Audit & Finance Committee Meeting

October 13, 2020
Agenda

- FY2018-2019 Audited Financial Statements
- Auditor Presentation with required communications
### Changes and Notes since Preliminary:

- **Revenues unchanged**
- **Expenses** are $32K lower
  - Immaterial changes - final closing
  - $31K adjustment to Cost of Energy
  - $1K adjustment to G&A
  - $6.6 million Change in Estimate to REC costs was agreed with the auditors to leave in FY19-20 as presented
- **Change in Net Position** was
  - $32K higher

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### Financial Statement vs. Budget – Final

#### OPERATING REVENUES

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity Sales, net</td>
<td>22,872,364</td>
<td>24,917,451</td>
<td>(2,045,087)</td>
</tr>
<tr>
<td>Green electricity premium</td>
<td>200,435</td>
<td>213,069</td>
<td>(12,633)</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>23,072,799</strong></td>
<td><strong>25,130,519</strong></td>
<td><strong>(2,057,720)</strong></td>
</tr>
</tbody>
</table>

#### OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of energy</td>
<td>24,171,481</td>
<td>16,978,689</td>
<td>(7,192,793)</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>441,816</td>
<td>420,302</td>
<td>(21,514)</td>
</tr>
<tr>
<td>Data Manager</td>
<td>280,873</td>
<td>318,510</td>
<td>37,637</td>
</tr>
<tr>
<td>Service Fees - PG&amp;E</td>
<td>108,034</td>
<td>104,671</td>
<td>(3,363)</td>
</tr>
<tr>
<td>Consultants &amp; Professional Services</td>
<td>103,372</td>
<td>68,250</td>
<td>(35,122)</td>
</tr>
<tr>
<td>Legal</td>
<td>183,679</td>
<td>122,625</td>
<td>(61,054)</td>
</tr>
<tr>
<td>Communications and Noticing</td>
<td>121,832</td>
<td>146,233</td>
<td>24,401</td>
</tr>
<tr>
<td>General and Administrative</td>
<td>116,968</td>
<td>102,224</td>
<td>(14,745)</td>
</tr>
<tr>
<td>Community Energy Programs</td>
<td>85,683</td>
<td>591,999</td>
<td>506,316</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,940</td>
<td>8,200</td>
<td>2,260</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>25,619,678</strong></td>
<td><strong>18,861,703</strong></td>
<td><strong>(6,757,975)</strong></td>
</tr>
</tbody>
</table>

#### Operating Income (Loss)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,546,879)</td>
<td>6,268,816</td>
<td>(8,815,695)</td>
<td></td>
</tr>
</tbody>
</table>

#### NON-OPERATING REVENUES (EXP.)

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonoperating Income/(Expense)</td>
<td>113,579</td>
<td>158,000</td>
<td>(44,421)</td>
</tr>
</tbody>
</table>

#### CHANGE IN NET POSITION

<table>
<thead>
<tr>
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<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,433,300)</td>
<td>6,426,816</td>
<td>(8,860,116)</td>
<td></td>
</tr>
</tbody>
</table>

#### CHANGE IN NET POSITION

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<tr>
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<th>Actual</th>
<th>Budget</th>
<th>Var Fav/(Unf)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position at the beginning of period</td>
<td>191,505,031</td>
<td>161,564,770</td>
<td>29,940,261</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>(2,433,300)</td>
<td>6,426,816</td>
<td>(8,860,116)</td>
</tr>
<tr>
<td>Net Position at the end of period</td>
<td>189,071,732</td>
<td>167,991,587</td>
<td>21,080,145</td>
</tr>
</tbody>
</table>

**Ending Cash & Cash Equivalents**

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>210,562,154</td>
<td>159,102,751</td>
</tr>
</tbody>
</table>

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**Month of June, 2020**

**Current Month**

**Year-to-date**

- **Operating Revenues**
- **Operating Expenses**
- **Operating Income (Loss)**
- **Non-operating Revenues (Exp.)**
- **Change in Net Position**
- **Ending Cash & Cash Equivalents**
Report to the Audit Committee by Pisenti & Brinker LLP
October 13, 2020
Introduction...

- Brett Bradford, CPA
  - Audit Partner
  - 17 years in public accounting and performing audits of governmental entities
- Andrea Lifto, CPA candidate
  - Engagement Manager
  - 5 years in public accounting, audits of governments (CCAs)
Audit of the year ended June 30, 2020
Financial Statements

- Audit is near completion – we expect to report the following:
  - Unmodified opinion – Based on our audit, the financial statements are materially accurate.
  - No significant deficiencies or material weakness is internal control noted.
Audit of the year ended June 30, 2020

Financial Statements

Relative Roles & Responsibilities

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control.

- **Auditor** is responsible for auditing the Financial Statements:
  - Considering risks of material misstatement in the Financial Statements – Inherent risk
  - Considering internal controls relevant to the Financial Statements – Control risk
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures
Risk Assessment for the year ended June 30, 2020

- Significant areas of focus
  - Revenue recognition
    - Accounts receivable and accrued revenue
      - Test a sample of customer billings
      - Relate total cash received during the year to revenue
      - Look at cash received subsequent to year-end and relate to A/R
  - Cut-off
    - Review revenue recognition through year-end and method for determining (accrued revenue)
Risk Assessment for the year ended June 30, 2020

- Cash and Securities – Existence
  - Confirmation sent to financial institutions

- Accrued Cost of Electricity
  - Review subsequent bills from electricity providers and cash payments

- Accrued REC expense

- Supplier Security Deposits
  - Reviewed contracts and determined completeness of amounts recorded

- Financial Statement Note Disclosures – Complete and without bias
The significant accounting policies adopted by PCE throughout the periods audited appear appropriate and consistently applied.

No alternative treatments of accounting principles for material items in the financial statements have been discussed with management.
Other Required Communications with those charged with governance:

- We are not expecting to propose any adjustments to the financial statements.
- We have not identified any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.
Required Board Communications – Draft (continued)

- There have been no disagreements with management concerning the scope of our audits, the application of accounting principles, or the basis for management’s judgments on any significant matters.
We have not encountered any difficulties in dealing with management during the performance of our audits.
Questions?

- Brett Bradford: 707-577-1582
- Andrea Lifto: 707-559-7317