Staff Report Item 9

To:	Ava Community Energy Authority
From:	Russell Mills, Chief Financial Officer
Subject	Fiscal Year 2024-2025 Annual Financial Audit and Budget to Actual Results
Date:	November 19, 2025

Summary/Recommendation

Accept and file the audited financial statements for fiscal year 2024-2025. Review the Budget to Actual statement and Deferred Revenue Allocations.

Financial Impact

This report has no financial impact.

Analysis and Context

Each year, Ava has an audit of its fiscal year-end financial statements conducted. The annual audit is conducted by Sorren CPAs, P.C., formerly Pisenti and Brinker, LLP, an independent, external auditing firm.

The audit consists of four general sections – the Independent Auditor's Report, the Management Discussion and Analysis (MD&A), the Basic Financial Statements, and the Notes to the Basic Financial Statements. The following is a general discussion of each section and any pertinent findings.

This is followed by a discussion and comparison of Ava's Actual results with our Budget set by the Board, and a reconciliation to the audited statements.

FY 2024-25 Annual Financial Audit and Results

The Independent Auditor's Report concludes their opinion of the financial statements as materially accurate with no significant deficiencies or material weakness in internal controls identified. The auditors focus on financial activities related to revenue recognition, cash, accrued costs, renewable energy expenses, supplier security deposits, and financial statement note disclosures among other areas of Ava's financial operations. Importantly, the auditors proposed no adjustments to the financial statements and found no unusual transactions or applications of accounting principles.

The Management Discussion and Analysis provides an overview of Ava's financial activities for the fiscal years reported and gives information on financial position, reporting protocols, and overall economic factors that relate to Ava activities. Specifically, this section provides a narrative of Ava's operational history, a summary of financial position, a detailed analysis of financially relevant activities, and currently known facts and conditions of risk elements related to Ava's operations.

The Basic Financial Statements provide an independently verified, accurate portrait of Ava's financial position as of June 30, 2025. The three statements are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flow. Specific high-level details to these statements are:

- Annual Operating Revenues: $797,446,180 (gross operating revenue was $905,543,988 and net revenue transferred to the Rate Stabilization Fund was $108,097,808)
- The net revenue transfer to the Rate Stabilization Fund of $108,097,808 reflects $22,319,294 of revenue transferred from prior year deferrals and 2025 FYE revenue transfer of $130,417,102 to the Rate Stabilization Fund.
- Annual Net Nonoperating Revenues: $24,587,957
- Annual Operating Expenses: $803,470,302
- Net position increase by $18,563,835 to $553,897,866

Notes to the Basic Financial Statements discuss several aspects of the Basic Financial Statements and provide greater details on areas such as accounting policies, cash and capital positions, risk management, commitments, and known subsequent events.

FY 2024-2025 Budget to Actual Results

Budget to Actual Statement Overall, actual revenues outperformed expectations while operating expenditures were in line with budget estimates. The reason revenues outperformed was that rates for 2025 were set higher than expected at the time of budget approval in June 2024.

- Electricity sales were 2.4% higher than expected, or about $21.5MM
- Ava recognized about $22.3MM from previously deferred revenues for customer on-bill credits in January of 2025
- Uncollectibles (bad debt) were higher than expected due to true-up in accounts receivables across multiple periods
- Overall energy costs were slightly down relative to Budget by about 1.4%, or $11MM
- Total Operating Expenditures were slightly lower than Budget by -0.6%
- Overhead items were materially under Budget by -27.6% on average, or $12.4MM
- Other Sources outperformed Budget by about $25.4MM due to higher-than-expected investment income as interest rates stayed higher for longer, and the collection of performance and delay of resource damages from contractual agreements
- Approximately $130.4MM of net revenues were deferred to the RSF

REVENUES	Budget	Actuals	
Electricity Sales	881,671,000	903,222,917	2.4%
Revenue Recognized from Previous Deferrals*	-	22,319,294	
Uncollectable	(8,817,000)	(12,850,000)	45.7%
Total Revenue and Other Sources	872,854,000	912,692,211	4.6%
EXPENDITURES & OTHER USES			
OPERATING EXPENDITURES			
Cost of Energy	760,248,000	749,266,364	-1.4%
Data Management/Customer Service	8,057,000	8,480,433	5.3%
PG&E Service Fees	2,820,000	2,815,289	-0.2%
CAISO Scheduling Coordinator	731,000	723,146	-1.1%
Personnel	26,592,000	20,387,169	-23.3%
Marketing & Communications	6,168,000	3,711,163	-39.8%
Legal, Policy, & Regulatory Affairs	4,104,000	1,689,641	-58.8%
Other Professional Services	2,136,000	1,742,950	-18.4%
General & Administrative	5,868,000	4,972,203	-15.3%
Total Current Expenditures	816,724,000	793,788,358	-2.8%
OTHER SOURCES & USES			
Investment Income	11,400,000	24,813,379	117.7%
Other Income	399,000	523,852	31.3%
Liquidated Damages	-	10,825,198	100.0%
Interest & Financing Costs	(2,796,000)	(1,282,356)	-54.1%
Local Development Transfer	(22,400,000)	(22,400,000)	0.0%
Capital Expenditures **	(499,000)	(966,824)	93.8%
Total Other Sources & Uses	(13,896,000)	11,513,249	-182.9%
GROSS INCREASE (DECREASE)	42,234,000	130,417,102	208.8%
Revenue Deferred to RSF and Credits*	-	(130,417,102)	0.0%
NET INCREASE (DECREASE)	42,234,000	-	-100.0%

* Amount not determinable at time of budget approval

** Depreciation has been removed from Operations and is expressed as Capital Expenditures

Budget Net Revenues to Audited Net Position Reconciliation

The budget is an internal proforma document set at the discretion of the Board. The financial statements in the audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB).

Ava drafts each budget in accordance with industry best practices and makes best efforts to align with GAAP and GASB rules, but fundamental differences exist and reconciliation between the budget actual net revenues and the audited change in net position.

The following table starts with the audited change in net position and reconciles to budget-actual net revenues.

Reconciled Item	Details	Amount	Balance
Audited Net Position	*Includes net deferred revenues*		18,563,835
Loss on Disposition of Assets	*Accrued depreciation of discarded assets*	(80,978)	18,644,813
LD Actual Expenses	*Actual FY 24/25 Program expenses*	(8,213,268)	26,858,081
LD Budget Allocation	*Budgeted capital transfer to Programs*	22,400,000	4,458,081
LD Revenue from Grants	*FY 24/25 grant revenue in Programs*	3,822,021	636,060
LD Interest Income	*Interest on development loans*	115,326	520,734
Capital Outlay	*Capital reconcilliation*	43,494	477,240
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2025*	477,240	-

Balances of Deferred Revenue

The above audited financial statements and the net revenues to net position reconciliation determined that $130,417,102 is to be deferred to the Rate Stabilization Fund (RSF) as approved by the Board on September 17, 2025 by resolution R-2025-41. At the same meeting, the Board also adopted resolution R-2025-42 allocating 90% of fiscal year 2024-25 net revenues to be deferred to the RSF and 10% to on-bill credits for CARE/FERA customers for distribution in the 2025-26 fiscal year.

The following table provides the total deferred balances with resolution defined usages. Please note that the RSF balance includes the $35MM authorized to balance the current fiscal year's budget, as there have not yet been any recognitions of deferrals this year.

Usage	Balance	Guidance
RSF	149,505,118	R-2025-41 authorizes conversions from previous budget deferrals. R-2025-23 authorizes recognition of ~$35MM to balance FY25-26 budget.
On-bill Credits	13,041,710	R-2025-42 authorizes deferral for specified use and recognition in FY 2025-26
Renewables	10,504,837	R-2023-37 authorizes deferral for specified use. R-2024-26 authorizes recognition in 2027
Solar/Storage Incentives	14,963,130	R-2024-2 authorizes deferral for specified use.
Total Deferrals	**188,014,795**	

Committee Recommendation

The audited financial statements were presented to the Finance, Administrative, and Procurement Subcommittee on November 7, 2025.

The budget-actuals, reconciliation, and deferred revenue balances were also presented to the Finance, Administrative, and Procurement Subcommittee on November 7, 2025.

Attachments:

A. Presentation from the Auditor, Sorren CPAs, P.C.
B. Ava Community Energy Audited Financial Statements for Fiscal Year 2024-2025
C. Presentation on Budget to Actuals and RSF Balances

Attachment Staff Report Item 9A

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Ava Community Energy
Report to the Board of Directors
November 19, 2025

Introduction

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Kellin Gilbert, CPA

Audit Partner

17 years in public accounting and performing audits of government entities

Currently working with several CCA's throughout California

Aliandra Schaffer

Engagement Supervisor

6 years in public accounting and performing audits of governments (CCA's)

Alauna Rico

Audit Senior Associate

4 years in public accounting and performing audits of governments (CCA's)

Transition to Sorren CPAs P.C.

As of May 2025, legacy Pisenti & Brinker combined practices with several other like-sized firms and rebranded as one unified firm “Sorren.”

By combining resources with the strategic merger, we can make even greater investments in technology as well as our greatest assets, our people and clients.

Sorren is a new national top 50 firm and currently has twenty-three office locations and almost a thousand employees.

The Santa Rosa office will continue to be the lead office for Ava Community Energy. No changes to the current engagement team, costs or timing of the services we provide to Ava.

Results of Current Year Audit

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The audit is complete. We reported the following:

- Unmodified opinion – Based on our audit, the financial statements are materially accurate.

- No significant deficiencies or material weakness in internal control noted.

Audit of the year ended June 30, 2025 Financial Statements

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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
  - Considering internal controls relevant to the Financial Statements
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures

Risk Assessment for the year ended June 30, 2025

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Our audit is a risk-based audit. Risk assessment procedures include:

- Gain understanding of the entity’s operating characteristics, practices, and procedures.
- Compare to our knowledge of similar entities, industry and professional guidance.
- Review procedures and controls surrounding significant transaction cycles and business processes.

Risk Assessment for the year ended June 30, 2025

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Significant areas of focus for the audit:

- Revenue recognition
  - Accounts receivable and accrued revenue
    - Test a sample of customer billings
    - Relate total cash received during the year to revenue
    - Review revenue recognition through year-end and method for determining (accrued revenue)
- Cash & Investments
  - Confirmations sent to financial institutions
- Accrued Cost of Electricity
  - Review subsequent bills from electricity providers and cash payments
- Financial Statement Note Disclosures – Complete and without bias

Required Board Communications

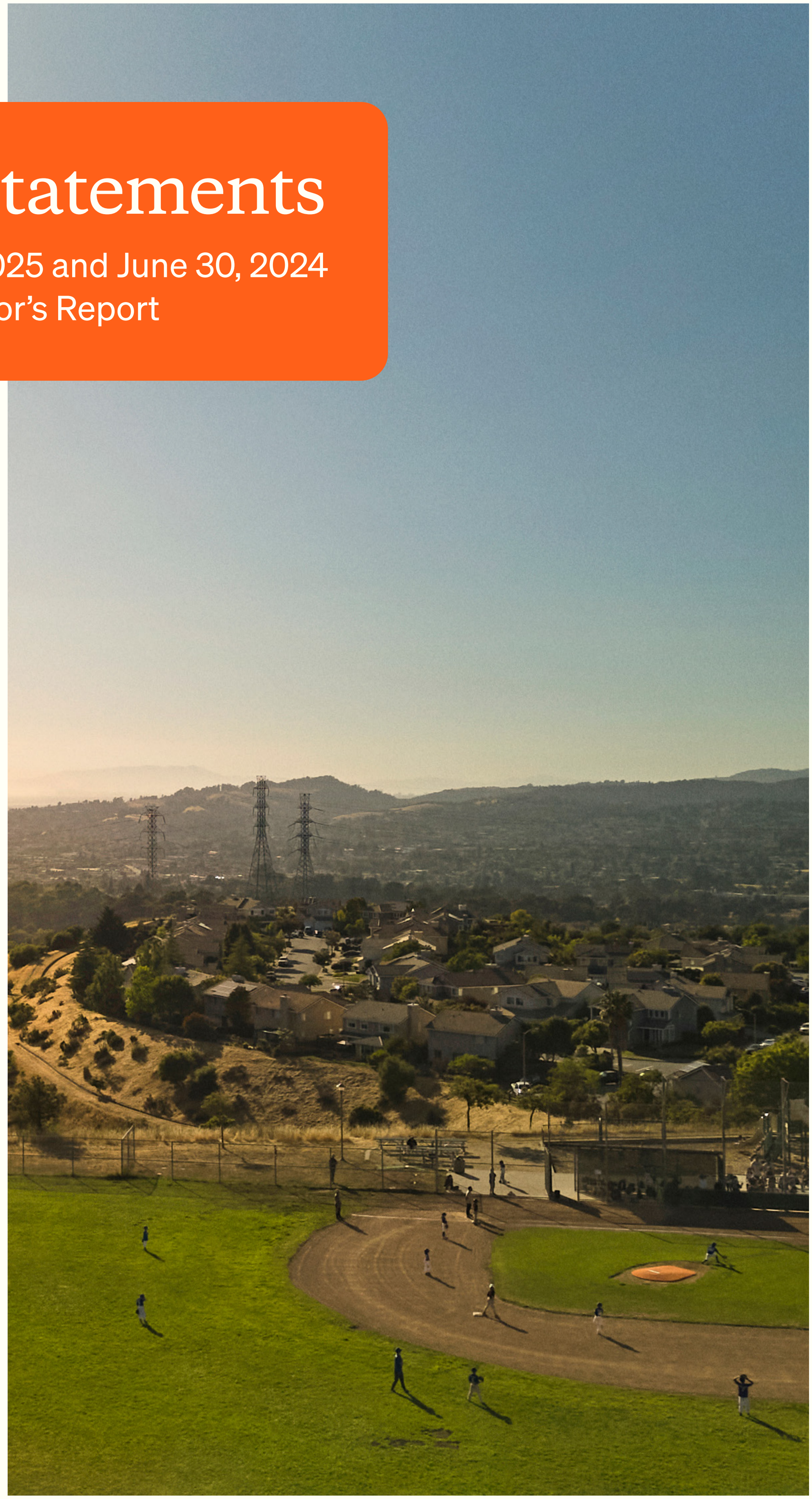
- As discussed in Note 13, Ava adopted GASB 102 through 104 which did not have a material effect on the financial statements.
- We did not propose any audit adjustments to the financial statements.
- We did not identify any significant or unusual transactions or applications of accounting principles where a lack of authoritative guidance exists.
- There have been no disagreements with management concerning the scope of our audit and we have not encountered any difficulties in dealing with management during the performance of our audit.
- We issued a letter to the board dated November 14th detailing these required communications.


Attachment Staff Report Item 9A
Thank You

Ava Community Energy

Financial Statements

Years ended June 30, 2025 and June 30, 2024 with Independent Auditor's Report



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customer-support@AvaEnergy.org
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CPAs P.C.

Independent Auditor's Report

To the Board of Directors
Ava Community Energy Authority

Opinion

We have audited the accompanying financial statements of Ava Community Energy Authority (Ava), which comprise the statements of net position as of June 30, 2025 and 2024, the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ava as of June 30, 2025 and 2024, and the results of its operations 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ava 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 Ava's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 Ava'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 Ava'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Sorren CPAs P.C.

Santa Rosa, California
November 14, 2025

AVA COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Ava Community Energy Authority's (Ava) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of Ava's finances.

If you have any questions about this report or require further information, please contact Ava at customer-support@AvaEnergy.org.

Overview of the Financial Statements

Ava's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of Ava's assets, liabilities, deferred inflows of resources and net position and provide information about the nature and amounts of resources and obligations at a specific point in time.

- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of Ava'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 uses, such as capital and investing activities.

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

AVA COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024

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Financial Summary

AVA'S NET POSITION

	2025	2024	2023
Current assets	$574,541,753	$786,712,612	$494,447,975
Noncurrent assets:			
Capital assets, net	21,080,775	10,367,342	9,600,031
Other noncurrent assets	302,948,264	1,480,246	1,422,185
Total noncurrent assets	324,029,039	11,847,588	11,022,216
Total assets	**898,570,792**	**798,560,200**	**505,470,191**
Current liabilities	144,780,099	179,709,182	85,012,415
Noncurrent liabilities	11,878,032	3,600,000	4,787,500
Total liabilities	**156,658,131**	**183,309,182**	**89,799,915**
Deferred inflows of resources	**188,014,795**	**79,916,987**	**53,014,000**
Net position			
Net investment in capital assets	9,202,743	10,367,342	9,600,031
Restricted for collateral	-	-	1,000,000
Unrestricted	544,695,123	524,966,689	352,056,245
Total net position	**$553,897,866**	**$535,334,031**	**$362,656,276**

As of June 30, 2025, Ava's total net position was approximately $553,898,000, an increase of $18,564,000 or 3.5% as compared to June 30, 2024. See the discussion in the following section about the changes in the various components.

AVA'S CHANGES IN NET POSITION

	2025	2024	2023
Operating revenues	$ 797,446,180	$ 909,536,352	$ 817,931,312
Nonoperating revenues	24,928,705	13,149,786	6,659,918
Total income	**822,374,885**	**922,686,138**	**824,591,230**
Operating expenses	803,470,302	749,942,231	693,785,891
Nonoperating expenses	340,748	66,152	678,679
Total expenses	**803,811,050**	**750,008,383**	**694,464,570**
Change in net position	**$ 18,563,835**	**$ 172,677,755**	**$ 130,126,660**

The decrease in operating revenues in 2025 is the result of a voluntary net deferral in the Rate Stabilization Fund of $108,098,000. The cost of electricity, the largest component of operating expenses, increased from fiscal year 2024 to 2025 due to increases in renewable energy and resource adequacy. See the following section for further discussion.

AVA COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024

Detailed Analysis

Current assets decreased from $786,713,000 at the end of 2024 to $574,542,000 at the end of 2025, a decrease of approximately $212,171,000. The decrease primarily resulted from Ava's strategy of using current assets to purchase long-term investments. At June 30, 2025, current assets consisted mainly of cash and cash equivalents of $378,494,000, accounts receivable of $92,647,000, accrued revenue of $61,177,000, and short-term investments of $30,099,000. Included in cash and cash equivalents is $188,015,000 held in the Rate Stabilization Fund, which Ava uses to defer revenue to future years to allow Ava to mitigate potential future volatility in energy procurement costs and maintain stable and competitive customer rates. By comparison, the Rate Stabilization Fund balance at June 30, 2024 was $79,917,000. Also included in cash and cash equivalents is $3,691,000 that is restricted for grant purposes. Ava's current assets at the end of 2025 include prepaid assets of $5,201,000 and other receivables of $6,777,000, both of which increased from the prior year. Prepaid assets include purchases of energy products in advance of delivery, and other receivables include interest receivable and receivables from energy settlements.

Noncurrent assets totaled $324,029,000 at June 30, 2025, up from $11,848,000 in the previous year. The increase reflects $299,652,000 in new investments, as there were no noncurrent investments in the prior year, and $21,081,000 in capital assets compared to $10,367,000 previously. The growth in capital assets is attributable to the capitalization of leased assets in accordance with Governmental Accounting Standards Board (GASB) Statement 87.

Current liabilities decreased from $179,709,000 at June 30, 2024 to $144,780,000 at June 30, 2025, a reduction of $34,929,000 (19.4%). The primary driver was lower accrued cost of electricity, which totaled $119,425,000 at the end of 2025, compared to $149,300,000 at the end of 2024. These balances fluctuate annually based on the timing of energy purchases and payments, as well as wholesale market conditions.

Noncurrent liabilities increased from 2024 to 2025 by approximately $8,278,000. Noncurrent liabilities primarily represent supplier security deposits and the portion of the lease liability for Ava's office premises due after one year.

Total net position increased from $535,334,000 in 2024 to $553,898,000 in 2025, an increase of $18,564,000 (3.5%). Of the net position at the end of 2025, $9,203,000 represents Ava's net investment in capital assets, while the remaining $544,695,000 is unrestricted and available to support future operating activity, programs and rate stabilization efforts.

Detailed Analysis (continued)

Operating revenues were $797,446,000 in 2025, down from $909,536,000 in 2024 (12.3% decrease) and slightly down from $817,931,000 in 2023. With revenue from electricity sales down slightly from 2024 to 2025, Ava directed a net of $108,098,000 into its Rate Stabilization Fund in 2025. In 2024 the net transfer was $26,903,000. The net deferral refers to the combined amount recognized as revenue from funds set aside in the previous year and current year revenue deferred for use in future periods. Operating revenue also includes liquidated damages received from suppliers for nonperformance and revenue from grantors. Grant revenue totaled $3,822,000 in 2025 compared to $1,441,000 in 2024. Changes in grant revenue correspond with the amount of eligible grant related expenses Ava incurred.

Investment income increased significantly to $24,929,000 in 2025, compared to $13,150,000 in 2024, due to both higher interest rates and growth in invested balances.

Total operating expenses rose from $749,942,000 in 2024 to $803,470,000 in 2025, an increase of $53,528,000 (7.1%), following an increase of $55,156,000 (8.1%) from 2023 to 2024. The primary driver continues to be the cost of electricity, which was $749,266,000 in 2025 compared to $707,476,000 in 2024 and $658,205,000 in 2023. Rising costs in the energy market played a major role in driving this increase as did increased volume of energy purchased due to expansion into new territories. Contract services and staff compensation also grew to a combined $44,496,000 in 2025 (up from $35,250,000 in 2024), reflecting continued program expansion and workforce growth.

Significant Capital Asset and Long-Term Financing Activity

Ava does not own assets used for electric generation or distribution. Included in capital assets are an office building and land, and furniture and equipment.

Assets that are leased by Ava, such as office premises, are reported in the Statement of Net Position with a related liability for future obligations. The most significant capital asset acquired and liability incurred related to a new office lease entered into in April 2025. See notes 5 and 6 in the financial statements for details.

Ava does not have any outstanding financing debt.

Currently Known Facts, Decisions, or Conditions

California Independent System Operator (CAISO) system power prices experienced volatility through the year ended June 30, 2025. Price variability is a normal phenomenon in electricity markets driven by seasonal and annual weather changes. In Ava's fiscal year 2025, the CAISO energy prices decreased somewhat compared to the previous fiscal year.

It is also worth noting that during Ava's fiscal year 2025, CAISO market pricing for On-Peak and Off-Peak products experienced price convergence as compared to fiscal year 2024, due in part to milder weather occurring compared to previous years, where periods of price divergence between markets occurred during extreme weather events. The convergence of prices around the clock is a phenomenon that has been developing in recent years.

Energy hedges Ava has in place offset much of the CAISO market price volatility impacts. After a couple of years of rising prices, we are currently experiencing a softening price environment, driven by price volatility in Resource Adequacy and renewable energy certificates compliance products, as well as for the carbon-free energy attribute. After expanding its service territory into Stockton and Lathrop during the current year, Ava plans for further expansion into the unincorporated areas of San Joaquin County in 2026.

Ava 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, Ava targets hedging 60-100% of its exposure in energy products on a short-duration basis of under a year and as a policy, targets to hedge greater than 90% of its exposure going into any particular month. Ava has complied with its risk management policy and regulations.

Year-over-year, Ava has retained a strong customer base with low opt-out levels, while experiencing growth from expansion into additional service territories, Stockton and Lathrop. Ava continues to be actively engaged in legislative and regulatory matters that can impact Ava's energy procurement requirements and, therefore, energy-related expenditures. This provides a level of additional support for Ava revenue retention and long-term viability as an electricity provider.

BASIC FINANCIAL STATEMENTS

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 374,802,685	$ 622,533,920
Cash and cash equivalents - restricted	3,691,237	9,052,151
Accounts receivable, net of allowance	92,646,802	84,962,803
Accrued revenue	61,177,258	60,952,393
Other receivables	6,776,630	242,447
Prepaid expenses	5,200,855	2,825,541
Deposits	147,000	6,143,357
Investments	30,099,286	-
Total current assets	574,541,753	786,712,612
Noncurrent assets		
Deposits	1,230,512	1,193,774
Investments	299,651,534	-
Loans receivable	2,066,218	286,472
Capital assets, net of depreciation and amortization	21,080,775	10,367,342
Total noncurrent assets	324,029,039	11,847,588
Total assets	898,570,792	798,560,200
LIABILITIES		
Current liabilities		
Accrued cost of electricity	119,424,612	149,299,510
Accounts payable	5,956,470	5,352,155
Advances from grantors	3,691,237	9,052,151
Other accrued liabilities	2,228,542	4,231,931
User taxes and energy surcharges due to other governments	8,455,238	7,444,637
Security deposits - energy suppliers	5,024,000	4,328,798
Total current liabilities	144,780,099	179,709,182
Noncurrent liabilities		
Security deposits - energy suppliers	-	3,600,000
Lease liability	11,878,032	-
Total noncurrent liabilities	11,878,032	3,600,000
Total liabilities	156,658,131	183,309,182
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	188,014,795	79,916,987
NET POSITION		
Net investment in capital assets	9,202,743	10,367,342
Unrestricted	544,695,123	524,966,689
Total net position	$ 553,897,866	$ 535,334,031

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Electricity sales, net	$ 890,372,917	$ 919,222,939
Revenue transferred from Rate Stabilization Fund	22,319,294	10,504,837
Revenue transferred to Rate Stabilization Fund	(130,417,102)	(37,407,824)
Liquidated damages	10,825,198	15,330,202
Grant revenue	3,822,021	1,440,935
Other operating revenues	523,852	445,263
Total operating revenues	797,446,180	909,536,352
OPERATING EXPENSES		
Cost of electricity	749,266,364	707,476,247
Contract services	24,108,447	18,980,445
Staff compensation	20,387,169	16,269,116
Other operating expenses	8,784,992	6,517,092
Depreciation and amortization	923,330	699,331
Total operating expenses	803,470,302	749,942,231
Operating income (loss)	(6,024,122)	159,594,121
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of assets	(80,977)	-
Investment income	24,928,705	13,149,786
Interest expense	(259,771)	(66,152)
Nonoperating revenues (expenses), net	24,587,957	13,083,634
CHANGE IN NET POSITION	18,563,835	172,677,755
Net position at beginning of year	535,334,031	362,656,276
Net position at end of year	$ 553,897,866	$ 535,334,031

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 918,096,102	$ 939,057,618
Receipts from grantors	3,822,021	4,564,468
Other operating receipts	34,412,876	17,226,004
Receipts of supplier security deposits and damages	27,293,537	6,804,858
Payments to suppliers for electricity	(830,969,018)	(611,040,073)
Payments for other goods and services	(32,527,414)	(23,378,083)
Payments for staff compensation	(19,841,560)	(15,937,300)
Payments of deposits and collateral	(8,700,878)	(7,212,418)
Payments of taxes and surcharges to other governments	(34,621,451)	(35,743,923)
Net cash provided by operating activities	56,964,215	274,341,151
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease liability	(737,014)	(433,780)
Purchases of capital assets	(115,333)	(359,262)
Net cash used by capital and related financing activities	(852,347)	(793,042)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	144,786,083	-
Loan principal received	13,474	204,549
Investment income received	24,502,449	12,784,180
Purchase of investments	(476,448,679)	-
Loan issued	(2,057,344)	-
Net cash provided (used) by investing activities	(309,204,017)	12,988,729
Net change in cash and cash equivalents	(253,092,149)	286,536,838
Cash and cash equivalents at beginning of year	631,586,071	345,049,233
Cash and cash equivalents at end of year	$ 378,493,922	$ 631,586,071
Reconciliation to the Statement of Net Position		
Cash and cash equivalents - unrestricted	$ 374,802,685	$ 622,533,920
Cash and cash equivalents - restricted	3,691,237	9,052,151
Cash and cash equivalents	$ 378,493,922	$ 631,586,071

The accompanying notes are an integral part of these financial statements.

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

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

	2025	2024
Operating income (loss)	$ (6,024,122)	$ 159,594,121
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	923,330	699,331
(Increase) decrease in:		
Accounts receivable	(7,683,996)	(764,144)
Other receivables	(3,957,601)	756,904
Accrued revenue	(224,865)	(15,185,064)
Prepaid expenses	(2,375,314)	15,562,543
Deposits	(5,134,894)	(5,995,042)
Increase (decrease) in:		
Accrued cost of electricity	(29,874,898)	84,163,375
Accounts payable	543,662	1,130,355
Other accrued liabilities	663,336	254,156
Advances from grantors	(5,360,914)	4,564,468
Deferred revenue	(1,853,207)	1,721,004
User taxes due to other governments	1,010,601	39,959
Security deposits from energy suppliers	8,215,289	896,198
Rate Stabilization Fund	108,097,808	26,902,987
Net cash provided by operating activities	$ 56,964,215	$ 274,341,151

NONCASH INVESTING ACTIVITIES

	2025	2024
Change in fair value of investments	$ (2,091,494)	$ -
Change in interest receivable	$ 2,517,750	$ 102,612

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

	2025	2024
Acquisition of lease asset	$11,646,661	$1,076,246

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Ava Community Energy Authority (Ava) is a California joint powers authority created on December 1, 2016. As of June 30, 2025, parties to its Joint Powers Agreement (JPA) consist of the following local governments, plus one representative (non-voting) from the Community Advisory Committee:

Counties	Cities	
Alameda	Albany	Newark
San Joaquin	Berkeley	Oakland
	Dublin	Piedmont
	Emeryville	Pleasanton
	Fremont	San Leandro
	Hayward	Stockton
	Lathrop	Tracy
	Livermore	Union City

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

A core function of Ava 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.

Ava 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

Ava'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.

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

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, Ava defines 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 advance funding from grantors.

ACCRUED REVENUE

Accrued revenue reflects the estimated value of electricity delivered to customers during the reporting period for which invoices had not been issued by the end of the fiscal year.

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require Ava to provide the supplier with advanced payments or security deposits. Deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities. Ava intends to hold its securities to maturity. Investments with a maturity of less than one year are shown as current assets in the Statement of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statement of Net Position.

Ava's Investment Policy permits the following types of investments, consistent with local, State, and Federal governing codes for the investment of public funds.

U.S. Treasury instruments	Asset-backed securities
Federal agency securities	Commercial paper
Supranational obligations	Local Agency Investment Fund (LAIF)
Municipal debt	Local Government Investment Pools (LGIP)
Medium-term notes	Money market funds
Negotiable CDs	Bank deposits
Placement service deposits	

LEASE ASSET AND LEASE LIABILITY

Ava recognizes an asset and liability when it enters into certain leasing arrangements. The leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. Ava's only leased asset and liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

Ava'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 leasehold improvements, unless limited by the length of the original lease term. Ava does not own any electric generation assets.

ADVANCES FROM GRANTORS

Ava received grant funding from various grantors. The amount in this category represents funds received by Ava but not yet expended to carry out specific goals. See Note 8 for additional information related to grants administered by Ava.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SECURITY DEPOSITS – LIABILITY

Various energy contracts entered into by Ava require the supplier to provide Ava with a security deposit. Security deposits are held by Ava 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

Ava created a Rate Stabilization Fund to allow a deferral of 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.

Ava directed revenue of $130,417,102 and $37,407,824 to the Rate Stabilization Fund for the years ended June 30, 2025 and 2024, respectively. Ava recognized revenues of $22,319,294 and $10,504,837 from the Rate Stabilization Fund for the years ended June 30, 2025 and 2024, respectively. The accumulated balance in the Rate Stabilization Fund as of June 30, 2025 and 2024 was approximately $188,015,000 and $79,917,000, respectively.

NET POSITION

Net position is presented in the following components:

Net Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by a lease obligation that is attributable to the acquisition, construction, or improvement of those assets.

Unrestricted: This component of net position consists of net position that does not meet the definition of “investment in capital assets” or “restricted.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to retail and wholesale customers, grant revenue earned from the delivery of program activities, and liquidated damages from suppliers that fail to meet delivery commitments.

Investment income and grants that are not earned from the delivery of program activities are considered "nonoperating revenues."

REVENUE RECOGNITION

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

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and depreciation of capital assets. Operating expenses are expenses other than nonoperating expenses. Nonoperating expenses include expenses related to financing.

COST OF ELECTRICITY

During the normal course of business, Ava 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 Ava'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, Ava acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. Ava obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive.

Ava purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy (RA) Program. The goals of the RA Program are to provide sufficient resources to the California Independent System Operator 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

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

Ava provides compensated absences, including paid time off, which are accrued when earned and recorded as part of accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

INCOME TAXES

Ava 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 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's financial statements. These reclassifications did not result in any change in the previously reported net position.

2. CASH AND CASH EQUIVALENTS

Ava maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. Ava's deposits are subject to California Government Code Section 16521, which requires banks to provide collateral of 110% of balances in excess of the $250,000 insurance coverage by Federal Deposit Insurance Corporation. Accordingly, the amount of risk is not disclosed for bank deposits. The risk disclosures in Note 4 address the risks related to certain short-term investments with original maturities of less than three months that are classified as cash and cash equivalents in the statements of net position and statements of cashflow. Ava monitors its risk exposure on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2025	2024
Accounts receivable from customers	$131,096,802	$110,562,803
Allowance for uncollectible accounts	(38,450,000)	(25,600,000)
Net accounts receivable	$ 92,646,802	$ 84,962,803

The majority of account collections occur within the first few months after a customer is invoiced. Ava estimates that a portion of the billed accounts will not be collected. Ava 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, Ava continues to have success collecting older accounts.

4. INVESTMENTS

During the year ended June 30, 2025 Ava held investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	2025	2024	Level
Current Investments:			
U.S. Treasury securities	$ 32,300,630	$ -	1
Corporate bonds	9,545,954	-	2
Adjust for U.S. Treasury securities above presented as cash equivalents on the Statements of Net Position	(11,747,298)	-	
Total current investments	$ 30,099,286	$ -	

	2025	2024	Level
Noncurrent Investments:			
U.S. Treasury securities	$ 88,529,207	$ -	1
U.S. agency obligations	71,563,407	-	2
Corporate bonds	138,743,447	-	2
Municipal bonds	815,473	-	2
Total noncurrent investments	$ 299,651,534	$ -	

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Ava's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

4. INVESTMENTS (continued)

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are considered to have no credit risk. As of June 30, 2025, all investments were rated between A3 and Aaa by Moody's.

Ava's investment policy addresses this risk by limiting investments to those allowed by Section 53601 of the California Government Code.

CUSTODIAL CREDIT RISK

Cash and cash equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, Ava's deposits may not be returned to Ava. Ava's deposits are fully insured or collateralized.

As of June 30, 2025, none of Ava's bank balances are known to be exposed to credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Ava would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of Ava's investments are exposed to credit risk.

Ava's investment policy addresses custodial credit risk. All investments owned by Ava shall be held in safekeeping by a third-party custodian, acting as an agent for Ava under the terms of a custody agreement.

4. INVESTMENTS (continued)

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. Ava manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of June 30, 2025:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1**	**1-5 Years**
U.S. Treasury securities	$ 109,082,539	$ 20,553,332	$ 88,529,207
U.S. agency obligations	71,563,407	-	71,563,407
Corporate bonds	148,289,401	9,545,954	138,743,447
Municipal bonds	815,473	-	815,473
	$ 329,750,820	$ 30,099,286	$ 299,651,534

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss to the magnitude of Ava's investment in a single issuer. Ava manages the concentration of credit risk by diversifying its portfolio so that reliance on any one issuer will not place an undue burden on Ava.

As of June 30, 2025, Ava's investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio 2025
Federal Home Loan Mortgage Corporation (Freddie Mac)	U.S. agency - implicitly guaranteed	19.7%

AVA COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - not in service	$ 5,131,484	$ -	$ -	$ 5,131,484
Land	4,255,380	-	-	4,255,380
Total capital assets not being depreciated	9,386,864	-	-	9,386,864
Capital assets being depreciated and amortized:				
Furniture and equipment	800,303	71,079	(355,079)	516,303
Leasehold improvements	71,911	-	(71,911)	-
Lease asset	1,076,246	11,646,661	(1,076,246)	11,646,661
Total capital assets being depreciated and amortized:	1,948,460	11,717,740	(1,503,236)	12,162,964
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(429,859)	(153,821)	346,013	(237,667)
Lease asset	(538,123)	(769,509)	1,076,246	(231,386)
Total accumulated depreciation and amortization	(967,982)	(923,330)	1,422,259	(469,053)
Total capital assets, net of depreciation and amortization	$10,367,342	$10,794,410	$ (80,977)	$ 21,080,775

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - not in service	$ 5,131,484	$ -	$ -	$ 5,131,484
Land	4,255,380	-	-	4,255,380
Total capital assets not being depreciated	9,386,864	-	-	9,386,864
Capital assets being depreciated and amortized:				
Furniture and equipment	481,818	318,485	-	800,303
Leasehold improvements	-	71,911	-	71,911
Lease asset	-	1,076,246	-	1,076,246
Total capital assets being depreciated and amortized:	481,818	1,466,642	-	1,948,460
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(268,651)	(161,208)	-	(429,859)
Lease asset	-	(538,123)	-	(538,123)
Total accumulated depreciation and amortization	(268,651)	(699,331)	-	(967,982)
Total capital assets, net of depreciation and amortization	$ 9,600,031	$ 767,311	$ -	$10,367,342

6. LEASE

A lease asset is reported in accordance with Governmental Accounting Standards Board No. 87 (GASB No. 87). In July 2023, Ava entered into two lease agreements, one a sublease and one a main lease, for its office premises. Both agreements are for the same office space and each lease runs in succession over the period September 1, 2023 through October 31, 2032. The sublease was in effect until April 2025 when the main lease became active. The lease includes several periods of abated rent, which is reflected in the table below.

As of June 30, 2025, future minimum lease payments under the sublease were projected as follows:

	Principal	Interest	Total
Year ending June 30,			
2026	$ -	$ 905,088	$ 905,088
2027	415,767	977,408	1,393,175
2028	543,969	891,001	1,434,970
2029	635,830	842,189	1,478,019
2030	734,003	788,357	1,522,360
2031-2035	5,572,008	2,816,673	8,388,681
2036-2038	3,976,455	397,458	4,373,913
Total	$ 11,878,032	$ 7,618,174	$ 19,496,206

7. DEBT

In October 2022, Ava closed its revolving credit agreement with Barclays Bank and entered into a new agreement with U.S. Bank (formerly Union Bank). The available credit line under the new agreement is $200,000,000. The credit agreement enhances Ava’s overall liquidity for potential working capital needs and collateral requirements. This agreement terminates in October 2025. The borrowing rate on the credit facility is 1.4%.

Ava had no debt outstanding under either line of credit agreement as of June 30, 2025 or 2024. However, Ava did issue standby letters of credit secured by the line of credit agreement. As of June 30, 2025 and 2024, these letters of credit reduce the available portion of the line by approximately $39,800,000 and $34,000,000, respectively, but are not considered debt to Ava.

8. GRANTS

Ava participates in various grants from the California Public Utilities Commission (CPUC), Bay Area Air Quality Management District, and other sources.

The Disadvantaged Communities Green Tariff (DAC-GT) grant provides bill discounts for eligible customers. The Energy Efficiency grant provides incentives for customers to install various energy-saving equipment in their homes or businesses. Ava also receives other grants for miscellaneous purposes, including those related to vehicle electrification projects.

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

	2025	2024
Energy Efficiency - CPUC	$ 1,912,129	$ 64,834
DAC-GT	1,349,301	1,241,705
Miscellaneous	560,591	134,396
Total grant revenue	$ 3,822,021	$ 1,440,935

9. DEFINED CONTRIBUTION RETIREMENT PLAN

The Ava 401(a) Plan (the Plan) is a defined contribution retirement plan administered by LT Trust. As of June 30, 2025, there were 96 plan members. Ava is required to contribute a match up to 6% of annual covered payroll to the Plan and contributed $2,077,000 and $1,697,000 during the years ended June 30, 2025 and 2024, respectively. Ava has elected out of the Social Security system for employees eligible for the Plan. As part of this election, Ava makes required "replacement" contributions to the Plan. Plan provisions are established and may be amended by the Board.

10. RISK MANAGEMENT

Ava is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the years, Ava 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, Ava 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 Ava's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Ava's financial position or results of operations.

10. RISK MANAGEMENT (continued)

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

11. PURCHASE COMMITMENTS

In the ordinary course of business, Ava 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 contracts as of June 30, 2025:

Year ending June 30,		
2026	$	847,400,000
2027		740,000,000
2028		669,300,000
2029		605,600,000
2030		603,600,000
2031-2049		6,071,800,000
Total	$	9,537,700,000

12. JOINT VENTURE

Ava participates in a JPA through the California Community Choice Financing Authority (CCCFA). CCCFA was formed as a conduit issuer to assist its members by undertaking the financing or refinancing of energy prepayments that can be financed with tax-advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member does not constitute an asset or reserve of that member.

CCCFA issued bonds which are to be used to finance energy purchases that will be delivered to Ava. No debt, liability, or obligation of CCCFA is a debt, liability, or obligation of Ava. Ava will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. Ava purchased approximately $54,201,000 and $56,436,000 from CCCFA during fiscal years 2025 and 2024, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 11.

The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

13. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Ava implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact Ava’s financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

Ava also implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, which establishes revised guidance for the presentation of financial statements by state and local governments. The adoption of this statement did not have a material effect on Ava’s financial statements.

In addition, Ava adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of this statement did not have a material effect on the financial statements.

14. SUBSEQUENT EVENTS

NEW MEMBERS

The County of San Joaquin (County) has voted to join Ava, and Ava's Board has approved the County's admission. An implementation plan has been filed with the CPUC and is currently being evaluated. If certified, service to the County would be expected to begin sometime in the 2026 calendar year.

NEW CREDIT FACILITY

In October 2025, Ava ended its existing $200,000,000 revolving credit agreement with US Bank and entered into a new three-year revolving credit agreement with PNC Bank for $300,000,000.

Attachment Staff Report Item 9C

Ava Community Energy

FY 2024-2025 Budget to Actual Performance and Deferred Revenue Allocation

Rusty Mills| November 19, 2025

FY 2024-25 Budget to Actuals

Overall, actual Revenues out-performed expectations while Operating Expenditures were in line with budgeted estimates.

- Electricity Sales were 2.4%, or $21.5MM, above budget expectations
- Ava recognized about $22.3MM from previously deferred revenues for customer on-bill credits in January of 2025
- Uncollectables were higher than expected due to true up in accounts receivables across multiple periods
- Overall energy costs were slightly below Budget by 1.4%, or $11MM
- Total Operating Expenditures were slightly below Budget by -0.6%
- Overhead items were materially under Budget by -27.6%, or $12.4MM
- Other Sources outperformed by $25.4MM due to higher-than-expected investment income as interest rates stayed higher for longer, and the collection of performance and delay of resource damages from contractual agreements
- Approximately $130.4MM of net revenues were deferred to the RSF and on-bill credits

REVENUES	**Budget**	**Actuals**	
Electricity Sales	881,671,000	903,222,917	*2.4%*
Revenue Recognized from Previous Deferrals*	-	22,319,294	
Uncollectable	(8,817,000)	(12,850,000)	*45.7%*
Total Revenue and Other Sources	872,854,000	912,692,211	*4.6%*
EXPENDITURES & OTHER USES			
OPERATING EXPENDITURES			
Cost of Energy	760,248,000	749,266,364	*-1.4%*
Data Management/Customer Service	8,057,000	8,480,433	*5.3%*
PG&E Service Fees	2,820,000	2,815,289	*-0.2%*
CAISO Scheduling Coordinator	731,000	723,146	*-1.1%*
Personnel	26,592,000	20,387,169	*-23.3%*
Marketing & Communications	6,168,000	3,711,163	*-39.8%*
Legal, Policy, & Regulatory Affairs	4,104,000	1,689,641	*-58.8%*
Other Professional Services	2,136,000	1,742,950	*-18.4%*
General & Administrative	5,868,000	4,972,203	*-15.3%*
Total Current Expenditures	816,724,000	793,788,358	*-2.8%*
OTHER SOURCES & USES			
Investment Income	11,400,000	24,813,379	*117.7%*
Other Income	399,000	523,852	*31.3%*
Liquidated Damages	-	10,825,198	*100.0%*
Interest & Financing Costs	(2,796,000)	(1,282,356)	*-54.1%*
Local Development Transfer	(22,400,000)	(22,400,000)	*0.0%*
Capital Expenditures **	(499,000)	(966,824)	*93.8%*
Total Other Sources & Uses	(13,896,000)	11,513,249	*-182.9%*
GROSS INCREASE (DECREASE)	42,234,000	130,417,102	*208.8%*
Revenue Deferred to RSF and Credits*	-	(130,417,102)	*0.0%*
NET INCREASE (DECREASE)	42,234,000	-	*-100.0%*

* Amount not determinable at time of budget approval

** Depreciation has been removed from Operations and is expressed as Capital Expenditures

Budget Net Revenues to Audit Net Position Reconciliation

The Budget is an internal proforma document set at the discretion of the Board. The financial statements in the Audit are standardized by Generally Accepted Accounting Principles (GAAP) and have additional rules set forth by the Governmental Accounting Standards Board (GASB).

Ava drafts each budget in accordance with industry best practices and does best efforts to align with GAAP and GASB standards, but fundamental differences exist and reconciliation should be defined.

The table below reconciles the audited Net Position increase to the budget actuals Net Revenues

Reconciled Item	Details	Amount	Balance
Audited Net Position	*Includes net deferred revenues*		18,563,835
Loss on Disposition of Assets	*Accrued depreciation of discarded assets*	(80,978)	18,644,813
LD Actual Expenses	*Actual FY 24/25 Program expenses*	(8,213,268)	26,858,081
LD Budget Allocation	*Budgeted capital transfer to Programs*	22,400,000	4,458,081
LD Revenue from Grants	*FY 24/25 grant revenue in Programs*	3,822,021	636,060
LD Interest Income	*Interest on development loans*	115,326	520,734
Capital Outlay	*Capital reconcilliation*	43,494	477,240
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2025*	477,240	-

Deferred Revenue

- September 17, 2025, the Board of Directors (the "Board") approved resolution R-2025-41 adopting the Rate Stabilization Fund (RSF) Policy to allow surplus revenues to be deferred for later uses.
- The Board also adopted resolution R-2025-42 allocating 90% of fiscal year 2024-25 net revenues to be deferred to the RSF and 10% to on-bill credits for CARE/FERA customers for distribution in the 2025-26 fiscal year.
- Based upon the audited financial statements and the net revenues to net position reconciliation, it is determined that $130,417,102 comprises 100% of net revenues for the fiscal year, of which $13,041,710 will be allocated to on-bill credits and the remainder to the RSF

Usage	**Balance**	**Guidance**
RSF	149,505,118	R-2025-41 authorizes conversions from previous budget deferrals. R-2025-23 authorizes recognition of ~$35MM to balance FY25-26 budget.
On-bill Credits	13,041,710	R-2025-42 authorizes deferral for specified use and recognition in FY 2025-26
Renewables	10,504,837	R-2023-37 authorizes deferral for specified use. R-2024-26 authorizes recognition in 2027
Solar/Storage Incentives	14,963,130	R-2024-2 authorizes deferral for specified use.
Total Deferrals	**188,014,795**	

Note: RSF Balance *includes* the ~$35MM authorized to balance the current year's budget as $0 have yet been recognized from deferrals