



Staff Report Item 18

TO: East Bay Community Energy Board of Directors

FROM: Jason Bartlett, Finance Manager

SUBJECT: Fiscal Year 2019-2020 Audited Financial Statements (Action Item)

DATE: October 21, 2020

Recommendation

Accept and file the Fiscal Year 2019-2020 audited financial statements

Background and Discussion

EBCE hires an independent auditor to verify the annual financial statements each year. In June of 2019, EBCE selected Pisenti & Brinker, LLP (P&B) as the Authority's auditor through a formal RFP. They were EBCE's auditor the previous year and their familiarity with EBCE and CCA finance space made them the best choice.

This year's audit focuses on EBCE's financial activities of the fiscal year dating from July 1, 2019 to June 30, 2020.

P&B engaged with an ad-hoc committee of board members throughout the audit process and was assisted by EBCE staff. The audit was reviewed in full by the Finance, Administrative, and Procurement Committee on Tuesday, October 13, 2020.

The final audited financial statements provide and independently verified, accurate portrait of EBCE's financial position as of June 30, 2020. These financial statements include EBCE's financial activities related to:

- Net Position
- Revenues, Expenses, and Changes in Net Position
- Cash Flows
- Accompanying Notes and Subsequent Activities

Highlights from the Statements for the fiscal year include:

Statements of Net Position (Balance Sheet)

- Total Assets increased from \$151.3 million to \$220.4 million
 - Primarily as increase in cash and equivalents and account receivables
 - \$12.7 million of deferred revenues
- Total Liabilities decreased from \$69.9 million to \$57.9 million due to the retirement of outstanding debt to Barclay's Bank
- Total Net Position increased from \$81.4 million to \$149.8 million as driven by the changes mentioned for assets and liabilities
 - $\text{Net Position} = \text{Assets} - \text{Liabilities} - \text{Deferred Revenue}$
- All outstanding debt has been retired

Statements of Revenue, Expenses, and Changes in Net Position (Income Statement)

- Net Operating Revenue was approximately \$463.4 million, after \$12.7 million was deferred to a Rate Stabilization Fund approved in September, 2020
- Operating Expenses were approximately \$395.6 million, with \$373.5 million in Cost of Electricity
- The Authority netted \$614k from non-operating activities as related to interest earned on holdings and interest paid on commitments
- Change in Net Position was \$68.4 million
 - $\text{Change in Net Position} = \text{Operating Revenue} - \text{Operating Expenses} + \text{Net Non-operating Activities}$

Fiscal Impact

This report has no fiscal impact.

Attachments

- A. EBCE's Audited Financial Statements June 30, 2020; and
- B. Presentation from the Auditor, Pisenti & Brinker

East Bay Community Energy

*Report to the
Board of Directors
by Pimenti & Brinker LLP
October 21, 2020*



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

An independently owned member
RSM US Alliance



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 Financial Statements for the year ended June 30, 2020

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

Audit of the Financial Statements for the year ended June 30, 2020

- Audit is complete. We have reported:
 - Unqualified opinion – Based on our audit, the financial statements are materially accurate.
 - No significant deficiencies in internal control have been identified.

Risk Assessment for the year-ended June 30, 2020

- Significant areas of focus
 - Review policies and procedures for various types of financial transactions
 - Consider impact of current economic climate (COVID)
 - Revenue recognition
 - Accounts receivable and accrued revenue
 - Test a sample of customer billings
 - Relate total cash received subsequent to year-end to revenue (accrued revenue)
 - Cut-off
 - Review revenue recognition through year-end and method for determining (accrued revenue)

Risk Assessment for the year-ended June 30, 2020

- Cash – Existence
 - Confirmation sent to financial institutions
- Accrued cost of electricity and accounts receivable
 - Review subsequent bills from electricity providers and cash payments and analyze margin
- Notes payable
 - Confirmations sent directly
- Financial Statement Note Disclosures – Complete and without bias

Required Board Communications

- The significant accounting policies adopted by EBCE throughout the periods audited appeared appropriate and consistently applied.
- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.

Required Board Communications

Other Required Communications with those charged with governance:

- We did not propose any adjustments to the financial statements.
- We did not identify any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.

Required Board Communications

- There were 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.

Required Board Communications

- We did not encounter any difficulties in dealing with management during the performance of our audits.

Questions?

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