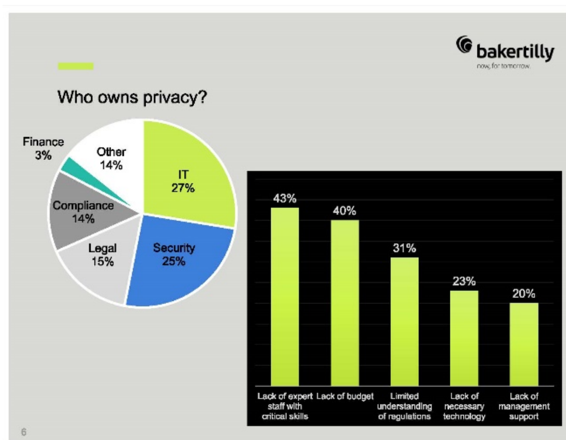
Data privacy

Elevating privacy risks to the forefront of board agendas

Organizations around the world are still scrambling to comply with the General Data Protection Regulation in the European Union, which went into effect in May 2018. While the data privacy regulatory environment changes rapidly, organizations can take proactive steps to ensure that they stay informed of the existing regulations and of those developing on the near horizon.

Adequate oversight remains a key part of staying on top of data privacy developments. Some regulations specify oversight requirements, and can depend on the type of the organization, the quantity and type of personal data processed, and the locations where operations take place. In many cases, a data protection officer (DPO) must lead the effort. Since the DPO is responsible for overseeing practices related to data protection strategy and implementation, having one in place early on will help ensure that the privacy program is comprehensive and consistent.

Learn more about data privacy risk management.



WATCH: On demand webinar about a risk-based approach to oversight, compliance and management of privacy

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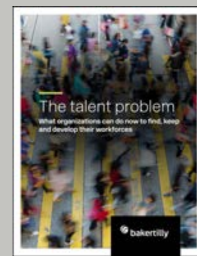
The talent problem

Establishing a lifeline for your shifting workforce

Employee recruitment and retention challenges are an all too common struggle in the public sector:

- Aging workers with institutional knowledge retire
- High demand for small qualified candidate pool
- Perception of geographic disadvantages
- Wage/benefit competition with private sector
- Lean operations exclude investments in recruitment, on-the-job training and technology
- Unclear growth and career advancement tracks



Download

Sustainable organizations must have a robust workforce development and succession planning program. Learn how to get started and incorporate a workforce/succession planning program with existing operational practices.

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Innovation

Anticipating disruptive innovation and digital transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment. Companies that do not address and embrace new and emerging technologies will be less competitive or may even face obsolescence.

Given these challenges to companies, what does innovation mean in this era of digital transformation? Innovation now involves finding the right problems worth solving; building new offerings, business models, and experiences; and generating value at scale for customers.

Furthermore, the rapid digital transformation of advanced technologies such as blockchain, robotic process automation (RPA), and artificial intelligence (AI) now portend similar effects in industries from financial services and healthcare to communications and manufacturing. Boards must become knowledgeable about these digital disruption trends in order to be able to conduct meaningful oversight that management can use successfully as the company embraces new technologies.

Learn more about innovation opportunities.

Anticipating Disruptive Innovation and Digital Transformation

To stay competitive and relevant in a rapidly changing business landscape, organizations in every industry must navigate an increasingly disruptive, technology-enabled environment.

Read the blog post.

Public sector executive recruitment

Navigating recruitments and smart hiring

Competing for top executive talent in the public sector space takes industry knowledge, familiarity with the general applicant pool and experience navigating recruitments. Search consultants draw upon their understanding of organizational management and human resources to serve as a successful agent for government entities. In turn, public sector organizations can adopt a foundational understanding about search firms to ensure optimal collaboration on hiring opportunities.

Read the three part series to learn what your entity should be thinking about and how Baker Tilly can help.

Three part series on public sector executive recruitment

Navigate the changing workforce landscape with confidence, read the executive recruitment series.

1. Five myths about search firms
2. Recruiting for difficult positions
3. Hiring recommendations for government entities

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Customer experience

Finding your edge in a competitive market

All industries are facing an increasingly competitive marketplace due to more connected consumers, partners and vendors. Where a company may have had a geographic advantage in the past, they now need to be able to compete against non-local organizations.

One of the key factors in maintaining your place in the market is ensuring a positive, fast and easy customer experience. Whether this means enhancing your customer support services through online chat bots or developing a mobile app to allow your customer access to their information around the clock, your organization needs to take your customer experience strategy seriously. Management and board members should understand where your experience is currently and what strategies you are evaluating to enhance it.

Learn more about why your customer experience is so important.

Operational and organizational sustainability

Aligning resources with strategy

As new demands confront the public sector industry, it's easy to solve an immediate problem instead of pausing to take a holistic view. Rippling inefficiencies, increasing financial pressures, taxing staff resources and plummeting constituent satisfaction can pile atop organizations already facing pressure to improve efficiency, effectiveness, relevance and financial viability.

An operational review follows a systematic, strategic approach to understanding an entity's operations and performance. Opportunities to improve processes, bolster internal controls and reduce costs are uncovered in order to realign organizational resources and strategic objectives.

Learn invaluable methods for executing an operational review while maintaining day-to-day operations.

Appendix A: Client service team

Client service team

Bethany Ryers, CPA

Firm Director

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Appendix B: Management representation letter

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MCE

MARIN COUNTY | NAPA COUNTY | UNINCORPORATED CONTRA COSTA COUNTY
BENICIA | CONCORD | DANVILLE | EL CERRITO | LAFAYETTE | MARTINEZ | MORAGA
OAKLEY | PINOLE | PITTSBURG | RICHMOND | SAN PABLO | SAN RAMON | WALNUT CREEK

August 6, 2020

Baker Tilly Virchow Krause, LLP
Ten Terrace Court
P.O. Box 7398
Madison WI 53711

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of Marin Clean Energy (MCE) as of March 31, 2020 and 2019 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of MCE and the respective changes in financial position and cash flows in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.

2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds of the MCE required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, if any, are reasonable.

CONCORD OFFICE: 2300 Clayton Road, Suite 1150, Concord, CA 94520
SAN RAFAEL OFFICE: 1125 Tamalpais Avenue, San Rafael, CA 94901
mceCleanEnergy.org

6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

8. There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.

9. Guarantees, whether written or oral, under which the MCE is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

11. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a. Management,
    b. Employees who have significant roles in internal control, or
    c. Others where the fraud could have a material effect on the financial statements.

13. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

14. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

15. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

16. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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17. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

18. MCE has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

19. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

20. There are no:

    a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

    c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

21. MCE has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

22. MCE has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

23. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any.

24. The financial statements properly classify all funds and activities.

25. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

26. MCE has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

27. Provisions for uncollectible receivables, if any, have been properly identified and recorded.

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28. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

30. We have appropriately disclosed Marin Clean Energy (MCE)'s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.

31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Sincerely,

Marin Clean Energy (MCE)

DocuSigned by:

Signed: Dawn Weisz 8/6/2020

A59878416FBC4F8...

Dawn Weisz – Chief Executive Officer

DocuSigned by:

Signed: Garth Salisbury 8/6/2020

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Garth Salisbury – Director of Finance

Appendix C: Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.

b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:

   - Identify types of potential misstatements.
   - Consider factors that affect the risks of material misstatement.
   - Design tests of controls, when applicable, and substantive procedures.

c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

a. We typically will communicate with your top level of management unless you tell us otherwise.

b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.

c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.

d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?

e. Have you had any significant communications with regulators or grantor agencies?

f. Are there other matters that you believe are relevant to the audit of the financial statements?

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Also, is there anything that we need to know about the attitudes, awareness, and actions of the governing body concerning:

a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?

b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of January-March, and sometimes early April. Our final financial fieldwork is scheduled during the spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

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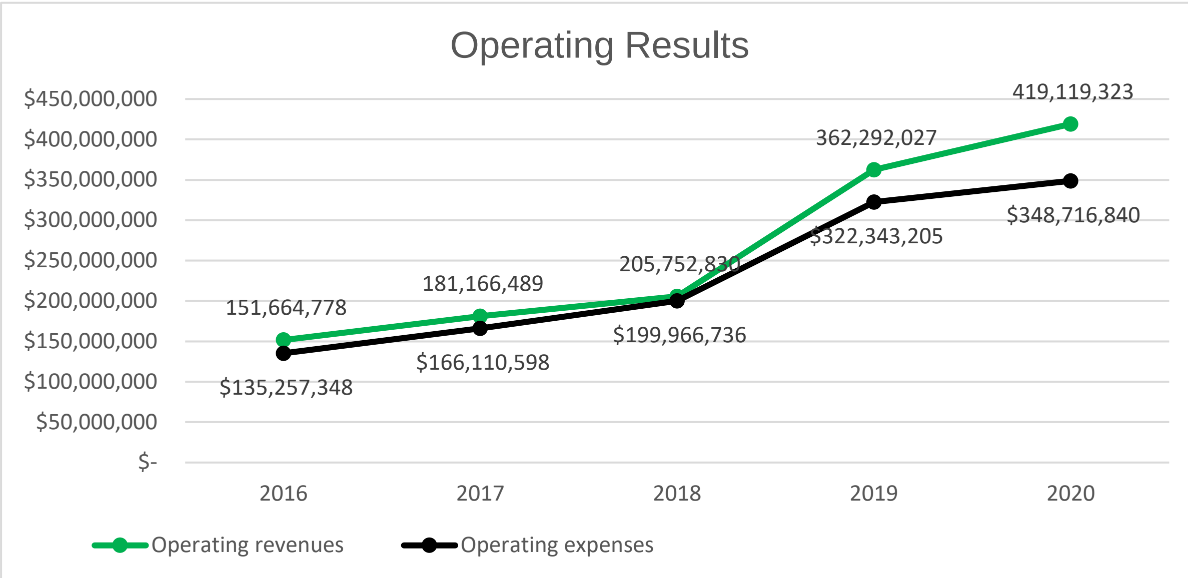
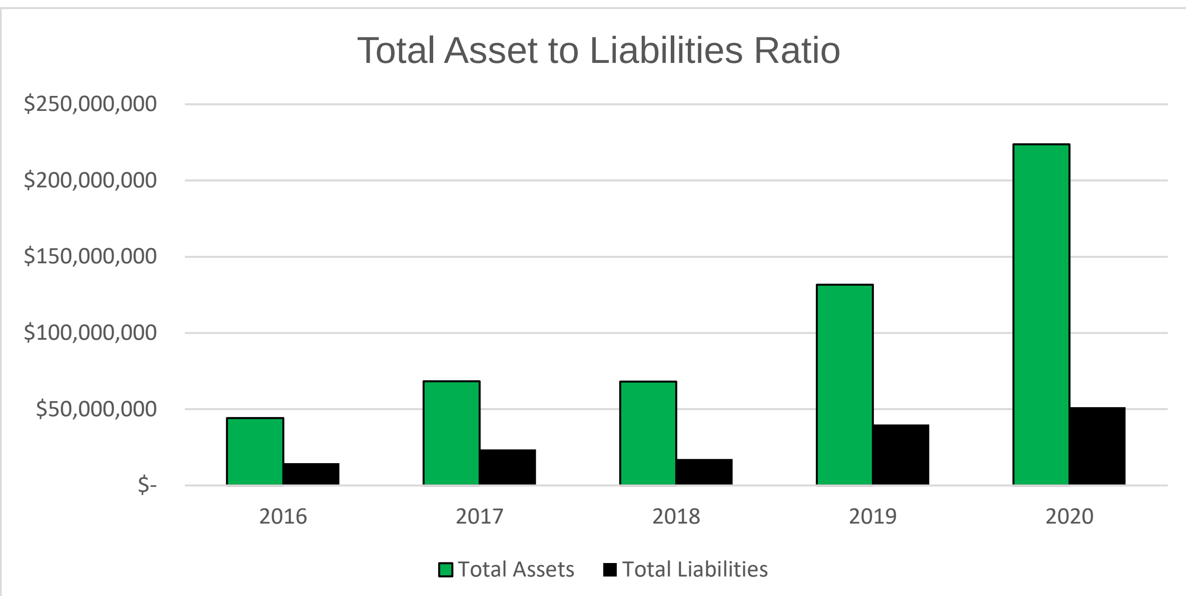
Appendix D: Audit results

Marin Clean Energy

Electric Utility Results





	2016	2017	2018	2019	2020
Asset to Liabilities Ratio	**3.02**	**2.88**	**3.92**	**3.29**	**4.35**

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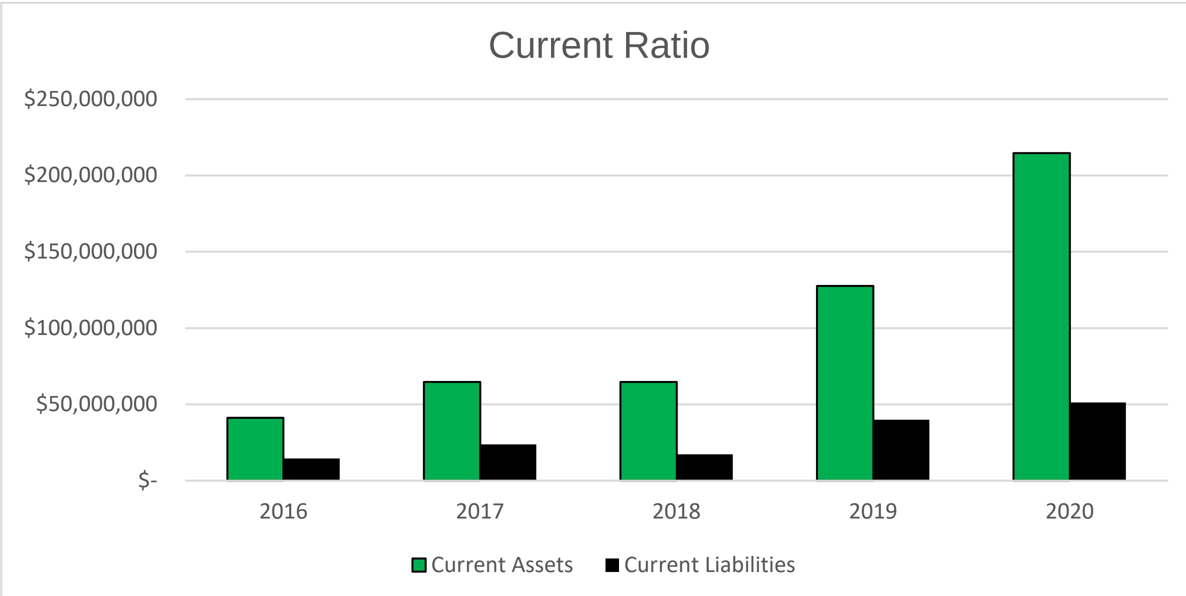
Source: current and prior year financial statement information and other benchmark information as noted.



	2016	2017	2018	2019	2020
Current Ratio	**2.81**	**2.73**	**3.72**	**3.19**	**4.18**

Unrestricted Reserves

	2016	2017	2018	2019	2020
Year end balance	$ 21,696,949	$ 36,655,995	$ 34,384,786	$ 70,789,071	$ 147,607,424
Months on hand	**1.72**	**2.43**	**2.01**	**2.34**	**4.23**

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Source: current and prior year financial statement information and other benchmark information as noted.