



## FINANCIAL STATEMENTS AND AUDITORS' REPORT

NINE MONTH PERIOD ENDED MARCH 31, 2010, AND  
PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009

## TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	2
Financial Statements:	
Statement of Net Assets	5
Statement of Revenues, Expenses and Changes in Fund Net Assets	6
Statement of Cash Flows	7
Notes to the Financial Statements	8



VAVRINEK, TRINE, DAY  
& COMPANY, LLP  
*Certified Public Accountants*

VALUE THE DIFFERENCE

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Marin Energy Authority  
San Rafael, California

We have audited the accompanying financial statements of the Marin Energy Authority ("MEA"), as of and for the nine month period ended March 31, 2010, and for the period from inception (December 19, 2008) to June 30, 2009, which collectively comprise MEA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MEA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Marin Energy Authority, as of and for the nine month period ended March 31, 2010, and for the period from inception (December 19, 2008) to June 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 - 4 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Vavrinek, Trine, Day & Co., LLP.*

Pleasanton, California  
September 30, 2010

# **MARIN ENERGY AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management's Discussion and Analysis provides an overview of Marin Energy Authority (MEA) financial activities for the fiscal periods ended December 31, 2009 and March 31, 2010. Please read it along with the MEA's financial statements, which begin on page 5.

As discussed in Note 1 of the financial statements, MEA was in development stage until after March 31, 2010. Accordingly, it did not have revenue from operations in the periods reported herein. The first period presented is from MEA's inception (December 19, 2008) through June 30, 2009. The second fiscal period is July 1, 2009 through March 31, 2010.

### **FINANCIAL HIGHLIGHTS**

Activity increased during the second fiscal period as reflected by an increase of total expenses of \$613,568. In accordance with management's plan, MEA's initial operations were financed through borrowings. Accordingly, MEA's net assets (total assets less liabilities) decreased \$788,786 from June 30, 2009 to March 31, 2010.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to MEA's basic financial statements. MEA's basic financial statements comprise two components: (1) government-wide financial statements and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of MEA's finances, similar to a private-sector business.

The statement of net assets presents information on all of MEA's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of MEA is improving or deteriorating.

The statement of activities presents information showing how MEA's net assets changed during the fiscal period. All changes in net assets are recognized at the date the underlying event that gives rise to the change occurs, regardless of the timing of the related cash flows.

MEA is a single-purpose entity that has elected to account for its activity as a governmental enterprise fund under governmental accounting standards. Accordingly, MEA presents only government-wide financial statements.

**MARIN ENERGY AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Changes in MEAs assets, liabilities, and net assets were as follows:

	<b>March 31, 2010</b>	<b>June 30, 2009</b>	<b>Increase (decrease)</b>
Current assets	\$ 493,768	\$ 170,163	\$ 323,605
Other assets	139,132	-	139,132
Total assets	<u>632,900</u>	<u>170,163</u>	<u>462,737</u>
Current liabilities	304,151	12,628	291,523
Long-term debt	1,290,000	330,000	960,000
Total liabilities	<u>1,594,151</u>	<u>342,628</u>	<u>1,251,523</u>
Net assets; unrestricted	<u>(961,251)</u>	<u>(172,465)</u>	<u>(788,786)</u>
Total net assets	<u><u>\$ (961,251)</u></u>	<u><u>\$ (172,465)</u></u>	<u><u>\$ (788,786)</u></u>

MEA issued debt in order to fund its operations during its development stage. The proceeds were not fully expended at March 31, 2010, resulting in an increase in current assets. Current liabilities rose as result of professional services increasing as our service launch date approached.

Changes in MEA's revenues and expenses were as follows:

	<b>2010</b>	<b>2009</b>	<b>Increase (decrease)</b>
Operating expenses	<u>\$ 786,630</u>	<u>\$ 173,062</u>	<u>\$ 613,568</u>
Income (loss) from operations	(786,630)	(173,062)	(613,568)
Non-operating revenues (expenses)			
Contributions	2,074	-	2,074
Interest income	1,674	597	1,077
Interest expense	<u>(5,904)</u>	<u>-</u>	<u>(5,904)</u>
Total non-operating revenues (expenses)	<u>(2,156)</u>	<u>597</u>	<u>(2,753)</u>
Increase (decrease) in net assets	<u><u>\$ (788,786)</u></u>	<u><u>\$ (172,465)</u></u>	<u><u>\$ (616,321)</u></u>

Revenue from operations will not begin until after the year ended March 31, 2010. Expenses were largely professional services and staff which increased as the service launch date approached.

**MARIN ENERGY AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**DEBT ADMINISTRATION**

MEA was provided funds for operations primarily from two sources. The County of Marin loaned a total of \$540,000 without interest. MEA also issued promissory notes to three individuals for loans totaling \$750,000. Each note requires interest at 5.75% per year, payable monthly. The notes are due no later than August 1, 2011.

**THE FUTURE OF THE AUTHORITY**

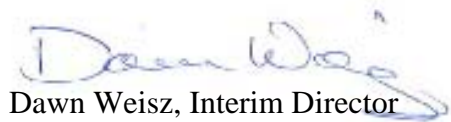
MEA began offering electrical power to selected customers in May 2010 and expects offering to all customers within its jurisdiction in 2012.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate MEA's accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to 781 Lincoln Avenue, Suite 320, San Rafael, CA 94901.

Respectfully submitted,

  
Dawn Weisz, Interim Director

## **BASIC FINANCIAL STATEMENTS**

**MARIN ENERGY AUTHORITY**

**STATEMENT OF NET ASSETS**

**AS OF MARCH 31, 2010 AND DECEMBER 31, 2009**

	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>		
Current assets		
Cash equivalents with Marin County Treasury	\$ 493,768	\$ 170,163
Total current assets	493,768	170,163
Non-current assets		
Prepaid expenses	11,750	-
Security deposits	127,382	-
Total non-current assets	139,132	-
Total assets	632,900	170,163
<b>LIABILITIES</b>		
Current liabilities		
Accrued liabilities	48,166	12,628
Accounts payable	255,985	-
Total current liabilities	304,151	12,628
Noncurrent liabilities		
Notes payable	750,000	
Loan from County of Marin	540,000	330,000
Total noncurrent liabilities	1,290,000	330,000
Total liabilities	1,594,151	342,628
<b>NET ASSETS</b>		
Net assets, unrestricted	(961,251)	(172,465)
Total net assets	\$ (961,251)	\$ (172,465)

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



**MARIN ENERGY AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

**NINE MONTH PERIOD ENDED MARCH 31, 2010, AND  
PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>OPERATING EXPENSES</b>		
Professional services	\$ 662,272	\$ 95,009
Contract staff compensation	112,133	74,412
Miscellaneous expenses	12,225	3,641
	<u>786,630</u>	<u>173,062</u>
Total operating expense		
	<u>786,630</u>	<u>173,062</u>
Operating income (loss)	(786,630)	(173,062)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Contributions	2,074	-
Interest income	1,674	597
Interest expense	(5,904)	
	<u>(2,156)</u>	<u>597</u>
Total nonoperating revenues (expenses)		
	<u>(2,156)</u>	<u>597</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(788,786)	(172,465)
Net assets at beginning of the period	(172,465)	0
	<u>(172,465)</u>	<u>0</u>
Net assets at end of the period	<u>\$ (961,251)</u>	<u>\$ (172,465)</u>

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

**MARIN ENERGY AUTHORITY**

**STATEMENT OF CASH FLOWS**

**NINE MONTH PERIOD ENDED MARCH 31, 2010, AND  
PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009**

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to suppliers for goods and services	\$ (495,107)	\$ (160,434)
Cash paid for security deposits	(127,382)	-
	<u>(622,489)</u>	<u>(160,434)</u>
Net cash provided by (used for) operating activities		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loan proceeds from County of Marin	210,000	330,000
Proceeds from notes payable	750,000	-
Contributions	2,074	-
Prepaid loan fees	(11,750)	-
Interest expense	(5,904)	-
	<u>944,420</u>	<u>330,000</u>
Net cash used for capital activities and related financing activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,674	597
	<u>1,674</u>	<u>597</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	323,605	170,163
Cash and cash equivalents at beginning of year	170,163	-
Cash and cash equivalents at end of year	<u>\$ 493,768</u>	<u>\$ 170,163</u>

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

Operating income (loss)	\$ (786,630)	\$ (173,062)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Increase in security deposit	(127,382)	-
Increase (decrease) in accounts payable	255,985	-
Increase (decrease) in accrued liabilities	35,538	12,628
	<u>(622,489)</u>	<u>(160,434)</u>
Net cash provided by operating activities		

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

# **MARIN ENERGY AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NINE MONTH PERIOD ENDED MARCH 31, 2010, AND PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **REPORTING ENTITY**

Marin Energy Authority (MEA) is a joint powers authority created on December 19, 2008 by and among the County of Marin, the cities of Belvedere, Mill Valley, San Rafael, Sausalito and the towns of Fairfax, San Anselmo, and Tiburon (collectively, “the parties”). It is governed by a Board of Directors consisting of members appointed by each of the parties.

MEA was formed to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives. The first priority of MEA is to provide electric service that includes the use of “renewable” sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

These financial statements include MEA’s “development stage” activities since MEA did not begin to deliver electricity to customers until after March 2010.

MEA’s initial operating period began at MEA’s inception (December 19, 2008) and ended June 30, 2009. For business reasons, MEA’s Board resolved to change its fiscal year-end to March. Accordingly, the second fiscal period represents July 2009 through March 2010.

##### **INTRODUCTION**

MEA’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 (Statements and Interpretations.). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

# MARIN ENERGY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### NINE MONTH PERIOD ENDED MARCH 31, 2010, AND PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### **BASIS OF ACCOUNTING**

The Authority's operations are accounted for as a governmental enterprise fund. GAAP requires that enterprise funds use 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.

The Authority distinguishes between operating and nonoperating activities. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an entities principal ongoing operation. During the development stage, operating expenses include those expenses incurred to prepare for operations. Once operational, the principal operating revenues of MEA will be from the sale of electric power. Operating expenses include the cost of electrical power, contract professional services, including staffing and administrative expenses. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### **CASH AND CASH EQUIVALENTS**

For purpose of the statement of cash flows, MEA has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments within the County of Marin Treasurer's Pooled Investment Fund.

##### **STAFFING COSTS**

MEA does not directly employ staff. Management and administrative services were provided on a contract basis primarily from the County of Marin during the periods included in these financial statements. Accordingly, MEA has no obligation for compensated absences, post-employment retirement or health care benefits.

##### **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.

# MARIN ENERGY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### NINE MONTH PERIOD ENDED MARCH 31, 2010, AND PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009

#### 2. CASH AND INVESTMENTS

MEA's total cash and investments totaled \$493,768 and \$170,163 as of March 31, 2010 and June 30, 2009, respectively.

MEA maintains all of its cash and investments with the Marin County Treasurer in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County's Comprehensive Annual Financial Report (CAFR). The County of Marin's financial statements may be obtained by contacting the County of Marin's Finance Department at 3501 Civic Center Drive, Room 225, San Rafael, California. The Marin County Treasury Oversight Committee oversees the Treasurer's investments and policies.

MEA had no deposit or investment policy that addressed a specific type of risk that would impose additional restrictions beyond the California Government Code Section 53601. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

#### 3. DEBT

##### NOTES PAYABLE

MEA borrowed a total of \$750,000 from three individuals in February 2010. The notes are unsecured and provide for monthly payments of interest only computed at 5.75% per year. Principal balances are to be paid in full by the earlier of August 1, 2011 or the closing of financing for the CCA program working capital (Phase 2) as described in Chapter 7 of the Marin Energy Authority Community Choice Aggregation Implementation Plan.

# MARIN ENERGY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

### NINE MONTH PERIOD ENDED MARCH 31, 2010, AND PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009

#### 3. DEBT (continued)

##### LOANS PAYABLE TO COUNTY OF MARIN

The County of Marin advanced \$330,000 to MEA in April 2009 and \$210,000 in January 2010. The loans did not require interest payments and have no stated maturity date. Management intends to fully repay the loans by March 2012.

Changes in notes and loans payable were as follows:

	Notes Payable	Loan Payable	Total
Additions, period ended June 30, 2009	\$ -	\$ 330,000	\$ 330,000
Additions, period ended March 31, 2010	750,000	210,000	960,000
Total, March 31, 2010	750,000	540,000	1,290,000
Amounts due within one year	-	-	-
Non-current portion	<u>\$ 750,000</u>	<u>\$ 540,000</u>	<u>\$ 1,290,000</u>

Future debt service requirements are as follows:

	Principal	Interest	Total
Year ending:			
March 31, 2011	\$ -	\$ 43,125	\$ 43,125
March 31, 2012	1,290,000	24,725	1,314,725
	<u>\$ 1,290,000</u>	<u>\$ 67,850</u>	<u>\$ 1,357,850</u>

#### 4. RISK MANAGEMENT

MEA 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, MEA purchased liability and property insurance from a commercial carrier. Coverage for property general liability, errors and omissions and non-owned automobile was \$2,000,000.

#### 5. COMMITMENTS AND CONTINGENCIES

As of March 31, 2010, MEA had outstanding commitments of \$214,388 to professional service providers for services not yet performed.

# **MARIN ENERGY AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **NINE MONTH PERIOD ENDED MARCH 31, 2010, AND PERIOD FROM INCEPTION (DECEMBER 19, 2008) TO JUNE 30, 2009**

#### **6. SUBSEQUENT EVENTS**

Subsequent events through September 30, 2010 have been reviewed for consideration for disclosure in these financial statements.

In April 2010, MEA moved its cash from the County of Marin treasury to River City Bank of Sacramento, California (RCB). MEA also borrowed a total of \$1,450,000 under two credit arrangements. Both arrangements require monthly interest payments computed at RCB's Base Commercial Rate plus 2% but no less than 5% per year. Monthly principal payments of approximately \$145,000 commence in September 2010 until maturity at June 2011.

In May 2010, MEA began earning revenue by delivering electric energy to customers within its jurisdiction.