



FINANCIAL STATEMENTS



Years Ended September 30, 2021 and 2020
WITH REPORT OF INDEPENDENT AUDITORS



CENTRAL COAST COMMUNITY ENERGY
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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Independent Auditor's Report

To the Board of Directors
Central Coast Community Energy
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of Central Coast Community Energy (3CE) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise 3CE'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.

Auditor's 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 3CE as of September 30, 2021 and 2020, and the changes in financial position and cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report (continued)

Other Matters

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

Pesenti & Brink LLP

Santa Rosa, California
July 7, 2022

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

The Management's Discussion and Analysis provides an overview of Central Coast Community Energy's (CCCE) financial activities as of and for the years ended September 30, 2021 and 2020. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

CCCE's formation was made possible in 2002 by the passage of California Assembly Bill 117, which enabled communities to purchase power on behalf of their residents and businesses as an alternative to legacy Investor-Owned Utilities (IOU).

CCCE is a Community Choice Aggregator (CCA) established on February 21, 2017 pursuant to Public Utilities Code Section 366.2 and operating as a Joint Powers Authority (JPA) pursuant to Government Code section 6500 et seq. CCCE currently serves residential, commercial and agricultural/industrial customers in communities located within its service area.¹

CCCE serves approximately 430,000 customer accounts forecast to consume 5,000 gigawatt hours (GWh) per year. CCCE is committed to charging competitive retail rates, offering innovative energy programs to facilitate electrification and reducing greenhouse gas (GHG) emissions through long-term contracts for existing and new utility scale renewable electricity generation. CCCE has established an innovative procurement strategy to accelerate the reduction of GHG emissions, committing CCCE to developing a resource mix which delivers clean renewable energy for 60% of CCCE demand by the year 2025 and 100% of CCCE demand by the year 2030.

CCCE is governed by a Policy Board and an Operations Board. The Policy Board consists of elected officials from member jurisdictions, while the Operations Board consists of senior staff from those jurisdictions. The Policy Board provides guidance and approval in strategic planning and goal setting, budgets, rates, large capital expenditures, and financing. The Operations Board provides guidance and approval on contracts, agreements, and policies that govern day-to-day operations. CCCE has the rights and powers to set rates for its services, incur debt, and issue bonds or other obligations.

¹ As of September 30, 2021, CCCE's members included the Cities of Arroyo Grande, Capitola, Carmel-by-the-Sea, Del Rey Oaks, Gonzales, Greenfield, Grover Beach, Guadalupe, Hollister, Marina, Monterey, Morro Bay, Pacific Grove, Paso Robles, Pismo Beach, Salinas, San Juan Bautista, San Luis Obispo, Sand City, Santa Cruz, Santa Maria, Scotts Valley, Seaside, Soledad Solvang and Watsonville as well as the Counties of Monterey, San Benito and Santa Cruz and parts of Santa Barbara County.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Financial Reporting

CCCE 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).

Contents Of This Report

This report is divided into the following sections:

- Management's discussion and analysis, which is an overview of the financial operations
- The Basic Financial Statements:
 - The *Statements of Net Position* include all of CCCE's assets, liabilities, and net position and provide 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 CCCE'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 investing activities.
 - Notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

FINANCIAL HIGHLIGHTS

Summary of Assets, Liabilities and Net Position

The following table is a summary of CCCE's assets, liabilities, and net position, and a discussion of significant changes for the years ended September 30:

	2021	2020	2019
Current assets	\$ 229,102,332	\$ 194,879,069	\$ 157,058,261
Noncurrent assets			
Capital assets, net	328,942	314,877	226,242
Other noncurrent assets	79,280	123,182	121,055
Total noncurrent assets	408,222	438,059	347,297
Total assets	229,510,554	195,317,128	157,405,558
Current liabilities	32,490,845	36,578,478	37,708,844
Noncurrent liabilities	7,031,250	-	-
Total liabilities	39,522,095	36,578,478	37,708,844
Net position			
Investment in capital assets	328,942	314,877	226,242
Restricted for security collateral	294,000	1,500,000	3,100,000
Unrestricted	189,365,517	156,923,773	116,370,472
Total net position	\$ 189,988,459	\$ 158,738,650	\$ 119,696,714

Current Assets

Current assets were approximately \$229,102,000 at the end of 2021, and consist of cash, accounts receivable, accrued revenue, and energy settlements receivable. Accrued revenue is revenue from energy delivered but not invoiced to customers. Accounts receivable reflects energy delivered and invoiced but not paid for by customers. Total current assets increased in 2021 and in 2020 as a result of CCCE's operating surplus for the year.

Capital Assets

Capital assets were approximately \$329,000, net of accumulated depreciation, primarily reflecting the acquisition of furniture and equipment for employees. The changes each year represent furniture and equipment and leasehold improvement acquisitions, reduced by depreciation expense.

CCCE does not own generation, transmission or distribution assets.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Other Noncurrent Assets

Other noncurrent assets of \$79,000 as of September 30, 2021 consist of deposits for regulatory and other operating purposes.

Current Liabilities

Current liabilities of \$32,491,000 as of September 30, 2021 consist primarily of the cost of electricity delivered to customers that is not yet due to be paid by CCCE. Current liabilities also include amounts owed for trades payables, personnel costs, taxes and surcharges owed to other governments, and deposits received from suppliers. Current liabilities remained stable year-over-year.

Noncurrent Liabilities

Some contracts require the supplier to provide CCCE with a security deposit. These deposits are held by CCCE until certain contract milestones are met or contracts are completed. As part of its risk management policy, CCCE requires energy suppliers to post collateral deposits in some cases. During 2021, noncurrent liabilities increased due to CCCE held collateral deposits with terms exceeding one year.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

Summary of Revenues, Expenses, and Changes in Net Position

The following table is a summary of CCCE's results of operations and a discussion of significant changes for the years ended September 30:

	2021	2020	2019
Operating revenues	\$ 287,931,441	\$ 233,915,415	\$ 238,322,420
Nonoperating revenues	702,036	2,417,363	1,320,685
Total income	288,633,477	236,332,778	239,643,105
Operating expenses	257,383,668	197,290,842	160,425,423
Change in net position	<u>\$ 31,249,809</u>	<u>\$ 39,041,936</u>	<u>\$ 79,217,682</u>

Operating Revenues

Operating revenue from electricity sales increased approximately \$59,400,000 from 2020 to 2021 due primarily to the January 2021 addition of approximately 100,000 new customer accounts in the cities of Del Rey Oaks, Arroyo Grande, Grover Beach, Paso Robles, Pismo Beach, Guadalupe, Santa Maria, and Solvang. In 2020, CCCE recognized \$5,400,000 in revenue from damages that did not recur in 2021. Total operating revenue increased approximately \$54,000,000 from 2020 to 2021.

Operating Expenses

Operating expenses increased approximately \$60,100,000 from 2020 to 2021. CCCE's largest operating expense continues to be the purchase of electricity delivered to its customers. CCCE purchases energy products from markets and is developing a balanced diversified renewable power portfolio. The cost of energy market purchases increased from 2020 to 2021 due to an increase in the number of customers and rising market prices.

Change in Net Position

CCCE's change in net position was \$31,250,000 in 2021, a decrease from \$39,042,000 in 2020. The decrease was driven by a combination of lower average customer rates and higher costs for energy products.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

ECONOMIC OUTLOOK

2021 was a year of continued growth and resilience in the face of the COVID-19 pandemic. In 2021, CCCE began service to 8 new cities and portions of Santa Barbara County. It now serves over 430,000 residential, commercial and agricultural/industrial customers in an 8,000 square mile service area spanning five counties: Santa Cruz, Monterey, San Benito, San Luis Obispo, and Santa Barbara.

Operating revenues from electricity sales grew approximately \$60,000,000 driven primarily by the addition of 100,000 new members. The cost of energy, CCCE's dominant cost, increased approximately \$56,000,000, a combination of rising energy market prices and higher volumes to serve new members.

CCCE has invested significantly in developing a portfolio of clean renewable energy resources at competitive prices. Exposure to energy market price fluctuations is expected to decrease over the next five years as these projects begin commercial operations.

CCCE's non-energy costs which include contract services, staff compensation, general & administrative expenses, were under 6% of operating revenues, reflecting its focus on delivering value for customers.

CCCE's growing power portfolio is expected to lower the cost and volatility of the energy it supplies to customers - helping it maintain a robust financial position. In keeping with its mission, CCCE will be passing through these benefits to customers in the form of lower rates – which should keep CCCE competitive with legacy Investor-Owned Utility (IOU) Rates. To effectuate this, in 2021 CCCE's Policy Board approved a transition to a Cost of Service (COS) rate model. Historically, CCCE followed the standard CCA practice of setting its rates as a percentage discount to IOU rates. The COS approach sets rates based on CCCE's revenue requirements and factors in its growing power supply portfolio. COS-based rates will go into effect in CCCE's PG&E service area in March 2022. A COS study will be conducted in 2022 for CCCE's SCE service area.

CCCE has not been immune to the impact of the pandemic. Supply chain and inflationary challenges have delayed power projects and increased costs. The cost of living continues to increase rapidly in CCCE's Monterey headquarters region, which has historically been attractive due to its natural beauty, temperate climate, recreational opportunities, and proximity to the San Francisco Bay Area. This makes it challenging to continue attracting and retaining the staff necessary to deliver the value customers expect.

Despite these challenges, the financial position and foundation remains strong and CCCE is positioned for continued success.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

REQUEST FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to 70 Garden Court, Suite 300, Monterey, CA 93940.

Respectfully submitted,

Tom Habashi, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 159,444,623	\$ 146,400,665
Accounts receivable, net of allowance	37,376,299	27,579,594
Accrued revenue	20,011,097	17,158,246
Energy settlements receivable	7,856,108	10,391
Other receivables	919,329	235,305
Prepaid expenses	1,538,193	861,060
Deposits	1,662,683	1,133,808
Restricted cash	294,000	1,500,000
Total current assets	<u>229,102,332</u>	<u>194,879,069</u>
Noncurrent assets		
Capital assets, net of depreciation	328,942	314,877
Deposits	79,280	123,182
Total noncurrent assets	<u>408,222</u>	<u>438,059</u>
Total assets	<u>229,510,554</u>	<u>195,317,128</u>
LIABILITIES		
Current liabilities		
Accrued cost of electricity	28,649,424	32,123,426
Accounts payable	1,231,718	478,731
Other accrued liabilities	844,778	976,743
Customer rebate liabilities	306,291	315,719
User taxes and energy surcharges due to other governments	1,458,634	1,497,359
Security deposits - energy suppliers	-	1,186,500
Total current liabilities	<u>32,490,845</u>	<u>36,578,478</u>
Noncurrent liabilities		
Security deposits - energy suppliers	7,031,250	-
Total liabilities	<u>39,522,095</u>	<u>36,578,478</u>
NET POSITION		
Investment in capital assets	328,942	314,877
Restricted for security collateral	294,000	1,500,000
Unrestricted	189,365,517	156,923,773
Total net position	<u>\$ 189,988,459</u>	<u>\$ 158,738,650</u>

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

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Electricity sales, net	\$ 287,931,441	\$ 228,515,415
Liquidated damages	-	5,400,000
Total operating revenues	<u>287,931,441</u>	<u>233,915,415</u>
OPERATING EXPENSES		
Cost of electricity	241,714,336	185,543,815
Contract services	7,125,240	6,077,542
Staff compensation	5,875,005	4,368,744
General and administration	2,565,883	1,193,093
Depreciation	103,204	107,648
Total operating expenses	<u>257,383,668</u>	<u>197,290,842</u>
Operating income	30,547,773	36,624,573
NONOPERATING REVENUES		
Interest income	702,036	2,356,175
Miscellaneous income	-	61,188
Total nonoperating revenues	<u>702,036</u>	<u>2,417,363</u>
CHANGE IN NET POSITION	31,249,809	39,041,936
Net position at beginning of year	<u>158,738,650</u>	<u>119,696,714</u>
Net position at end of year	<u><u>\$ 189,988,459</u></u>	<u><u>\$ 158,738,650</u></u>

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

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 281,231,391	\$ 235,640,742
Receipts from liquidated damages	-	5,400,000
Receipts from suppliers and energy settlements	16,752,388	4,494,836
Other operating receipts	-	61,188
Payments to suppliers for electricity	(265,819,342)	(184,974,504)
Payments for other goods and services	(9,339,942)	(7,776,318)
Payments for staff compensation	(5,559,337)	(4,131,027)
Payments of taxes and energy surcharges to other governments	(5,997,661)	(5,818,435)
Net cash provided by operating activities	<u>11,267,497</u>	<u>42,896,482</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	<u>(131,575)</u>	<u>(184,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	<u>702,036</u>	<u>2,356,175</u>
Net change in cash and cash equivalents	11,837,958	45,068,103
Cash and cash equivalents at beginning of year	<u>147,900,665</u>	<u>102,832,562</u>
Cash and cash equivalents at end of year	<u><u>\$ 159,738,623</u></u>	<u><u>\$ 147,900,665</u></u>
Reconciliation to the Statements of Net Position		
Cash and cash equivalents (unrestricted)	\$ 159,444,623	\$ 146,400,665
Restricted cash	<u>294,000</u>	<u>1,500,000</u>
Cash and cash equivalents	<u><u>\$ 159,738,623</u></u>	<u><u>\$ 147,900,665</u></u>

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

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

	<u>2021</u>	<u>2020</u>
Operating income	\$ 30,547,773	\$ 36,624,573
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	103,204	107,648
Revenue adjusted for allowance for uncollectible accounts	2,108,070	2,478,816
Revenue from miscellaneous income	-	61,188
(Increase) decrease in:		
Accounts receivable	(11,904,775)	7,575,312
Accrued revenue	(2,852,851)	(1,431,478)
Energy settlements receivable	(7,845,717)	32,876
Other receivables	(684,024)	(228,253)
Prepaid expenses	(677,133)	(520,670)
Deposits	(484,973)	(754,110)
Increase (decrease) in:		
Accrued cost of electricity	(3,474,002)	6,459,348
Accounts payable	767,293	(685,273)
Other accrued liabilities	(131,965)	473,086
Customer rebate liabilities	(9,428)	(7,371,551)
User taxes and energy surcharges due to other governments	(38,725)	55,795
Security deposits - energy suppliers	5,844,750	19,175
Net cash provided by operating activities	<u>\$ 11,267,497</u>	<u>\$ 42,896,482</u>

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Central Coast Community Energy (CCCE) is a Joint Powers Authority created on February 21, 2017, and its jurisdictions consist of the following local governments as of September 30, 2021:

Counties	Cities and Towns	
Monterey	Arroyo Grande	Pacific Grove
San Benito	Capitola	Paso Robles
Santa Barbara	Carpinteria	Pismo Beach
Santa Cruz	Carmel	Salinas
	Del Rey Oaks	San Juan Bautista
	Goleta	San Luis Obispo
	Gonzales	Sand City
	Greenfield	Santa Cruz
	Grover Beach	Santa Maria
	Guadalupe	Scotts Valley
	Hollister	Seaside
	Marina	Soledad
	Monterey	Solvang
	Morro Bay	Watsonville

CCCE is separate from and derives no financial support from its members. CCCE is governed by two Boards, a Policy Board and an Operations Board. Each Board is comprised of 17 members with 17 alternates representing the participating communities. Some of the 17 members represent more than one jurisdiction. Policy Board Members are elected officials from CCCE member communities. Operations Board Members are executives leading the member cities and counties.

CCCE was formed to acquire retail electricity for the residents and businesses within its members' jurisdictions, 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. A core function of CCCE 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.

CCCE began its energy delivery operations in March 2018. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company (PG&E).

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

CCCE'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.

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

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, CCCE defines cash and cash equivalents to include cash on hand and demand deposits. CCCE has cash that is restricted under various security agreements. This is reported as restricted cash on the Statements of Net Position and is included in cash and cash equivalents for the purpose of the Statements of Cash Flows.

PREPAID EXPENSES AND DEPOSITS

Contracts to purchase energy may require CCCE to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding. While these energy contract-related deposits make up most of this item, other components of prepaid expenses and deposits include those for regulatory and other operating purposes.

CAPITAL ASSETS AND DEPRECIATION

CCCE's policy is to capitalize furniture and equipment valued over \$1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture and leasehold improvements. CCCE does not own any electric generation, transmission or distribution assets.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. CCCE did not have any outstanding borrowings as of September 30, 2021 or 2020.

Restricted for Security Collateral: 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 for security collateral.”

OPERATING AND NONOPERATING REVENUE

Operating revenues include revenue derived from the provision of energy to customers. Interest income and miscellaneous income are considered non-operating revenue.

REVENUE RECOGNITION

CCCE recognizes revenue on an 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 and revenues are reported net of this allowance.

OPERATING AND NON-OPERATING EXPENSES

Operating expenses include the cost of electricity, data management expenses, IOU service fees, consultant and other professional fees, legal, staff compensation and benefits, general and administrative expenses and depreciation on capital assets. Expenses not meeting this definition are reported as nonoperating expenses.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED

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

To comply with the State of California's Renewable Portfolio Standards (RPS), CCCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). CCCE 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.

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

STAFFING COSTS

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

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

CCCE 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 (GAAP) 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.

2. CASH AND CASH EQUIVALENTS

CCCE maintains its cash in interest and non-interest-bearing accounts. California Government Code Section 16521 requires that banks collateralize amounts of public funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 by 110% of the amount of the deposit. CCCE's investment policy permits the investment of funds in depository accounts, certificates of deposit, the California Local Agency Investment Funds (LAIF), United States Treasury obligations, and other investments provided in the general guidelines of California Government Code sections 53600, et seq. As of September 30, 2021, all of CCCE's cash and cash equivalents were held in depository accounts or certificates of deposit.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

3. ACCOUNTS RECEIVABLE AND ENERGY SETTLEMENTS RECEIVABLE

ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of September 30:

	2021	2020
Accounts receivable from customers	\$ 43,825,791	\$ 31,921,016
Allowance for uncollectible accounts	(6,449,492)	(4,341,422)
Net accounts receivable	<u>\$ 37,376,299</u>	<u>\$ 27,579,594</u>

The majority of account collections will occur within the first few months following customer invoicing. CCCE estimates that a portion of the billed accounts will not be collected. CCCE continues collection efforts on delinquent accounts in excess of *de minimis* balances regardless of the age of the account. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

ENERGY SETTLEMENTS RECEIVABLE

CCCE receives generation scheduling and other services from a scheduling coordinator registered with the CAISO. Energy settlements due from the scheduling coordinator for the years ended September 30, 2021 and 2020 were approximately \$7,856,000 and \$10,000, respectively.

4. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2021 and 2020 was as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Total
Balances at:				
September 30, 2019	\$ 362,800	\$ 2,823	\$ (139,381)	\$ 226,242
Additions	125,837	70,446	(107,648)	88,635
September 30, 2020	488,637	73,269	(247,029)	314,877
Additions	109,795	7,474	(103,204)	14,065
September 30, 2021	<u>\$ 598,432</u>	<u>\$ 80,743</u>	<u>\$ (350,233)</u>	<u>\$ 328,942</u>

CENTRAL COAST COMMUNITY ENERGY
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5. DEFINED CONTRIBUTION RETIREMENT PLAN

CCCE provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by the Public Agency Retirement System (PARS). As of September 30, 2021, there were 37 plan participants. CCCE is required to contribute 10% of covered payroll as a match to required employee contributions. CCCE contributed approximately \$439,000 and \$331,000 for the years ended September 30, 2021 and 2020, respectively. Plan provisions and contribution requirements as they apply to CCCE are established and may be amended by the Board of Directors. CCCE has elected out of the Social Security system for employees eligible for the Plan. CCCE also provides a 457(b) Retirement Plan where employees can make tax deferred contributions.

6. RISK MANAGEMENT

CCCE 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, CCCE 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. CCCE has general liability coverage of \$1,000,000, with a deductible of \$1,000.

CCCE 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, CCCE enters into netting arrangements whenever possible and, where appropriate, obtains collateral and other performance assurances from counterparties.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

7. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, CCCE enters into power purchase agreements to acquire energy and electric capacity. The price and volume of purchased power is largely fixed. Variable priced power, which is a small part of our portfolio, is generally linked to the market price of either natural gas or power at the date of delivery. Variable volume is generally associated with contracts to purchase energy from resources with varying availability and production, such as solar, wind and hydroelectric facilities.

CCCE enters into long-term power purchase agreements ensure stable competitive rates for its customers and to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products.

The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2021:

Year ending September 30,	
2022	\$ 277,000,000
2023	184,000,000
2024	139,000,000
2025	117,000,000
2026	133,000,000
2027-2055	<u>2,305,000,000</u>
Total	<u><u>\$ 3,155,000,000</u></u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

8. OPERATING LEASE

CCCE entered into non-cancelable leases for its satellite and primary office premises that terminate on March 31, 2022 and on December 31, 2022, respectively. Rental expense for CCCE's office space was \$279,000 and \$271,000 for the years ended September 30, 2021 and 2020, respectively.

Future minimum lease payments under these leases are as follows:

Year ending September 30,	
2022	\$ 266,000
2023	63,000
Total	<u>\$ 329,000</u>

9. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for years ending after September 30, 2021:

GASB has approved GASB Statement No. 87, *Leases*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; and GASB Statement 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 conditions.

10. SUBSEQUENT EVENTS

EXPANSION PLAN

In October 2021, CCCE enrolled the following 3 jurisdictions in the Southern California Edison service area: The cities of Carpinteria, Goleta as well as the southern portion of unincorporated Santa Barbara County.

In early 2022, CCCE will enroll the City of Buellton (Santa Barbara County) in the PG&E service area.