



THE EAST BAY'S PUBLIC POWER AGENCY

Financial Statements




Years ended June 30, 2022 and June 30, 2021
with Independent Auditor's Report



Contact us

customer-support@ebce.org
1-833-699-EBCE (3223)

Visit and follow us

ebce.org
@PoweredbyEBCE   

Languages

Español ebce.org/es
中文 ebce.org/cn

*At right: EBCE's Luciana solar
project in Tulare County, CA*

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to the Basic Financial Statements	15
Supplementary Information:	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Compliance:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	27
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	29
Schedule of Findings and Questioned Costs	32



Independent Auditor's Report

To the Board of Directors
East Bay Community Energy Authority
Oakland, California

Report on the Audits of the Financial Statements

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EBCE as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of EBCE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EBCE's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of EBCE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about EBCE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Independent Auditor's Report (continued)

Required Supplementary Information

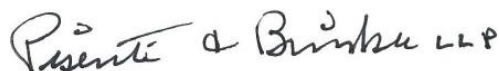
Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2022, on our consideration of EBCE's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EBCE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EBCE's internal control over financial reporting and compliance.



Santa Rosa, California
October 27, 2022

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

The Management’s Discussion and Analysis provides an overview of East Bay Community Energy Authority’s (EBCE) financial activities as of and for the years ended June 30, 2022 and 2021. The information presented here should be considered in conjunction with the audited financial statements.

BACKGROUND

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

EBCE was created as a California Joint Powers Authority (JPA) effective December 1, 2016, and was established to provide electric power at competitive costs as well as provide other benefits within Alameda County, including reducing greenhouse gas emissions related to the use of power, procuring energy with a priority on the use and development of local renewable resources, stimulating local job creation through various programs and development, promoting personal and community ownership of renewable resources, as well as promoting long-term electric rate stability and energy reliability for residents and businesses. Governed by a board of directors (Board) consisting of elected representatives from each jurisdiction, EBCE has the rights and powers to set rates for the services it furnishes, incur indebtedness, and issue bonds or other obligations. EBCE is responsible for the acquisition of electric power for its service area.

In June 2018, EBCE began providing service to its first approximately 55,000 customer accounts as part of its initial enrollment phase. This initial phase included municipal and business accounts. The next major enrollment of residential accounts began in November 2018, which added approximately 500,000 accounts. In April 2021, EBCE expanded their service territory by adding approximately 80,000 accounts. As of June 30, 2022, EBCE had approximately 640,000 customers enrolled.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Financial reporting

EBCE 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 provides an overview of the financial operations.

- The basic financial statements:
 - The *Statements of Net Position* include all of EBCE’s assets, liabilities, deferred inflows, 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 EBCE’s revenues and expenses for the years shown.

 - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital asset acquisitions and non-capital financing activities.

 - The notes to the Basic Financial Statements, which provide additional details and information related to the basic financial statements.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

FINANCIAL HIGHLIGHTS

The following table is a summary of EBCE’s assets, liabilities, and net position, and a discussion of significant changes for the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 319,677,508	\$ 218,280,050	\$ 207,412,111
Noncurrent assets			
Capital assets, net of depreciation	8,760,016	115,816	148,053
Other noncurrent assets	16,356,858	22,855,208	12,821,208
Total noncurrent assets	<u>25,116,874</u>	<u>22,971,024</u>	<u>12,969,261</u>
Total assets	<u>344,794,382</u>	<u>241,251,074</u>	<u>220,381,372</u>
Current liabilities	<u>96,450,766</u>	<u>53,525,550</u>	<u>57,899,438</u>
Total liabilities	<u>96,450,766</u>	<u>53,525,550</u>	<u>57,899,438</u>
Deferred inflows of resources	<u>15,814,000</u>	<u>15,814,000</u>	<u>12,680,000</u>
Net position			
Invested in capital assets	8,760,016	115,816	148,053
Restricted for collateral	9,000,000	10,000,000	11,000,000
Unrestricted	214,769,600	161,795,708	138,653,881
Total net position	<u>\$ 232,529,616</u>	<u>\$ 171,911,524</u>	<u>\$ 149,801,934</u>

Current assets

Current assets were approximately \$319,678,000 at the end of 2022 and are mostly comprised of cash of \$152,215,000, accounts receivable of \$79,814,000, accrued revenue of \$47,590,000, prepaid expenses of \$8,728,000, and restricted cash of \$9,000,000. The current asset accounts increased in 2022 as a result of operating surpluses.

Capital assets

Capital assets are reported net of depreciation. EBCE does not own assets used for electricity generation or distribution. In September 2021, EBCE purchased an office building at 251 8th Street in Oakland to be used for its future headquarters. The cost of the building and land was approximately \$8,500,000 and was under renovation as of June 30, 2022. Presently, the cost of the building and land is classified on the Statement of Net Position as “land and construction-in-progress”. When renovation is complete, the building will be depreciated over its estimated remaining useful life of 30-years.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

Other noncurrent assets

Included in other noncurrent assets as of June 30, 2022, and June 30, 2021, is \$15,814,000 in its Rate Stabilization Fund to be used in later years when financial results are stressed. By deferring revenue to be used in future years, EBCE will be better able to avoid sudden rate increases to address unanticipated spikes in energy costs and other unforeseen circumstances.

Also included in noncurrent assets at June 30, 2021, was \$7,000,000 in restricted cash that is collateral on a credit facility that expires in January 2023. This restricted amount is grouped with current assets for the year ended June 30, 2022.

EBCE agreed to loan \$1,000,000 to BlocPower Energy Services (the borrower), a Delaware limited liability company. The borrower assists low to moderate income customers and landlords by providing energy-efficient electrical equipment and installation with limited upfront costs and long-term payment options. The amount of the loan funded as of June 30, 2022 is \$500,000.

Current liabilities

Current liabilities consist mostly of the cost of electricity delivered to customers that is not due to be paid by EBCE until after year-end. Other components include trade accounts payable, taxes and surcharges due to other governments, and various other accrued liabilities.

Current liabilities increased from 2021 to 2022 due to an increase in accrued cost of electricity and an increase in security deposits. Accrued cost of electricity increased in 2022 due to rising prices fueled by volatility in the energy market. Also relating to market volatility, EBCE required more energy suppliers to post security deposits in 2022 than in 2021 to help ensure contracted energy products would be delivered.

Deferred inflows of resources

Included in deferred inflows of resources at June 30, 2022 and June 30, 2021, is \$15,814,000 in a Rate Stabilization Fund to be used and recorded as revenue in later years when financial results are stressed.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 555,332,546	\$ 423,502,860	\$ 463,381,478
Nonoperating revenues	7,901,267	-	-
Investment income	<u>221,757</u>	<u>636,395</u>	<u>1,357,175</u>
Total income	563,455,570	424,139,255	464,738,653
Operating expenses	501,933,974	401,160,053	395,567,000
Nonoperating expenses	<u>903,504</u>	<u>869,612</u>	<u>743,178</u>
Total expenses	<u>502,837,478</u>	<u>402,029,665</u>	<u>396,310,178</u>
Change in net position	<u>\$ 60,618,092</u>	<u>\$ 22,109,590</u>	<u>\$ 68,428,475</u>

Operating revenues

In April 2021, EBCE expanded its service territory to include an additional 80,000 customer accounts. The year ended June 30, 2022, is the first full year with the expanded customer accounts and is the main reason for the increase in operating revenues.

Nonoperating revenues

The nonoperating revenue increase is primarily the result of grant income from the California Arrearage Payment Plan (CAPP) that was received in 2022.

Operating expenses

EBCE's largest expense each year was the purchase of electricity delivered to customers. EBCE procures energy from a variety of sources and focuses on maintaining a balanced renewable power portfolio at competitive costs to its customers. Expenses for staff compensation, contract services, and other general and administrative expenses increased each year as the organization continued to grow to support its business demands. EBCE had sufficient revenues each year to meet its operating expense obligations.

The cost of electricity increased each year as a result of service territory expansion and overall higher market prices.

Nonoperating expenses

Nonoperating expenses represent interest and fees related to letters of credit and the unused portion of the credit facility.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

ECONOMIC OUTLOOK

California Independent System Operator (CAISO) system power prices experienced volatility through the year ended June 30, 2022. This level of volatility was somewhat consistent with year-to-year historical volatility that occurs due to seasonal and annual weather changes and was also characterized by a marked increase in energy prices from historical levels. This was due to more extreme weather events, energy infrastructure capacity constraints in CAISO, and geopolitical considerations in the natural gas industry.

In February 2022, Russia invaded Ukraine, which caused global energy prices to spike dramatically. Although occurring in Europe, this conflict disrupts global natural gas distribution, supply, and demand, and as such does influence California markets. While some effects of this were forecasted, this event did increase gas market price volatility more so and persists at the time of this audit. Hedges EBCE has in place will offset much of the immediate price spike impacts, but we are currently experiencing a rising energy price environment for the foreseeable future. As rates are currently set as a discount to PG&E, EBCE expects to continue to remain competitive, and is seeing a significant increase in revenues.

While the COVID-19 pandemic is ongoing, energy loads were in line with forecasts and budget and in general energy use activity has returned to pre-pandemic patterns. Customer account aging has stabilized and recovery efforts through State and Federal funding have reduced overall aging impacts from shelter-in-place policies.

EBCE has in place a formal risk management policy that includes guidance on target hedge levels. Energy hedging is intended to reduce the financial risk of unexpected price surges by procuring a significant portion of future energy at fixed prices. The target hedge percentages depend on factors including time and the hedge pricing relative to historical energy costs. In general, EBCE targets hedging 60-100% of its exposure in energy products on a short-duration basis of under a year and aims to hedge greater than 80% of its exposure going into any particular month. EBCE has complied with its risk management policy and regulations

Year-over-year, EBCE has retained a strong customer and revenue base with low opt-out levels. EBCE continues to be actively engaged on legislative and regulatory matters that can impact EBCE's energy procurement requirements and, therefore, energy-related expenditures. This provides some level of additional certainty on EBCE revenues.

**EAST BAY COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021**

REQUEST FOR INFORMATION

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

Please address any questions about this report or requests for additional financial information to 1999 Harrison Street, 8th Floor, Oakland, CA 94612.

Respectfully submitted,

Nick Chaset, Chief Executive Officer

BASIC FINANCIAL STATEMENTS

EAST BAY COMMUNITY ENERGY AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 152,215,061	\$ 129,847,706
Accounts receivable, net of allowance	79,814,399	43,911,325
Accrued revenue	47,590,010	27,952,207
Market settlements receivable	-	5,025,939
Other receivables	6,302,352	708,188
Prepaid expenses	8,728,326	6,247,325
Deposits	16,027,360	1,587,360
Restricted cash	9,000,000	3,000,000
Total current assets	319,677,508	218,280,050
Noncurrent assets		
Unrestricted cash and cash equivalents in Rate Stabilization Fund	15,814,000	15,814,000
Restricted cash	-	7,000,000
Deposits	42,858	41,208
Loan receivable	500,000	-
Capital assets:		
Land and construction-in-progress	8,605,533	-
Capital assets, net of depreciation	154,483	115,816
Total capital assets	8,760,016	115,816
Total noncurrent assets	25,116,874	22,971,024
Total assets	344,794,382	241,251,074
LIABILITIES		
Current liabilities		
Accrued cost of electricity	60,283,371	38,815,244
Accounts payable	2,824,571	3,264,853
Other accrued liabilities	1,631,542	750,185
User taxes and energy surcharges due to other governments	5,846,282	3,857,146
Security deposits - energy suppliers	25,865,000	6,838,122
Total current liabilities	96,450,766	53,525,550
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	15,814,000	15,814,000
NET POSITION		
Investment in capital assets	8,760,016	115,816
Restricted for collateral	9,000,000	10,000,000
Unrestricted	214,769,600	161,795,708
Total net position	\$ 232,529,616	\$ 171,911,524

**EAST BAY COMMUNITY ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Electricity sales, net	\$ 538,713,401	\$ 425,733,911
Revenue deferred to Rate Stabilization Fund	-	(3,134,000)
Liquidated damages	14,658,400	-
Grant revenue	1,614,597	-
Other revenue	346,148	902,949
Total operating revenues	<u>555,332,546</u>	<u>423,502,860</u>
OPERATING EXPENSES		
Cost of electricity	474,633,255	377,480,734
Contract services	16,611,808	13,906,614
Staff compensation	7,887,849	7,134,883
General and administration	2,738,461	2,585,219
Depreciation	62,601	52,603
Total operating expenses	<u>501,933,974</u>	<u>401,160,053</u>
Operating income	<u>53,398,572</u>	<u>22,342,807</u>
NONOPERATING REVENUES (EXPENSES)		
Grant revenue	7,901,267	-
Interest income	221,757	636,395
Financing expense	(903,504)	(869,612)
Nonoperating revenues (expenses), net	<u>7,219,520</u>	<u>(233,217)</u>
CHANGE IN NET POSITION	60,618,092	22,109,590
Net position at beginning of year	<u>171,911,524</u>	<u>149,801,934</u>
Net position at end of year	<u>\$ 232,529,616</u>	<u>\$ 171,911,524</u>

EAST BAY COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 503,810,291	\$ 448,902,853
Other operating receipts	44,726,247	8,937,471
Payments to suppliers for electricity	(477,173,526)	(391,197,468)
Payments for other goods and services	(21,925,338)	(16,534,847)
Payments for staff compensation	(7,748,575)	(6,963,515)
Tax and surcharge payments to other governments	(18,648,636)	(19,163,570)
Net cash provided by operating activities	23,040,463	23,980,924
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Grant income	7,901,267	-
Financing expense payments	(683,084)	(1,082,956)
Net cash provided (used) by non-capital financing activities	7,218,183	(1,082,956)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments to acquire capital assets	(8,613,048)	(33,951)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	221,757	636,395
Loan issued	(500,000)	-
Net cash provided (used) by investing activities	(278,243)	636,395
Net change in cash and cash equivalents	21,367,355	23,500,412
Cash and cash equivalents at beginning of year	155,661,706	132,161,294
Cash and cash equivalents at end of year	\$ 177,029,061	\$ 155,661,706
Reconciliation to the Statement of Net Position		
Unrestricted cash and cash equivalents (current)	\$ 152,215,061	\$ 129,847,706
Restricted cash and cash equivalents (current)	9,000,000	3,000,000
Unrestricted cash and cash equivalents (noncurrent)	15,814,000	15,814,000
Restricted cash and cash equivalents (noncurrent)	-	7,000,000
Cash and cash equivalents	\$ 177,029,061	\$ 155,661,706

**EAST BAY COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

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

	2022	2021
Operating income	\$ 53,398,572	\$ 22,342,807
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	62,601	52,603
Revenue adjusted for allowance for uncollectible accounts	4,710,670	10,916,254
(Increase) decrease in:		
Accounts receivable	(40,613,747)	(4,745,575)
Market settlements receivable	5,025,941	(3,045,683)
Other receivables	(5,594,164)	(596,927)
Accrued revenue	(19,637,803)	(1,821,740)
Prepaid expenses	(2,480,999)	1,507,944
Deposits	(14,441,650)	384,200
Increase (decrease) in:		
Accrued cost of electricity	21,468,127	(11,505,052)
Accounts payable	(754,456)	882,193
Other accrued liabilities	139,274	171,368
Deferred revenue	742,083	(120,019)
User taxes due to other governments	1,989,136	(343,571)
Security deposits from energy suppliers	19,026,878	6,768,122
Rate Stabilization Fund	-	3,134,000
Net cash provided by operating activities	\$ 23,040,463	\$ 23,980,924

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

East Bay Community Energy Authority (EBCE) is a California joint powers authority created on December 1, 2016. As of June 30, 2022, parties to its Joint Powers Agreement consist of the following local governments, plus one representative (non-voting) from the Community Advisory Committee (CAC):

County	Cities	
Alameda	Albany	Newark
	Berkeley	Oakland
	Dublin	Piedmont
	Emeryville	Pleasanton
	Fremont	San Leandro
	Hayward	Tracy
	Livermore	Union City

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

A core function of EBCE 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.

EBCE began its energy delivery operations in June 2018. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company.

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

EBCE'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.

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

CASH AND CASH EQUIVALENTS

For purpose of the Statements of Cash Flows, EBCE has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with an original maturity of three months or less. For the purpose of the Statements of Net Position, restricted cash balances are presented separately. Restricted cash reported on the Statements of Net Position includes collateral on a credit facility, as well as a required minimum balance to be maintained in one of its bank accounts.

MARKET SETTLEMENTS RECEIVABLE

EBCE receives generation scheduling and other services from a registered California Independent System Operator (CAISO) scheduling coordinator.

PREPAID ENERGY PURCHASES AND DEPOSITS

Various energy contracts entered into by EBCE require EBCE to provide the supplier with a security deposit. The deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent assets 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 include deposits for regulatory and other operating purposes.

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CAPITAL ASSETS AND DEPRECIATION

EBCE'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, seven years for furniture and seven years for leasehold improvements, unless limited by the length of the original lease term. EBCE does not own any electric generation assets.

SECURITY DEPOSITS – LIABILITY

Various energy contracts entered into by EBCE require the supplier to provide EBCE with a security deposit. Often this security is held by EBCE for the duration of the contract or until certain milestones are met. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

RATE STABILIZATION FUND

EBCE created a Rate Stabilization Fund to allow EBCE to defer revenue in years when financial results are strong to be used in future years when financial results are stressed. In accordance with GASB Statement No. 62 and GASB Statement No. 65, the amount recognized as an addition to the fund is shown as a reduction of operating revenues and reported on the statements of net position as a deferred inflow of resources.

EBCE directed revenue of \$0 and \$3,134,000 to the Rate Stabilization Fund for the years ended June 30, 2022 and 2021, respectively.

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. EBCE did not have any such borrowings outstanding as of June 30, 2022 and 2021.

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."

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include revenues derived from the provision of energy to end-use retail customers and grant revenue earned from the delivery of program activities. Operating revenues are affected by amounts directed to or from the Rate Stabilization Fund.

Investment income is considered “nonoperating revenue.” Certain grant revenue, such as from the California Arrearage Payment Program (CAPP), is also considered “nonoperating revenue.”

REVENUE RECOGNITION

EBCE recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NONOPERATING EXPENSES

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

ELECTRICAL POWER PURCHASED

During the normal course of business, EBCE 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 EBCE’s participation in CAISO’s centralized market. The cost to acquire 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, EBCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. EBCE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. EBCE recognizes an expense on a monthly basis that corresponds to the volume sold to its customers for its various renewable and carbon-free products. This expense recognition increases accrued cost of electricity reported on the Statements of Net Position until the time the payment has been made to the supplier.

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ELECTRICAL POWER PURCHASED (continued)

EBCE purchases capacity commitments from qualifying electricity generators to comply with the California's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the electrical 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

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

INCOME TAXES

EBCE 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 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.

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

2. CASH AND CASH EQUIVALENTS

EBCE maintains its cash in both interest-bearing and non-interest-bearing accounts at River City Bank in Sacramento, California. EBCE'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%. EBCE has no deposit or investment policy that addresses a specific type of risk that would impose restrictions beyond this code. Accordingly, the amount of risk is not disclosed. EBCE monitors its risk exposure to River City Bank on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Accounts receivable from customers	\$101,011,756	\$ 60,398,009
Allowance for uncollectible accounts	(21,197,357)	(16,486,684)
Net accounts receivable	<u>\$ 79,814,399</u>	<u>\$ 43,911,325</u>

The majority of account collections occur within the first few months following customer invoicing. EBCE estimates that a portion of the billed accounts will not be collected. EBCE 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, EBCE 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. During the year ended June 30, 2022, EBCE received CAPP funds (see Note 6) that helped offset previously written off accounts receivable.

4. CAPITAL ASSETS

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

	<u>Furniture & Equipment</u>	<u>Land and Construction-in- Progress</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Balances at June 30, 2020	\$ 210,739	\$ -	\$ (62,686)	\$ 148,053
Additions	20,366	-	(52,603)	(32,237)
Balances at June 30, 2021	231,105	-	(115,289)	115,816
Additions	101,268	8,605,533	(62,601)	8,644,200
Balances at June 30, 2022	<u>\$ 332,373</u>	<u>\$ 8,605,533</u>	<u>\$ (177,890)</u>	<u>\$ 8,760,016</u>

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

5. DEBT

In January 2020, EBCE entered into an amended revolving credit agreement with Barclays Bank. The available credit line under this agreement is \$80,000,000. The credit agreement enhances EBCE’s overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in January 2023. The borrowing rate on the credit facility is LIBOR, or its replacement rate, plus 2.5%.

EBCE had no debt outstanding under its line of credit agreement at June 30, 2022 or 2021. However, EBCE did issue Standby Letters of Credit secured by the line of credit agreement. At June 30, 2022, these Letters of Credit reduce the available portion of the line by approximately \$13,147,000 but are not considered debt to EBCE.

6. GRANTS

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

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

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

	<u>2022</u>	<u>2021</u>
CAPP	\$ 7,901,267	\$ -
DAC	1,614,597	-
Total grant revenue	<u>\$ 9,515,864</u>	<u>\$ -</u>

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The East Bay Community Energy Authority 401(a) Plan (the Plan) is a defined contribution retirement plan administered by LT Trust. As of June 30, 2022, there were 46 plan members. EBCE is required to contribute a match up to 6% of annual covered payroll to the Plan and contributed \$929,000 and \$816,000 during the years ended June 30, 2022 and 2021, respectively. EBCE has elected out of the Social Security system for employees eligible for the Plan. As part of this election, EBCE makes required “replacement” contributions to the Plan. Plan provisions are established and may be amended by the Board of Directors.

8. RISK MANAGEMENT

EBCE 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, EBCE 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. Deductible limits range from \$0 to \$1,000. Settled claims have not exceeded coverage in the last two years. There were no significant reductions in coverage compared to the prior year. From time to time, EBCE may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and EBCE’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on EBCE’s financial position or results of operations.

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

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

9. PURCHASE COMMITMENTS

In the ordinary course of business, EBCE 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 hydroelectric facilities.

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

Years ending June 30,	
2023	\$ 286,000,000
2024	205,000,000
2025	176,000,000
2026	153,000,000
2027	135,000,000
2028-2043	<u>1,302,000,000</u>
Total	<u><u>\$ 2,257,000,000</u></u>

10. LEASE

In February 2019, EBCE entered into a 39-month non-cancelable lease for its office premise from August 1, 2019 through October 31, 2022. Rental expense for EBCE's office space was \$442,000 and \$429,000 for the years ended June 30, 2022, and 2021, respectively.

**EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

11. FUTURE GASB PRONOUNCEMENTS

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

GASB has approved GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, GASB Statement No. 99, *Omnibus 2022*, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. When they become effective, application of these standards may restate portions of these financial statements.

12. SUBSEQUENT EVENTS

NEW MEMBER

In October 2022, EBCE admitted the City of Stockton as a member. EBCE anticipates electric deliveries in this new territory will begin in 2024.

SUPPLEMENTARY INFORMATION

**EAST BAY COMMUNITY ENERGY AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
Department of the Treasury			
California Department of Community Services and Development (CSD)			
COVID-19 American Rescue Plan Act (ARPA)			
Coronavirus State and Local Fiscal Recovery Funds			
California Arrearage Payment Program (CAPP)	21.027	68-0283471	\$ 7,901,267
<u>Total Department of the Treasury</u>			<u>7,901,267</u>
Total expenditures of federal awards			<u><u>\$ 7,901,267</u></u>

EAST BAY COMMUNITY ENERGY AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR FEDERAL AWARDS

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

3. SUB-RECIPIENTS

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

3. INDIRECT COSTS

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

COMPLIANCE



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

Independent Auditor's Report

Board of Directors
East Bay Community Energy
Oakland, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities East Bay Community Energy ("EBCE"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise EBCE's basic financial statements, and have issued our report thereon dated October 27, 2022.

Report on Internal Control over Financial Reporting

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

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

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

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

Independent Auditor's Report (continued)

Report on Compliance and Other Matters

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

Purpose of this Report

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

Parente & Brinku LLP

Santa Rosa, California
October 27, 2022



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

Independent Auditor's Report

Board of Directors
East Bay Community Energy Authority
Oakland, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of East Bay Community Energy Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of East Bay Community Energy Authority's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding East Bay Community Energy Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of East Bay Community Energy Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of East Bay Community Energy Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Report on Internal Control Over Compliance

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

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

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

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

Resenti & Brink LLP

Santa Rosa, California
October 27, 2022

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

I. Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? None reported

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

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
---------------------------	------------------------------------

21.027	Coronavirus State and Local Fiscal Recovery Funds
--------	---

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

Auditee qualified as low-risk auditee? No

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

II. Financial Statement Findings

No matters are reportable

III. Federal Award Findings and Questioned Costs

No matters are reportable

No Uniform Guidance audit performed in prior year.