

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**TO:** Valley Clean Energy Alliance Board of Directors

**FROM:** Lisa Limcaco, Finance and Operations Director, VCEA  
Chad Rinde, Asst. Chief Financial Officer, Yolo County  
Mitch Sears, Interim General Manager, VCEA

**SUBJECT:** Financial Update – August 31, 2018 (unaudited) financial statements (with Revised comparative information from July 31, 2018)

**DATE:** October 18, 2018

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### **RECOMMENDATION:**

Accept the Financial Statements (unaudited) for the period of August 1, 2018 to August 31, 2018 (with Revised comparative information from July 31, 2018)

### **BACKGROUND & DISCUSSION:**

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

### Revised Financial Statements for the period July 1, 2018 – July 31, 2018

In October 2018, SMUD notified SMUD that the billed revenue data that was provided to VCE was overstated by approximately \$685K. In July 2018, the billing system excluded credits related to re-bills of several customers. The billing system has been updated and controls have been put in place to eliminate this error from occurring in the future.

The impact to the July 2018 financial statements are as follows:

	<u>Previously Reported</u>	<u>Revised Report</u>	<u>Difference</u>
<b>ASSETS:</b>			
Accounts Receivable	\$5,959,837	\$5,281,479	(\$678,358)
Accrued Revenue	\$3,430,303	\$3,789,784	\$359,481
<b>LIABILITIES:</b>			
Energy Surcharge	\$ 34,572	\$ 33,690	\$ 882
<b>NET POSITION:</b>			
Net Position	(\$ 368,818)	(\$ 686,813)	(\$317,995)
<b>OPERATING REVENUE:</b>			
Electricity Sales, net	\$6,970,683	\$6,652,688	(\$317,995)

Financial Statements for the period August 1, 2018 – August 31, 2018

In the Statement of Net Position, VCEA as of August 31, 2018 has a total of \$4,450,588 in its checking and lockbox accounts, \$1,100,000 restricted cash for the Debt Service Reserve account and \$36,293 restricted cash for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2018 \$594,152 and \$1,290,314 respectively for a grand total of \$1,884,466. The outstanding line of credit balance with River City Bank at August 31, 2018 totaled \$5,976,610. At August 31, 2018, VCE's net position is (\$3,480).

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,190,038 of revenue (net of allowance for doubtful accounts) of which \$7,340,040 was billed in August and (\$1,150,002) represent estimated unbilled revenue (net July and August). The cost of the electricity for the August revenue totaled \$5,169,263. For August, VCEA's gross margin is approximately 16.49% and operating income totaled \$699,898.

In the Statement of Cash Flows, VCEA cash flows from operations was \$834,105 due to full month of cash receipts from June and July revenue and the payment of July purchased electricity. The July purchased electricity (paid in August) was partially paid with cash and a \$2,375,725 draw on the RCB line of credit.

**Attachments:**

- 1) Financial Statements (Unaudited) August 1, 2018 to August 31, 2018 (with Revised comparative information for July 31, 2018.)



# VALLEY CLEAN ENERGY

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018**

**(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)**

**REVISED ON OCTOBER 12, 2018**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**AS OF AUGUST 31, 2018**  
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)  
(UNAUDITED)

	AUGUST 31, 2018	(REVISED) JULY 31, 2018	JUNE 30, 2018
<b>ASSETS</b>			
Current assets:			
Cash in Yolo County Treasury	\$ -	\$ -	\$ -
Cash with fiscal agent	4,450,588	1,246,062	963,388
Accounts receivable, net of allowance	6,608,758	5,281,479	5,671
Accrued revenue	2,639,781	3,789,784	2,824,490
Prepaid expenses	9,743	16,687	-
Inventory - Renewable Energy Credits	966,415	1,029,703	436,587
Other current assets and deposits	2,540	2,540	2,540
<b>Total current assets</b>	<u>14,677,825</u>	<u>11,366,255</u>	<u>4,232,676</u>
Noncurrent assets:			
Restricted cash	1,136,293	1,136,293	1,100,000
Other noncurrent assets and deposits	600,000	600,000	600,000
<b>Total noncurrent assets</b>	<u>1,736,293</u>	<u>1,736,293</u>	<u>1,700,000</u>
<b>TOTAL ASSETS</b>	<u>\$ 16,414,118</u>	<u>\$ 13,102,548</u>	<u>\$ 5,932,676</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 86,527	\$ 122,542	\$ 137,475
Accrued payroll	2,807	2,332	1,624
Interest payable	79,229	67,968	61,556
Due to member agencies	594,152	574,654	534,639
Accrued cost of electricity	6,832,967	6,804,900	2,673,939
Other accrued liabilities	1,290,314	1,082,390	837,294
User taxes and energy surcharges	54,992	33,690	10,002
<b>Total current liabilities</b>	<u>8,940,988</u>	<u>8,688,476</u>	<u>4,256,529</u>
Noncurrent liabilities			
Line of credit	5,976,610	3,600,885	1,600,000
Loans from member agencies	1,500,000	1,500,000	1,500,000
<b>Total noncurrent liabilities</b>	<u>7,476,610</u>	<u>5,100,885</u>	<u>3,100,000</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 16,417,598</u>	<u>\$ 13,789,361</u>	<u>\$ 7,356,529</u>
<b>NET POSITION</b>			
Net position:			
Restricted			
Local Programs Reserve	\$ 14,203	\$ 7,370	\$ -
Unrestricted			
<b>TOTAL NET POSITION</b>	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (1,423,853)</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018**  
**(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)**  
**(UNAUDITED)**

	AUGUST 1, 2018 - AUGUST 31, 2018	(REVISED) JULY 1, 2018 - JULY 31, 2018	YEAR TO DATE
<b>OPERATING REVENUE</b>			
Electricity sales, net	\$ 6,190,038	\$ 6,652,688	\$ 12,842,726
Other revenue	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<u>6,190,038</u>	<u>6,652,688</u>	<u>12,842,726</u>
<b>OPERATING EXPENSES</b>			
Cost of electricity	5,169,263	5,538,730	10,707,993
Contract services	229,566	320,470	550,036
Staff compensation	57,356	9,049	66,405
General, administration, and other	33,955	36,966	70,921
<b>TOTAL OPERATING EXPENSES</b>	<u>5,490,140</u>	<u>5,905,215</u>	<u>11,395,355</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	699,898	747,473	1,447,371
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	-	-	-
Interest and related expenses	(16,565)	(10,433)	(26,998)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(16,565)</u>	<u>(10,433)</u>	<u>(26,998)</u>
<b>CHANGE IN NET POSITION</b>	683,333	737,040	1,420,373
Net position at beginning of period	(686,813)	(1,423,853)	(1,423,853)
Net position at end of period	<u>\$ (3,480)</u>	<u>\$ (686,813)</u>	<u>\$ (3,480)</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018**  
**(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)**  
**(UNAUDITED)**

	AUGUST 1, 2018 - <u>AUGUST 31,</u>	(REVISED) JULY 1, 2018 - <u>JULY 31, 2018</u>	YEAR TO <u>DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from electricity sales	\$ 6,034,064	\$ 435,274	\$ 6,469,338
Payments for security deposits with energy suppliers	-	-	-
Payments to purchase electricity	(5,077,908)	(2,000,885)	(7,078,793)
Payments for contract services, general, and administration	(65,170)	(103,945)	(169,115)
Payments for member agency services	-	-	-
Payments for staff compensation	(56,881)	(8,341)	(65,222)
Other cash payments	-	-	-
<b>Net cash provided (used) by operating activities</b>	<u>834,105</u>	<u>(1,677,897)</u>	<u>(843,792)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Loans from member agencies	-	-	-
Draw of line of credit	2,375,725	2,000,885	4,376,610
Transfer to restricted cash	-	(36,293)	(36,293)
Interest and related expenses	(5,304)	(4,021)	(9,325)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>2,370,421</u>	<u>1,960,571</u>	<u>4,330,992</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income	-	-	-
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>			
	3,204,526	282,674	3,487,200
Cash and cash equivalents at beginning of period	1,246,062	963,388	963,388
Cash and cash equivalents at end of period	<u>\$ 4,450,588</u>	<u>\$ 1,246,062</u>	<u>\$ 4,450,588</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1, 2018 TO AUGUST 31, 2018**  
**(WITH COMPARATIVE INFORMATION FOR PRIOR PERIODS)**  
**(UNAUDITED)**

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

Operating Income (Loss)	\$ 699,898	\$ 747,473	\$ 1,447,371
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
(Increase) decrease in net accounts receivable	(1,327,279)	(5,275,808)	(6,603,087)
(Increase) decrease in accrued revenue	1,150,003	(965,294)	184,709
(Increase) decrease in prepaid expenses	6,944	(16,687)	(9,743)
(Increase) decrease in inventory - renewable energy credits	63,288	(593,116)	(529,828)
(Increase) decrease in other assets and deposits	-	-	-
Increase (decrease) in accounts payable	(36,015)	(14,933)	(50,948)
Increase (decrease) in accrued payroll	475	708	1,183
Increase (decrease) in due to member agencies	19,498	40,015	59,513
Increase (decrease) in accrued cost of electricity	28,067	4,130,961	4,159,028
Increase (decrease) in other accrued liabilities	207,924	245,096	453,020
Increase (decrease) in user taxes and energy surcharges	21,302	23,688	44,990
<b>Net cash provided (used) by operating activities</b>	<u>\$ 834,105</u>	<u>\$ (1,677,897)</u>	<u>\$ (843,792)</u>