FINANCIAL STATEMENTS

Years Ended March 31, 2018 & 2017
with Report of Independent Auditors

MARIN CLEAN ENERGY
YEARS ENDED MARCH 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Marin Clean Energy, as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Marin Clean Energy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marin Clean Energy as of March 31, 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Marin Clean Energy, as of and for the year ended March 31, 2017, were audited by other auditors whose report dated July 12, 2017, expressed an unmodified opinion on those statements.

Other Matter

Required Supplementary Information

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

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
August 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides an overview of Marin Clean Energy's (MCE) financial activities for the fiscal years ended March 31, 2018 and 2017. The information presented here should be considered in conjunction with the audited financial statements.

Contents of this Report

This report is divided into the following sections:

- Management discussion and analysis, which provides an overview of operations.
- The Basic Financial Statements, which offer information on MCE's financial results.
  - The *Statements of Net Position* include all of MCE's assets, liabilities, and net position using the accrual basis of accounting. The Statements of Net Position 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 all of MCE's revenue and expenses for the years shown.
  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and payments, such as debt financing.
  - Notes to the Basic Financial Statements, which provide additional details and information pertaining to the financial statements.

Nature of Operations

MCE is a California Joint Powers Authority founded in 2008 pursuant to the Joint Exercise of Powers Act and is a public agency separate from its members. MCE provides electric service to retail customers as a Community Choice Aggregator under the California Public Utilities Code Section 366.2.

MCE's mission is to address climate change by reducing energy related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers while providing local economic and workforce benefits. MCE provides electric service to retail customers and has the rights and powers to set rates and charges for electricity and services it furnishes, incur indebtedness, and issue bonds or other obligations. MCE acquires electricity from commercial suppliers and delivers it through existing physical infrastructure and equipment managed by the California Independent System Operator and Pacific Gas and Electric Company. MCE's Energy Efficiency Program supports the development, coordination and implementation of residential, commercial and multi-family energy efficiency programs in and around MCE's service area.

The parties to MCE's Joint Powers Agreement consist of local governments whose governing bodies elect to join MCE. Pursuant to the Public Utilities Code, when new parties join MCE, all electricity customers in its jurisdiction automatically become default customers of MCE for electric generation, provided that customers are given the option to "opt out". MCE receives no financial support from the parties to its Joint Powers Agreement and relies exclusively on operating revenues to meet its financial commitments.

MCE began to deliver electricity and energy efficiency programs in May 2010 and April 2013, respectively. From time to time new communities apply and are accepted to join MCE. The notes to the basic financial statements indicate the members of MCE.

Financial and Operational Highlights

MCE recorded a change in net position of $6.1 million in FY 2017/18 which increased the net position to $50.7 million as of March 31, 2018. Change in net position was $15.1 million in FY 2016/17. Working capital (current assets minus current liabilities) increased to $47.3 million and the current ratio (current assets divided by current liabilities) increased from 2.73:1 to 3.72:1 during FY 2017/18. For fiscal years 2017/18 and 2016/17, 56% and 78% of MCE's total liabilities consisted of accrued electricity costs which represent electricity delivered to MCE but not yet paid to the supplier. MCE had no bank debt or letters of credit outstanding as of March 31, 2018 or 2017.

The following table is a summary of MCE's assets, liabilities, and net position as of March 31:

	2018	2017	2016
Current assets			
Cash and cash equivalents	$ 34,384,786	$ 36,655,995	$ 21,696,949
Other current assets	30,242,222	28,112,638	19,424,154
Total current assets	64,627,008	64,768,633	41,121,103
Noncurrent assets			
Capital assets	667,482	571,666	542,199
Other noncurrent assets	2,804,092	3,032,573	2,479,516
Total noncurrent assets	3,471,574	3,604,239	3,021,715
Total assets	68,098,582	68,372,872	44,142,818
Current liabilities			
Accrued cost of electricity	9,671,410	18,477,359	11,500,898
Other current liabilities	7,695,869	5,235,796	3,110,850
Total current liabilities	17,367,279	23,713,155	14,611,748
Net position:			
Net investment in capital assets	667,482	571,666	542,199
Restricted	2,500,000	2,759,721	1,659,164
Unrestricted	47,563,821	41,328,330	27,329,707
Total net position	$ 50,731,303	$ 44,659,717	$ 29,531,070
Working Capital:	$ 47,259,729	$ 41,055,478	$ 26,509,355
Current Ratio:	3.72	2.73	2.81
Total Liabilities / Net Position:	0.34	0.53	0.49
Liquidity Detail:			
Cash and cash equivalents	$ 34,384,786	$ 36,655,995	$ 21,696,949
Unutilized portion of line of credit	25,000,000	20,000,000	7,800,000
Total Liquidity	$ 59,384,786	$ 56,655,995	$ 29,496,949

Consistent with its Reserve Policy, MCE is building its net position to support the working capital requirements of the Agency, to provide a reserve to manage the risk of adverse economic or regulatory events, and to improve its credit worthiness. A strong net position allows MCE to provide consistent and reliable service to the community and to contract for energy and other services at lower costs and on more favorable terms.

MCE's results of operations are summarized as follows for the fiscal year ended March 31:

	2018	2017	2016
Operating revenues	$ 205,752,830	$ 181,166,489	$ 151,664,778
Interest income	325,492	105,271	12,179
Total income	206,078,322	181,271,760	151,676,957
Operating expenses	199,966,736	166,110,598	135,257,348
Interest and related expenses	40,000	32,515	144,858
Total expenses	200,006,736	166,143,113	135,402,206
Change in net position	6,071,586	15,128,647	16,274,751
Beginning net position	44,659,717	29,531,070	13,256,319
Ending net position	$ 50,731,303	$ 44,659,717	$ 29,531,070

Electricity Sales and Costs

Electricity revenues increased by $21.8 million to $201.5 million in fiscal 2017/18 as a result of the full year impact of the inclusion of new communities in September 2016. Customer count increased slightly during FY 2017/18. MCE reduced retail electricity rates by an average of 3.7% in April 2017. Rates remained unchanged for the remainder of the fiscal year. Cost of electricity increased by $31.4 million to $183.7 million reflecting the full year impact of the inclusion of new communities in September 2016. Gross surplus, defined as electricity sales less cost of electricity, decreased to $17.8 million from $27.4 million in the prior year. Gross margin, defined as gross surplus as a percent of electricity sales, decreased from 15.2% in 2017 to 8.8% in 2018. Year over year changes in gross surplus and gross margin were impacted by retail rate decreases that went into effect in September 2016 and April 2017 and higher wholesale electricity costs resulting from weather related events and wholesale market conditions.

MCE's gross surplus and gross margin are summarized as follows for the fiscal year ended March 31:

	2018	2017	2016
Electricity sales, net	$ 201,504,304	$ 179,689,662	$ 149,486,696
Cost of electricity	183,685,864	152,293,297	124,095,978
Gross surplus	$ 17,818,440	$ 27,396,365	$ 25,390,718
Gross margin:	8.8%	15.2%	17.0%

Operating Revenues and Operating Expenses less Cost of Electricity

Total operating revenue less the cost of electricity decreased to $22.1 million in fiscal 2017/18, down from $28.9 million in the prior year. During the fiscal year 2017/18 MCE recognized other revenues including wholesale resource sales to other energy suppliers and sale of a solar facility, MCE Solar One, to a developer. Year-over-year operating expenses, excluding cost of electricity, increased by 17.8% to $16.3 million reflecting increased staffing, contractor, legal and general overhead costs. Operating expenses, excluding cost of electricity, as a percent of operating revenue less cost of electricity rose from 47.9% in fiscal 2016/17 to 73.8% in fiscal 2017/18.

MCE's gross surplus, operating income, and various performance ratios are summarized as follows:

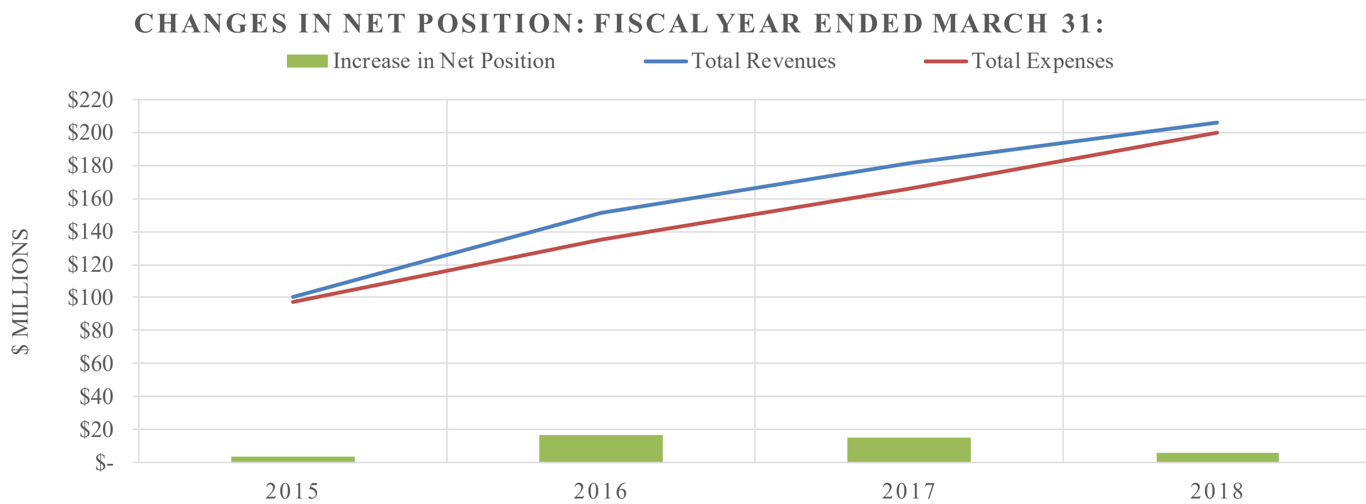
	2018	2017	2016
Gross surplus	$ 17,818,440	$ 27,396,365	$ 25,390,718
Public purpose program revenue	1,526,058	1,334,519	1,545,030
Other revenue	2,722,468	142,308	633,052
Total operating revenues less cost of electricity	22,066,966	28,873,192	27,568,800
Operating expenses, excluding cost of electricity	16,280,872	13,817,301	11,161,370
Operating income	$ 5,786,094	$ 15,055,891	$ 16,407,430
Operating expenses, excluding cost of electricity, over total operating revenues less cost of electricity:	73.8%	47.9%	40.5%
% change in Gross surplus:	-35.0%	7.9%	134.1%
% change in operating expenses less cost of electricity:	17.8%	23.8%	26.3%
% change in operating income:	-61.6%	-8.2%	329.6%

Cash Flow and Ending Period Cash and Cash Equivalents

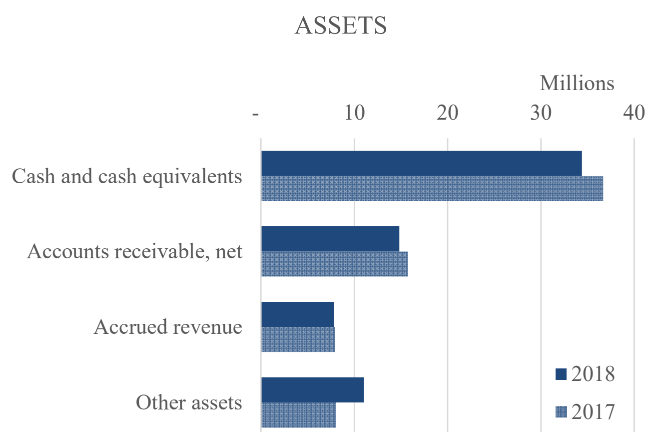
MCE used $3.2 million of cash in operating activities in FY 2017/18 compared to generating $16.5 million of cash in FY 2016/17. This contributed to a reduction in cash and cash equivalents of $2.5 million during the year.

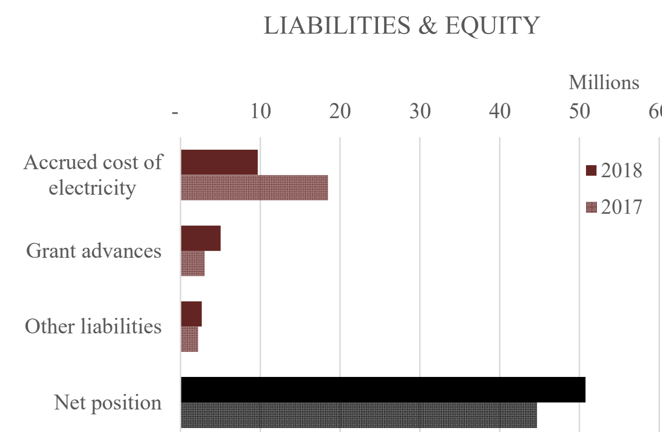
Operating cash flow declined in FY 2017/18 primarily as a result of a $9.3 million reduction in operating income, a $2.4 million increase in other accounts receivable, and a $8.8 million decrease in accrued electricity costs. The increase in other accounts receivable resulted from a $2.4 million one-time sale of energy at the end of the year. The decrease in accrued electricity costs resulted from a change in payment terms for monthly CAISO charges arising from the termination of MCE's lock box arrangement with Shell Energy North America on December 31, 2017 and its replacement with a new payment arrangement between MCE and its scheduling coordinator. Management views the reduction of cash resulting from the increase of other accounts receivable as a one-time event. Management views the termination of the lock box and the new payment arrangement with its scheduling coordinator as contributing to the financial strength and flexibility of the agency.

FINANCIAL SUMMARY



ASSETS, LIABILITIES, AND NET POSITION AS OF MARCH 31:





	2018	2017
Cash and cash equivalents	$ 34,384,786	$ 36,655,995
Accounts receivable, net	14,832,001	15,740,298
Accrued revenue	7,843,219	7,938,840
Other assets	11,038,576	8,037,739
Total Assets	**$ 68,098,582**	**$ 68,372,872**

	2018	2017
Accrued cost of electricity	$ 9,671,410	$ 18,477,359
Grant advances	5,031,320	3,023,856
Other liabilities	2,664,549	2,211,940
Net position	50,731,303	44,659,717
Total liabilities & net position	**$ 68,098,582**	**$ 68,372,872**

PURCHASE COMMITMENTS AND ECONOMIC OUTLOOK

In the normal course of business, MCE enters into various agreements, including renewable energy agreements and other power purchase agreements to purchase power and electric capacity. MCE enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products as described in its Integrated Resource Plans. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities, such as MCE, to gradually increase the amount of renewable energy they deliver to their customers. In October 2015, the California Governor signed SB 350, the Clean Energy and Pollution Reduction Act of 2015 into law. SB 350 became effective January 1, 2016, and increases the amount of renewable energy that must be delivered by most load-serving entities, including MCE, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period, to 50% of their total annual retail sales by the end of the 2028-2030 compliance period, and in each three-year compliance period thereafter, unless changed by legislative action. SB 350 provides compliance flexibility and waiver mechanisms, including increased flexibility to apply excess renewable energy procurement in one compliance period to future compliance periods. Beginning January 1, 2021, at least 65 percent of the procurement a retail seller, such as MCE, counts toward the renewables portfolio standard requirement of each compliance period shall be from its contracts of ten years or more in duration.

MCE enters into long term purchase agreements to bring new solar, wind and other renewable energy generating facilities on-line, to meet its regulatory and voluntary RPS and GHG free targets and to accomplish its mission of providing renewable energy and reducing greenhouse gas emissions while ensuring retail rate stability by managing exposure to wholesale spot market prices.

MCE manages risks associated with these commitments by aligning purchase commitments with expected demand for electricity and assuring diversity of technologies, geographical locations, and suppliers. Expected obligations under power purchase agreements totaled approximately $1.85 billion as of March 31, 2017 and $2.27 billion as of March 31, 2018.

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

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

MARIN CLEAN ENERGY

STATEMENTS OF NET POSITION

MARCH 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 34,384,786	$ 36,655,995
Accounts receivable, net of allowance	14,832,001	15,740,298
Energy settlements receivable	537,886	1,694,749
Other receivables	2,694,054	246,763
Accrued revenue	7,843,219	7,938,840
Prepaid expenses	1,560,486	940,342
Other current assets and deposits	2,774,576	1,551,646
Total current assets	64,627,008	64,768,633
Noncurrent assets		
Restricted cash	2,500,000	2,759,721
Capital assets, net of depreciation	667,482	571,666
Other noncurrent assets and deposits	304,092	272,852
Total noncurrent assets	3,471,574	3,604,239
Total assets	68,098,582	68,372,872
LIABILITIES		
Current liabilities		
Accounts payable	966,325	600,800
Accrued cost of electricity	9,671,410	18,477,359
Other accrued liabilities	499,074	546,048
Security deposits - energy suppliers	240,000	105,000
User taxes and energy surcharges due to other governments	959,150	960,092
Advances from grantors	5,031,320	3,023,856
Total current liabilities	17,367,279	23,713,155
NET POSITION		
Net position		
Net investment in capital assets	667,482	571,666
Restricted for line of credit collateral	2,500,000	2,759,721
Unrestricted	47,563,821	41,328,330
Total net position	$ 50,731,303	$ 44,659,717

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
OPERATING REVENUES		
Electricity sales, net	$ 201,504,304	$ 179,689,662
Public purpose program revenue	1,526,058	1,334,519
Wholesale resource sales	2,502,500	-
Other revenue	219,968	142,308
Total operating revenues	205,752,830	181,166,489
OPERATING EXPENSES		
Cost of electricity	183,685,864	152,293,297
Contract services	8,109,126	7,208,138
Staff compensation	5,922,510	4,839,922
General and administration	2,135,567	1,676,595
Depreciation	113,669	92,646
Total operating expenses	199,966,736	166,110,598
Operating income (loss)	5,786,094	15,055,891
NONOPERATING REVENUES (EXPENSES)		
Interest income	325,492	105,271
Loan fee expense	(40,000)	(32,515)
Total nonoperating revenues (expenses)	285,492	72,756
CHANGE IN NET POSITION	6,071,586	15,128,647
Net position at beginning of period	44,659,717	29,531,070
Net position at end of period	$ 50,731,303	$ 44,659,717

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY

STATEMENTS OF CASH FLOWS

FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	$ 202,558,048	$ 173,584,288
Public purpose program receipts	3,190,609	3,370,343
Tax and surcharge receipts from customers	4,140,255	4,209,577
Payments received from other revenue sources	301,222	303,770
Payments received from security deposits with energy suppliers	240,000	525,000
Cash received for grant hosting	400,000	-
Energy market settlements received	28,235,692	-
Payments to purchase electricity	(201,181,059)	(147,416,447)
Energy market settlements paid	(20,907,875)	-
Payments for contract services	(7,990,734)	(7,103,758)
Payments for staff compensation	(5,880,190)	(4,723,350)
Payments for general and administration	(2,172,429)	(1,692,551)
Tax and surcharge payments to other governments	(4,175,609)	(4,177,036)
Return of security deposits to energy suppliers	-	(420,000)
Net cash provided (used) by operating activities	(3,242,070)	16,459,836
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest and related expenses	(40,000)	(32,515)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of nondepreciable assets	688,031	-
Acquisition of nondepreciable assets	(22,066)	(119,824)
Acquisition of capital assets	(241,460)	(901,806)
Net cash provided (used) by capital and related financing activities	424,505	(1,021,630)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	326,635	106,412
Net change in cash and cash equivalents	(2,530,930)	15,512,103
Cash and cash equivalents at beginning of year	39,415,716	23,903,613
Cash and cash equivalents at end of period	$ 36,884,786	$ 39,415,716
Reconciliation to the Statement of Net Position		
Cash and cash equivalents (unrestricted)	$ 34,384,786	$ 36,655,995
Restricted Cash	2,500,000	2,759,721
Cash and cash equivalents	$ 36,884,786	$ 39,415,716

STATEMENTS OF CASH FLOWS

The accompanying notes are an integral part of these financial statements

MARIN CLEAN ENERGY
(CONTINUED)

FISCAL YEARS ENDED MARCH 31, 2018 AND 2017

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

	2018	2017
Operating income	$ 5,786,094	$ 15,055,891
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	113,669	92,646
Revenue reduced for allowance for uncollectible accounts	(2,122,000)	1,112,000
(Increase) decrease in net accounts receivable	3,030,297	(4,634,712)
(Increase) decrease in energy market settlements receivable	1,156,863	(1,694,749)
(Increase) decrease in other receivables	(2,448,434)	377,754
(Increase) decrease in accrued revenue	95,621	(2,582,232)
(Increase) decrease in prepaid expenses	(620,145)	321,031
(Increase) decrease in other assets and deposits	(1,973,604)	(685,571)
Increase (decrease) in accounts payable	345,970	(60,165)
Increase (decrease) in accrued cost of electricity	(8,805,949)	6,976,461
Increase (decrease) in other accrued liabilities	(46,974)	240,994
Increase (decrease) in security deposits from energy suppliers	240,000	105,000
Increase (decrease) in user taxes due to other governments	(942)	32,541
Increase (decrease) in advances from grantor	2,007,464	1,802,947
Net cash provided (used) by operating activities	$ (3,242,070)	$ 16,459,836

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Marin Clean Energy (MCE) is a California joint powers authority created on December 19, 2008. As of March 31, 2018 parties to its Joint Powers Agreement consist of the following local governments:

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

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

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

MCE began the delivery of electricity and energy efficiency programs in May 2010 and April, 2013 respectively. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by the California Independent System Operator and Pacific Gas and Electric Company. The Energy Efficiency Program supports the development, coordination and implementation of energy efficiency programs in and around MCE's service area. The Energy Efficiency Program is supported by rate-payer funds regulated by the California Public Utilities Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

MCE's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

MCE's operations are accounted for as a governmental enterprise fund, and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories – net investment in capital assets, restricted, and unrestricted.

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

CASH AND CASH EQUIVALENTS

For purpose of the Statements of Cash Flows, MCE defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments.

CAPITAL ASSETS AND DEPRECIATION

MCE's policy is to capitalize furniture and equipment valued over $500 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment and seven years for furniture. Leasehold improvements are depreciated over 10 years.

OPERATING AND NON-OPERATING REVENUE

Operating revenues consists of revenue from the sale of electricity to customers and revenue related to the Energy Efficiency Program. Wholesale resource sales include sales of capacity and renewable energy to other suppliers. Other revenues primarily consist of payments from energy suppliers that result from delays in energy deliveries. Interest income is considered "non-operating revenue".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

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

ELECTRICAL POWER PURCHASED

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

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, MCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS). MCE obtains Certificates with the intent to retire them, and does not sell or build surpluses of Certificates. An expense is recognized at the point that the cost of the RPS eligible energy is due and payable to the supplier. MCE purchases capacity commitments from qualifying generators to comply with the California Energy Commission's Resource Adequacy Program. The goals of the Resource Adequacy Program are to provide sufficient resources to the California Independent System Operator to ensure the safe and reliable operation of the grid in real time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future. MCE is in compliance with external mandates and self-imposed benchmarks.

STAFFING COSTS

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

INCOME TAXES

MCE is a joint powers authority under the provision of the California Government Code, and is not subject to federal or state income or franchise taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation of the current-year financial statements.

2. CASH AND CASH EQUIVALENTS

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

3. ACCOUNTS RECEIVABLE

Accounts receivable balances were as follows:

	2018	2017	2016
Accounts receivable from customers	$ 16,922,001	$ 19,952,298	$ 15,317,586
Allowance for uncollectible accounts	(2,090,000)	(4,212,000)	(3,100,000)
Net accounts receivable	$ 14,832,001	$ 15,740,298	$ 12,217,586

The majority of account collections occur within the first few months following customer invoicing. MCE estimates that a portion of the billed accounts will not be collected. MCE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, MCE continues to have success collecting older accounts. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years. During FY 2017/18, certain receivables were written-off, resulting in a decrease in accounts receivable and an offsetting decrease in the allowance for doubtful accounts. Accordingly, there is no net impact on current year expenses or income.

4. ENERGY SETTLEMENTS RECEIVABLE

MCE receives generation scheduling and other services from a registered, California Independent System Operator (CAISO) scheduling coordinator. Energy settlements due from the scheduling coordinator were $538,000 and $1,695,000 as of March 31, 2018 and 2017, respectively.

5. OTHER CURRENT ASSETS AND DEPOSITS

The large majority of the 2017/18 balance of other current assets and deposits is comprised of security deposits paid by MCE pursuant to agreements that expire in less than twelve months. During fiscal 2016/17 MCE this account included an asset related to the development of a local renewable energy project located in Richmond, California, MCE Solar One. These assets were sold to a developer in May 2017 who will build, own and operate MCE Solar One and sell power to MCE once the project achieves commercial operation.

6. CAPITAL ASSETS

Changes in depreciable capital assets were as follows:

	Furniture & Equipment	Leasehold Improvements	Accumulated Depreciation	Net
Balances at March 31, 2016	$ 237,843	$ 456,981	$ (152,625)	$542,199
Additions	96,983	25,130	(92,646)	29,467
Balances at March 31, 2017	334,826	482,111	(245,271)	571,666
Additions	98,139	111,346	(113,669)	95,816
Balances at March 31, 2018	$ 432,965	$ 593,457	$ (358,940)	$667,482

7. PUBLIC PURPOSE PROGRAMS

MCE administers ratepayer-funded energy efficiency programs regulated by the Public Utilities Commission of the State of California (CPUC). Funds received are not recognized as revenue until they are expended for designated purposes. Total funding received for this Program during the fiscal year 2017/18 was $1,238,000, and $1,157,000 was spent and earned. In fiscal year 2016/17, funding received was $2,722,000, and $1,066,000 was spent and earned. The Energy Efficiency Program receives additional funding under the Gas Public Purpose Program that is not received in advance. Revenue of $219,000 and $268,000 was recognized under the Gas Public Purpose Program in fiscal years 2017/18 and 2016/17, respectively.

In 2016 the CPUC allocated $3,500,000 to MCE to conduct a two-year, Low-Income Family and Tenants (LIFT) pilot program to better serve income-qualified multifamily communities with energy efficiency programs. Funding received for this program was $1,750,000 in fiscal year 2017/18 and $1,750,000 in fiscal year 2016/17. Revenue is recognized when expenditures are incurred for designated purposes. The amounts included in advances from grantors, on the statement of net position, was approximately $3,331,000 in fiscal year 2017/18 and $1,731,000 in fiscal year 2016/17.

8. DEBT

LINE OF CREDIT AND LETTERS OF CREDIT

MCE entered into a non-revolving, $15,000,000 credit agreement with River City Bank (RCB) in August 2015 that may be used for short term borrowing and to issue standby Letters of Credit used for performance security. In May 2016 this credit agreement was amended to a revolving credit agreement and the limit was increased to $20 million. In July 2017 the agreement was amended to increase the limit to $25 million, reduce borrowing rates and fees and allow cash advances for working capital needs. RCB requires collateral for the line of credit of $2.5 million which is reported as restricted cash and restricted net position. The agreement in place at the end of FY 2017/18 expires on August 31, 2018.

MCE had no standby Letters of Credit or amounts outstanding under its credit agreement as of March 31, 2018.

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

9. DEFINED CONTRIBUTION RETIREMENT PLAN

The Marin Clean Energy Plan (Plan) is a defined contribution retirement plan established by MCE to provide benefits at retirement to its employees. The Plan is administered by Nationwide Retirement Solutions. As of March 31, 2018, there were 46 plan members. MCE is required to contribute 10% of annual covered payroll to the Plan and contributed $476,000 and $394,000 during the years ended March 31, 2018 and 2017, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

10. RISK MANAGEMENT

MCE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, MCE purchased insurance policies from investment grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage.

MCE maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market.

Credit guidelines include a preference for transacting with investment grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, MCE enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counter parties.

11. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

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

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

The following table represents the expected, undiscounted, contractual obligations outstanding as of March 31, 2018:

Year ended March 31,	
2019	$ 247,280,223
2020	197,975,610
2021	146,137,927
2022	128,334,837
2023	120,912,778
2024-42	1,426,430,694
	$ 2,267,072,069

As of March 31, 2018, MCE had contractual commitments to professional service providers through April 30, 2020 for services yet to be performed. Fees associated with these contracts are based on volumetric activity and are expected to be $12.9 million.

12. OPERATING LEASE

Rental expense for MCE's office space was $417,000 and $321,000 for the years ended March 31, 2018 and 2017, respectively. On March 9, 2015, MCE entered into a ten-year non-cancelable lease for its San Rafael office premise. The rental agreement includes an option to renew the lease for five additional years. On December 12, 2017, MCE entered into a 68-month non-cancelable lease for its Concord office premise.

Future minimum lease payments under these leases are as follows:

Year ended March 31,		
2019	$	541,000
2020		779,000
2021		807,000
2022		836,000
2023		866,000
2024-25		1,337,000
	$	5,166,000

13. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after March 31, 2018:

GASB Statement No. 87, *Leases*, is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. When the Statement becomes effective, restatement of these financial statements may be required.