Staff Report Item 10

To:	Ava Community Energy Authority
From:	Russell Mills, Chief Financial Officer
Subject	Fiscal Year 2025-2026 Annual Financial Audit and Budget to Actual Results
Date:	November 18, 2026

Summary/Recommendation

Accept the audited financial statements for fiscal year 2025-2026. 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., 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 2025-26 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, 2026. 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: $808,235,142 (gross operating revenue is $889,202,948 and net revenue deferred is $80,967,806)
- Annual Operating Expenses: $845,576,991
- Noncapital subsidy revenue is $7,080,819, which is $5,782,579 from the CPUC for Disadvantaged Communities Green Tariff (DAC-GT) and $1,298,240 from Grant revenue
- Annual Net Nonoperating Revenues: $20,888,365
- Net position decreased by $9,372,665 to $544,525,201

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 2025-2026 Budget to Actual Results

Overall, actual revenues outperformed expectations while energy operating expenditures were generally lower than budget estimates.

Revenues outperformed due to the Annual Energy True-up (AET) filing in December 2025 established higher than expected rates for calendar year 2026. This adjustment substantially covered the planned shortfall of $25 million, plus an additional $34 million.

Energy expenses were below expectations due primarily to lower renewable energy costs. Calendar years 2024 and 2025 were extraordinarily high which set 2026 expectations to be higher as well. Market Price Benchmarks (MPBs) came in 25% below expectations, which lowered costs by about $26 million from expectations.

Decisive measures taken by the Board last December also helped increase revenues and facilitate additional savings in operating overhead, renewable energy, and program costs.

The net revenues for the fiscal year are currently estimated at near $81 million. These funds have been deferred to give the Board time to decide how to best allocate the surplus. Full line item details are presented in the following table.

AVA COMMUNITY ENERGY AUTHORITY
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
Year Ended June 30, 2026

	2025/26 YTD Budget	2025/26 YTD Actual	2025/26 YTD Budget Variance Over (Under)	2025/26 YTD Actual/ Budget %
REVENUE				
Electricity Sales	$ 869,170,000	$ 903,243,277	$ 34,073,277	104%
Revenue directed to Rate Stabilization Fund	$ 25,327,000	(80,967,806.00)	(106,294,806)	-229%
Uncollectible	(8,692,000)	(11,607,882)	(2,915,882)	134%
Total Revenue and Other Sources	885,805,000	810,667,589	(75,137,411)	90%
EXPENDITURES AND OTHER USES				
CURRENT EXPENDITURES				
Cost of energy	836,970,000	781,424,881	(55,545,119)	93%
Energy Services				
Data Management/CRM	10,081,000	10,157,998	76,998	101%
Billing & Metering	3,208,000	3,231,449	23,449	101%
Scheduling	767,000	737,608	(29,392)	96%
Total Energy Services	14,056,000	14,127,055	71,055	101%
Overhead Operating Expenses				
Personnel	29,639,000	24,128,722	(5,510,278)	81%
Marketing & Communications	3,872,000	2,379,680	(1,492,320)	61%
Legal, Policy, & Regulatory Affairs	4,243,000	3,245,881	(997,119)	76%
Other Professional Services	3,518,000	2,380,911	(1,137,089)	68%
General & Administrative	7,095,000	6,123,103	(971,897)	86%
Total Overhead Operating Expenses	48,367,000	38,258,297	(10,108,703)	79%
Total Current Expenditures	899,393,000	833,810,233	(65,582,767)	93%
OTHER SOURCES AND USES				
Investment Income	15,066,000	22,688,544	7,622,544	151%
Other Income	49,000	59,387	10,387	121%
Liquidated damages	-	2,248,731	2,248,731	N/A
Interest and Financing Costs	(1,087,000)	(1,032,471)	54,529	95%
Local Development (Transfer to LD Fund Budget)	(190,000)	(190,000)	-	100%
Capital expenditures	(250,000)	(631,547)	(381,547)	253%
Total Other Sources and Uses	13,588,000	23,142,644	9,554,644	0%
Net Increase (Decrease)	$ -	$ -	$ -	0%

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 Difference	*Relative to net deferred revenues*		(9,372,665)
Loss on Disposition of Assets	*Accrued depreciation of discarded assets*	(312,964)	(9,059,701)
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2026*	(974,821)	(8,084,880)
LD Actual Expenses	*Actual FY 25/26 Program expenses*	(14,899,849)	6,814,969
LD Budget Allocation	*Budgeted capital transfer to Programs*	190,000	6,624,969
LD Revenue from Grants/Credits	*FY 25/26 grant & credit revenue in Programs*	2,340,253	4,284,716
LD Interest Income	*Interest on development loans*	186,641	4,098,075
Capital Outlay	*Capital reconcilliation*	4,098,075	-

Committee Recommendation

The draft financial statements and the budget-actuals and reconciliation were presented to the Finance, Administrative, and Procurement Subcommittee on October 28, 2026.

Attachments:

A. Report to the Board of Directors, Sorren CPAs, P.C.
B. Presentation from the Auditor, Sorren CPAs, P.C.
C. Ava Community Energy Audited Financial Statements for Fiscal Year 2025-2026
D. Presentation on Budget to Actuals



Report to the Board of Directors

Ava Community Energy Authority

For the year ended June 30, 2026

sorren CPAs, PC

sorren CPAs P.C.

To the Board of Directors
Ava Community Energy Authority
1999 Harrison Street Ste 2300
Oakland, CA 94612

We are pleased to present this report related to our audit of the financial statements of Ava Community Energy Authority (Ava) as of and for the year ended June 30, 2026. Our report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Ava's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of Ava and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to Ava Community Energy Authority.

Sorren CPAs P.C.

Santa Rosa, California
November 10, 2026

cc: Russell Mills, Senior Vice President and Chief Financial Officer

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REQUIRED COMMUNICATIONS

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities

We described our responsibilities under auditing standards generally accepted in the United States of America to you in our engagement letter dated August 3, 2026. The engagement letter included details regarding the planned scope and timing of our audit and identified significant risks. Our audit of the financial statements does not relieve management or you of your responsibilities, which are also described in that letter.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies
Management has the ultimate responsibility for the appropriateness of the accounting policies used by Ava. Ava did not change any existing significant accounting policies. As disclosed in Note 13, Ava implemented and adopted GASB 102-104 which did not have a material effect on the financial statements.

Significant Accounting Policies
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant or Unusual Transactions
We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates
Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

Management chose to pass on one adjustment related to GASB 96 which management concluded wasn't material. We are not aware of any other passed adjustments that were not trivial.

Observations About the Audit Process

Disagreements With Management
We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management
No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit
We did not encounter any significant difficulties in dealing with management during the audit.

Shared Responsibilities for Independence

Auditor independence is a joint responsibility and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with applicable independence rules. For Sorren CPAs, P.C. (the Firm) to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors, and the Firm each play an important role.

Our Responsibilities

- We are required to maintain both independence of mind and in appearance when providing audit and other attestation services. It is our responsibility to ensure that the general requirements for performing nonattest services are adhered to and included in all letters of engagement.
- We are required to maintain a system of quality management over compliance with independence rules and firm policies.

Ava's Responsibilities

- Timely inform the Firm, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, or officers.
- Understand and conclude on the permissibility, prior to Ava's, officers, directors, or persons in a decision-making capacity, engaging in business relationships with the Firm.
- Not entering into relationships resulting in close family members of the Firm covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at Ava.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of Ava, including the representation letter provided to us by management, are attached as Appendix A.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in Ava's June 30, 2026 financial statements.

Significant Accounting Estimates	
Accrued Revenue	
Accounting policy/ Management's estimation process	Management's estimate of accrued revenue includes historical trends and anticipated energy usage.
Basis for our conclusion on the reasonableness of the estimate	We tested management's estimate analytically and determined management's estimate to be reasonable in relation to the financial statements taken as a whole.
Cost of Electricity	
Accounting policy/ Management's estimation process	Management's estimate of accrued cost of electricity includes historical trends and anticipated energy usage.
Basis for our conclusion on the reasonableness of the estimate	We tested management's estimate through subsequent disbursements and analytical procedures and determined management's estimate to be reasonable in relation to the financial statements taken as a whole.
Allowance for Uncollectible Accounts	
Accounting policy/ Management's estimation process	Management's estimate of the allowance for uncollectible accounts includes historical collection trends and anticipated future collections.
Basis for our conclusion on the reasonableness of the estimate	We evaluated the key factors and assumptions used to develop the estimate in determining that the allowance is reasonable in relation to the financial statements taken as a whole.

APPENDIX A

Significant Written Communications Between Management and Our Firm

Ava Community Energy
+1 833.699.3223
AvaEnergy.org
1999 Harrison Street, Suite 2300
Oakland, CA 94612

November 10, 2026

Sorren CPAs, P.C.
3562 Round Barn Circle, Suite 200
Santa Rosa, CA 95403

Ladies and gentlemen:

We are providing this letter in connection with your audits of the financial statements of Ava Community Energy Authority ("Ava"), as of June 30, 2026 and June 30, 2025 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, as entered on the first page, the following representations made to you during your audits:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2026, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, 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.

3. We have made available to you:
   a) All financial records, and related data, including the names of all related parties and all relationships and transactions with related parties, as agreed upon in the terms of the aforementioned audit engagement letter.
   b) All additional information that you have requested from us for the purpose of the audit.
   c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
   d) Minutes of the meetings of Board of Directors that were held from July 1, 2025 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.

4. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud or noncompliance. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud or noncompliance. We have no knowledge of any:
   a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.
   b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.

c) Allegations of fraud or suspected fraud affecting Ava received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or others
d) Instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.

7. We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

8. The following, where applicable and material, have been properly recorded or disclosed in the financial statements:
   a) The identity of all related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
   b) Arrangements with financial institutions involving compensating balances, restrictions on cash balances, lines of credit, revolving credit agreements, standby letters of credit, and other similar arrangements.
   c) Guarantees, whether written or oral, under which Ava is contingently liable.
   d) Significant estimates and material concentrations known to management that are required to be disclosed in accordance with accounting principles generally accepted in the United States of America. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances. The methods, significant assumptions, and the data used in making the accounting estimates and the related disclosures are appropriate to achieve recognition, measurement, and disclosure that is in accordance with accounting principles generally accepted in the United States of America.
   e) The effects of all known actual or possible litigation, claims, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America, including:
      - Pending or anticipated tax refunds, other potential or pending claims, lawsuits by or against any branch of government or others;
      - Written or oral guarantees, endorsements, or unused letters of credit;
      - Unusual guarantees; or
      - Labor claims or negotiations.

      Accounting principles generally accepted in the United States of America require loss contingencies to be accrued if it is probable an asset has been impaired or a liability incurred at the statement of financial position date and the amount of loss can be reasonably estimated. Such contingencies must be disclosed, but may not be accrued, if the loss is reasonably possible (but not probable) or the loss is probable but the amount of loss cannot be reasonably estimated.
   f) Commitments, such as:
      - Major capital asset purchase agreements;
      - More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
      - Deferred compensation, bonuses, pensions plans, or severance pay; or
      - Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;
   g) Joint ventures or other participations, including all related transactions, commitments, and obligations, and the related financial statement disclosures.

9. There are no:
   a) Violations or possible violations of budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets) and provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects could be material to the financial statements or whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
   b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
   c) Side agreements or other arrangements that have not been disclosed to you.

d) Restrictions of net position that were not properly authorized and approved, or reclassifications of net position that have not been properly reflected in the financial statements.

10. Components of net position are properly classified.

11. Required supplementary information is measured and presented in accordance with prescribed guidelines.

12. There have been no known or suspected breaches of sensitive information caused by cyber-attack or other means, or other cybersecurity incidents, where the breach or other incident could have a material effect on the financial statements.

13. We have appropriately identified, recorded, and disclosed all leases in accordance with GASB Statement No. 87.

14. We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with GASB Statement No. 91.

15. We have appropriately identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with GASB Statement No. 94.

16. We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements that are qualitatively and quantitatively material in accordance with GASB Statement No. 96.

17. We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with GASB Statement No. 101.

18. To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page, that would require adjustment to or disclosure in the aforementioned financial statements.

Russell Mills, Senior Vice President and Chief Financial Officer
Ava Community Energy Authority

Michael Maher, Accountant

sorren

Ava Community Energy Authority
Board of Directors Meeting
November 18, 2026



Introduction



Kellin Gilbert, CPA

Audit Partner

- 18 years in public accounting, performing audits of government entities
- Currently working with several CCAs throughout California



Alauna Rico

Audit Supervisor

- 5 years in public accounting, performing audits of governments (CCAs)

Results of Current Year Audit

The 2026 audit is complete. We reported the following:

- Unmodified opinion – Based on our audit, the financial statements are materially accurate.
- No significant deficiencies or material weaknesses in internal control were noted.

Relative Roles and Responsibilities

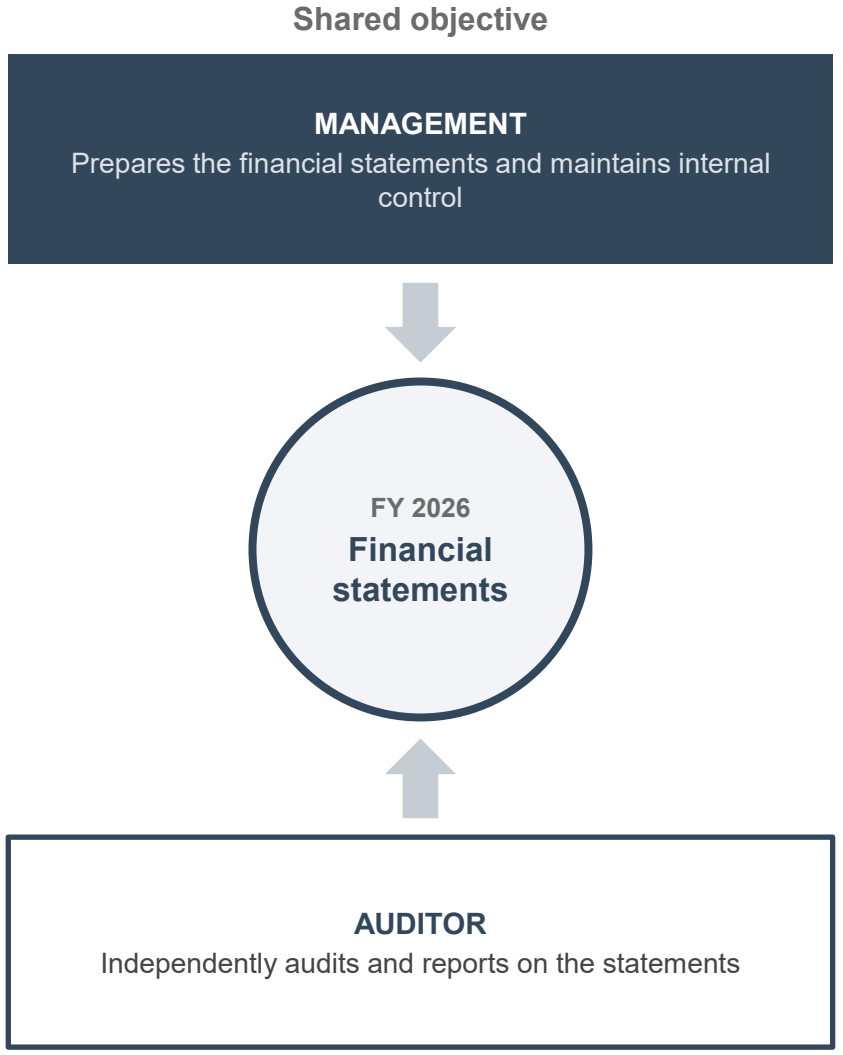
Management

Responsible for preparing the financial statements and establishing a system of internal control.

Auditor

Responsible for auditing the financial statements including:

- Considering risks of material misstatement
- Considering internal controls relevant to the financial statements
- Performing tests of year-end balances based on risk assessment
- Evaluating adequacy of disclosures



Risk Assessment

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

1

Understand the entity

Gain understanding of Ava's operating characteristics, practices, and procedures.

2

Benchmark

Compare to our knowledge of similar entities, industry, and professional guidance.

3

Evaluate controls

Review procedures and controls surrounding significant transaction cycles and business processes.



Significant Audit 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
- Review revenue recognition through year-end and method for determining accrued revenue

Financial statement note disclosures

- Verify complete and without bias

Cash and investments

- Confirmations sent to financial institutions

Accrued cost of electricity

- Review subsequent bills from electricity providers
- Review related cash payments

Required Board Communications

- As discussed in Note 13, Ava implemented and adopted GASB 102 through 104 which did not have a material effect on the financial statements.
- We did not propose any material 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 10th detailing these required communications.

Thank You

Kellin Gilbert

Partner

kgilbert@sorren.com

(707) 577-1511

sorren.com

Ava Community Energy

Financial Statements

Years ended June 30, 2026 and June 30, 2025
with Independent Auditor's Report



Contact us
customer-support@AvaEnergy.org
1-833-699-3223

Visit and follow us
AvaEnergy.org
@PoweredbyAva

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sorren CPAs P.C.

Independent Auditor's Report

To the Board of Directors
Ava Community Energy Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ava Community Energy Authority (Ava), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise Ava's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Ava, as of June 30, 2026 and 2025, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 for twelve months beyond the financial statement date, 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 opinions. 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 10, 2026

AVA COMMUNITY ENERGY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2026 AND 2025

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, 2026 AND 2025

Financial Summary

AVA'S NET POSITION

	2026	2025	2024
Current assets	$580,361,315	$574,541,753	$786,712,612
Noncurrent assets:			
Capital assets, net	23,857,094	21,080,775	10,367,342
Other noncurrent assets	337,407,354	302,948,264	1,480,246
Total noncurrent assets	361,264,448	324,029,039	11,847,588
Total assets	**941,625,763**	**898,570,792**	**798,560,200**
Current liabilities	116,655,696	144,780,099	179,709,182
Noncurrent liabilities	11,462,265	11,878,032	3,600,000
Total liabilities	**128,117,961**	**156,658,131**	**183,309,182**
Deferred inflows of resources	**268,982,601**	**188,014,795**	**79,916,987**
Net position			
Net investment in capital assets	11,929,800	9,202,743	10,367,342
Unrestricted	532,595,401	544,695,123	524,966,689
Total net position	**$544,525,201**	**$553,897,866**	**$535,334,031**

As of June 30, 2026, Ava's total net position was approximately $544,500,000, a decrease of $9,400,000, or 1.7%, compared to June 30, 2025. See the discussion in the following section regarding changes in the various components of net position.

AVA'S CHANGES IN NET POSITION

	2026	2025	2024
Operating revenues	$ 808,235,142	$ 793,624,159	$ 909,536,352
Nonoperating revenues	29,956,004	28,750,726	13,149,786
Total income	**838,191,146**	**822,374,885**	**922,686,138**
Operating expenses	845,576,991	802,187,946	749,942,231
Nonoperating expenses	1,986,820	1,623,104	66,152
Total expenses	**847,563,811**	**803,811,050**	**750,008,383**
Change in net position	**$ (9,372,665)**	**$ 18,563,835**	**$ 172,677,755**

Operating revenues increased in fiscal year 2026 primarily due to a lower amount of revenue directed to the Rate Stabilization Fund (RSF), partially offset by a decrease in electricity sales and liquidated damages revenue. Operating expenses increased primarily due to higher costs of electricity, increases in staff compensation, increased customer incentives and other operating expenses. These changes resulted in a decrease in net position of approximately $9,400,000 for fiscal year 2026, compared to an increase of $18,600,000 in fiscal year 2025.

Detailed Analysis

Current assets increased from $574,542,000 at June 30, 2025 to $580,361,000 at June 30, 2026, an increase of approximately $5,819,000 (1.0%). The increase primarily reflects higher cash and cash equivalents, partially offset by decreases in accounts receivable, accrued revenue, and short-term investments. At June 30, 2026, current assets consisted mainly of cash and cash equivalents of $433,926,000, accounts receivable of $69,845,000, accrued revenue of $45,630,000, and short-term investments of $18,997,000. Included in cash and cash equivalents is $268,983,000 held in the RSF, compared to $188,015,000 at June 30, 2025. Ava uses the RSF to defer revenue to future years to mitigate potential volatility in energy procurement costs and maintain stable and competitive customer rates. Also included in cash and cash equivalents is $2,414,000 restricted for grant purposes.

Noncurrent assets increased from $324,029,000 at June 30, 2025 to $361,264,000 at June 30, 2026, an increase of approximately $37,235,000 (11.5%). The increase primarily reflects growth in noncurrent investments, which increased by $34,207,000 to $333,858,000, as Ava continued to invest funds in longer-term securities. Capital assets, net of depreciation and amortization, increased by $2,776,000 to $23,857,000, primarily reflecting investments in energy generation and storage facilities under development, as well as purchases of furniture and equipment, partially offset by depreciation and amortization.

Current liabilities decreased from $144,780,000 at June 30, 2025 to $116,656,000 at June 30, 2026, a decrease of approximately $28,124,000 (19.4%). The decrease was primarily attributable to lower accrued cost of electricity, which declined from $119,425,000 at June 30, 2025 to $92,011,000 at June 30, 2026. These balances fluctuate annually based on the timing of energy purchases and payments, as well as wholesale market conditions.

Noncurrent liabilities decreased slightly from $11,878,000 at June 30, 2025 to $11,462,000 at June 30, 2026. Noncurrent liabilities consist of the long-term portion of Ava's office lease liability, which decreased as scheduled lease obligations were satisfied during the year.

Total net position decreased from $553,898,000 at June 30, 2025 to $544,525,000 at June 30, 2026, a decrease of $9,373,000 (1.7%). Of the net position at June 30, 2026, $11,930,000 represents Ava's net investment in capital assets, while the remaining $532,595,000 is unrestricted and available to support future operating activities, programs, and rate stabilization efforts.

Detailed Analysis (continued)

Operating revenues increased from $793,624,000 in fiscal year 2025 to $808,235,000 in fiscal year 2026, an increase of $14,611,000 (1.8%). Electricity sales decreased slightly from $890,373,000 in 2025 to $885,853,000 in 2026. However, the net amount of revenue directed to the RSF decreased from $108,098,000 in 2025 to $80,968,000 in 2026, resulting in a smaller reduction of reported operating revenues. Operating revenues also include liquidated damages received from suppliers for nonperformance and other operating revenues. Liquidated damages revenue was $2,255,000 and $10,825,000 in fiscal year 2026 and 2025, respectively. Noncapital subsidies increased from $3,822,000 in 2025 to $7,081,000 in 2026. Noncapital subsidies are comprised of Grant revenue ($1,298,000 in 2026 and $2,473,000 in 2025) and Disadvantaged Communities Green Tarriff program subsidy revenue ($5,783,000 in 2026 and $1,349,000 in 2025).

Investment income decreased from $24,929,000 in fiscal year 2025 to $22,875,000 in fiscal year 2026, a decrease of approximately $2,054,000 (8.2%).

Total operating expenses increased from $802,188,000 in fiscal year 2025 to $845,577,000 in fiscal year 2026, an increase of $43,389,000 (5.4%). The primary driver was the cost of electricity, which increased from $749,266,000 in 2025 to $781,450,000 in 2026, an increase of $32,184,000 (4.3%). Staff compensation increased from $20,387,000 to $24,417,000, while program incentives increased from $1,609,000 to $7,727,000. Other operating expenses increased from $5,894,000 to $6,844,000, while contract services decreased slightly from $24,108,000 to $23,901,000.

Significant Capital Asset and Long-Term Financing Activity

Capital assets primarily consist of land, a building not yet placed in service, energy generation and storage facilities under development, furniture and equipment, and leased office premises. During fiscal year 2026, Ava capitalized approximately $3,300,000 in costs related to energy generation and storage facilities under development.

Assets leased by Ava, such as office premises, are reported in the Statements of Net Position with a corresponding lease liability for future obligations. See Notes 5 and 6 to the financial statements for additional information.

In October 2025, Ava replaced its $200,000,000 revolving credit agreement with U.S. Bank with a new $300,000,000 revolving credit agreement with PNC Bank. Ava had no outstanding borrowings under the credit facility as of June 30, 2026. See Note 7 for additional information.

Currently Known Facts, Decisions, or Conditions

California Independent System Operator (CAISO) system power prices experienced volatility through the year ended June 30, 2026. Price variability is a normal phenomenon in electricity markets driven by seasonal and annual weather changes as well as a result of the tie between electricity prices and related commodity markets, most notably natural gas.

During Ava's fiscal year 2026, CAISO market pricing for On-Peak and Off-Peak products experienced price convergence as compared to fiscal year 2025, due in part to milder weather occurring compared to previous years, where periods of price divergence between markets occurred during extreme weather events. On-Peak / Off-Peak prices have also inverted at times due to massive solar generation adoption throughout the state and region.

Energy hedges Ava has in place offset much of the CAISO market price volatility impacts. After a couple of years of rising energy prices in the early 2020s, the energy market is currently experiencing a softening price environment, driven by a general trend of low natural gas commodity prices since their most recent peaks in 2022.

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.

Year-over-year, Ava has retained a strong customer base with low opt-out levels, while experiencing additional growth from expansion into unincorporated areas of San Joaquin County.

With rates currently set as a discount to PG&E, Ava expects to continue to remain competitive after expanding its service territory in early 2026.

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.

Currently Known Facts, Decisions, or Conditions (continued)

Interest rate markets continue to be volatile and may have some effect on financial results. Higher interest rates could lead to higher borrowing costs if there were draws necessary on Ava's line of credit. Ava does not anticipate this occurring, however with the Federal Reserve currently in a rate tightening cycle, any need for drawing on the line may be at rates higher than last year's rates since costs for draws are indexed to short-term Secured Overnight Financing Rate and that has been increasing recently.

Higher interest rates may also positively affect financial results since Ava is invested in mostly short-term (under 5 years) investments within its working capital, reserves and RSF and had forecasted interest earnings that were based on lower than current market rates when it formulated its fiscal year 2026-27 budget.

BASIC FINANCIAL STATEMENTS

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF NET POSITION
AS OF JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 431,511,847	$ 374,802,685
Cash and cash equivalents - restricted	2,414,235	3,691,237
Accounts receivable, net of allowance	69,844,850	92,646,802
Accrued revenue	45,629,852	61,177,258
Other receivables	6,046,976	6,776,630
Prepaid expenses	5,916,946	5,200,855
Deposits	-	147,000
Investments	18,996,609	30,099,286
Total current assets	580,361,315	574,541,753
Noncurrent assets		
Deposits	975,415	1,230,512
Investments	333,858,101	299,651,534
Loans receivable	2,573,838	2,066,218
Capital assets, net of depreciation and amortization	23,857,094	21,080,775
Total noncurrent assets	361,264,448	324,029,039
Total assets	941,625,763	898,570,792
LIABILITIES		
Current liabilities		
Accrued cost of electricity	92,010,629	119,424,612
Accounts payable	6,271,915	5,956,470
Advances from grantors	2,414,235	3,691,237
Other accrued liabilities	2,923,784	2,228,542
User taxes and energy surcharges due to other governments	8,595,534	8,455,238
Lease liability	465,029	-
Security deposits - energy suppliers	3,974,570	5,024,000
Total current liabilities	116,655,696	144,780,099
Noncurrent liabilities		
Lease liability	11,462,265	11,878,032
Total liabilities	128,117,961	156,658,131
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	268,982,601	188,014,795
NET POSITION		
Net investment in capital assets	11,929,800	9,202,743
Unrestricted	532,595,401	544,695,123
Total net position	$ 544,525,201	$ 553,897,866

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, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 885,852,817	$ 890,372,917
Net revenue directed to Rate Stabilization Fund	(80,967,806)	(108,097,808)
Liquidated damages	2,255,035	10,825,198
Other operating revenues	1,095,096	523,852
Total operating revenues	808,235,142	793,624,159
OPERATING EXPENSES		
Cost of electricity	781,449,941	749,266,364
Contract services	23,900,671	24,108,447
Staff compensation	24,416,879	20,387,169
Other operating expenses	6,844,042	5,894,100
Program incentives	7,726,932	1,608,536
Depreciation and amortization	1,238,526	923,330
Total operating expenses	845,576,991	802,187,946
Operating income (loss)	(37,341,849)	(8,563,787)
NONCAPITAL SUBSIDIES		
Grant and subsidy revenue	7,080,819	3,822,021
Operating income (loss) and noncapital subsidies	(30,261,030)	(4,741,766)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of assets	-	(80,977)
Investment income	22,875,185	24,928,705
Interest and financing expense	(1,986,820)	(1,542,127)
Nonoperating revenues (expenses), net	20,888,365	23,305,601
CHANGE IN NET POSITION	(9,372,665)	18,563,835
Net position at beginning of period	553,897,866	535,334,031
Net position at end of period	$ 544,525,201	$ 553,897,866

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

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 960,973,083	$ 918,096,102
Receipts of liquidated damages	2,255,035	-
Receipts from wholesale sales and other operating receipts	21,547,131	34,412,876
Receipts of supplier security deposits	31,044,287	27,293,537
Payments to suppliers for electricity	(829,009,426)	(830,969,018)
Payments for other goods and services	(38,024,289)	(31,245,058)
Payments for staff compensation	(24,104,881)	(19,841,560)
Payments of deposits and collateral	(31,867,848)	(8,700,878)
Payments of taxes and surcharges to other governments	(36,630,613)	(34,621,451)
Net cash provided by operating activities	56,182,479	54,424,550
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from grantors	6,165,067	3,822,021
Payments of financing costs	(1,032,471)	(1,282,356)
Net cash provided by noncapital financing activities	5,132,596	2,539,665
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease payments	(905,088)	(737,014)
Purchases of capital assets	(3,853,517)	(115,333)
Net cash used by capital and related financing activities	(4,758,605)	(852,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	216,827,876	144,786,083
Investment income received	19,093,995	24,502,449
Loan principal received	41,811	13,474
Purchase of investments	(236,337,992)	(476,448,679)
Loan issued	(750,000)	(2,057,344)
Net cash used by investing activities	(1,124,310)	(309,204,017)
Net change in cash and cash equivalents	55,432,160	(253,092,149)
Cash and cash equivalents at beginning of year	378,493,922	631,586,071
Cash and cash equivalents at end of year	$ 433,926,082	$ 378,493,922
Reconciliation to the Statements of Net Position		
Cash and cash equivalents - unrestricted	$ 431,511,847	$ 374,802,685
Cash and cash equivalents - restricted	2,414,235	3,691,237
Cash and cash equivalents	$ 433,926,082	$ 378,493,922

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

AVA COMMUNITY ENERGY AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2026 AND 2025

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2026	2025
Operating loss	$ (37,341,849)	$ (8,563,787)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization expense	1,238,526	923,330
(Increase) decrease in:		
Accounts receivable	22,801,949	(7,683,996)
Other receivables	644,505	(3,957,601)
Accrued revenue	15,547,406	(224,865)
Prepaid expenses	(716,091)	(2,375,314)
Deposits	(29,552,635)	(5,134,894)
Increase (decrease) in:		
Accrued cost of electricity	(27,413,983)	(29,874,898)
Accounts payable	311,347	543,662
Other accrued liabilities	197,806	(4,697,578)
Deferred revenue	340,209	(1,853,207)
User taxes due to other governments	140,296	1,010,601
Security deposits from energy suppliers	29,017,187	8,215,289
Rate Stabilization Fund	80,967,806	108,097,808
Net cash provided by operating activities	$ 56,182,479	$ 54,424,550

NONCASH INVESTING ACTIVITIES

Change in fair value of investments	$ 3,705,658	$ (2,091,494)
Change in interest receivable	$ 75,532	$ 2,517,750

NONCASH CAPITAL FINANCING ACTIVITIES

Capital acquisitions included in accounts payable and other liabilities	$ -	$ 11,646,661

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

AVA COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2026 AND 2025

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, 2026, 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.

The 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, if applicable – net 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. The Statements of Net Position presents restricted cash balances 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.

AVA COMMUNITY ENERGY AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2026 AND 2025

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 Statements of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statements 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 currently in service.

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.

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 (RSF) that is reported in accordance with GASB Statement No. 62 and GASB Statement No. 65. The purpose of the RSF is to allow Ava to defer revenue in years when financial results are strong for use in future years when financial results may decline. Withdrawals of revenues from the RSF can be made in a fiscal year when the change in net position is projected to be negative or if necessary to satisfy any covenants and contractual obligations. The amount deposited into the RSF is shown as a reduction in operating revenues and reported on the Statements of Net Position as a deferred inflow of resources. Net transfers to the RSF were approximately $80,968,000 and $108,100,000 in fiscal years 2026 and 2025, 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 “net investment in capital assets” or “restricted.”

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING, NONOPERATING AND NONCAPITAL SUBSIDY REVENUES

Operating revenues include energy sales to retail and wholesale customers, and liquidated damages from suppliers that fail to meet delivery commitments. Grant revenue is reported separately as noncapital subsidies in the Statements of Revenues, Expenses and Changes in Net Position.

Investment income is 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. Revenue is presented net of estimated uncollectible accounts.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and depreciation of capital assets. 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 (CPUC) 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 is not obligated to 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 Cash Flows. Ava monitors its risk exposure on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2026	2025
Accounts receivable from customers	$119,902,732	$131,096,802
Allowance for uncollectible accounts	(50,057,882)	(38,450,000)
Net accounts receivable	$ 69,844,850	$ 92,646,802

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 years ended June 30, 2026 and 2025 Ava held investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	2026	2025	Level
Current Investments:			
U.S. Treasury securities	$ 1,441,822	$ 32,300,630	1
Corporate bonds	18,004,522	9,545,954	2
Adjust for U.S. Treasury securities above presented as cash equivalents on the Statements of Net Position	(449,735)	(11,747,298)	
Total current investments	$ 18,996,609	$ 30,099,286	

	2026	2025	Level
Noncurrent Investments:			
U.S. Treasury securities	$ 110,575,605	$ 88,529,207	1
U.S. agency obligations	74,932,671	71,563,407	2
Corporate bonds	147,544,503	138,743,447	2
Municipal bonds	805,322	815,473	2
Total noncurrent investments	$ 333,858,101	$ 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.

U.S. Treasury securities are classified as Level 1 inputs, because they rely on unadjusted, quoted prices in active markets for identical assets.

Other investments are classified as Level 2 inputs as they were valued using institutional bond quotes or valuations based on market 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, 2026, 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, 2026, 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. Duration 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, 2026:

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**
U.S. Treasury securities	$ 111,567,692	$ 992,087	$ 110,575,605
U.S. agency obligations	74,932,671	-	74,932,671
Corporate bonds	165,549,025	18,004,522	147,544,503
Municipal bonds	805,322	-	805,322
	$ 352,854,710	$ 18,996,609	$ 333,858,101

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

		Investment Maturities	
Investment Type	**Fair Value**	**Less Than 1 Year**	**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, 2026 and 2025, Ava's investment portfolio was concentrated as follows:

		Percentage of Portfolio	
Issuer	**Investment Type**	**2026**	**2025**
Federal Home Loan Mortgage Corporation (Freddie Mac)	U.S. agency - implicitly guaranteed	21.2%	19.7%

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026, 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
Energy generation and storage facilities - not in service	-	3,318,652	-	3,318,652
Total capital assets not being depreciated	9,386,864	3,318,652	-	12,705,516
Capital assets being depreciated and amortized:				
Furniture and equipment	516,303	696,193	-	1,212,496
Right-to-use lease asset – building	11,646,661	-	-	11,646,661
Total capital assets being depreciated and amortized:	12,162,964	696,193	-	12,859,157
Less accumulated depreciation and amortization:				
Furniture and equipment	(237,667)	(312,964)	-	(550,631)
Right-to-use lease asset – building	(231,386)	(925,562)	-	(1,156,948)
Total accumulated depreciation and amortization	(469,053)	(1,238,526)	-	(1,707,579)
Total capital assets, net of depreciation and amortization	$21,080,775	$ 2,776,319	$ -	$ 23,857,094

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)	-
Right-to-use lease asset – building	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)
Right-to-use lease asset – building	(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

6. LEASE

A lease asset is reported in accordance with GASB Statement No. 87. In July 2023, Ava entered into two successive lease agreements for the same office premises, consisting of an initial sublease followed by a direct lease with the property owner. The sublease was in effect from September 1, 2023 through April 2025, at which point the direct lease commenced. The direct lease extends through October 31, 2032, with extension options through October 2037. The lease agreements include several periods of abated rent, which are reflected in the table below.

As of June 30, 2026, future lease payments were projected as follows:

Year ending June 30,	Principal	Interest	Total
2027	$ 465,029	$ 928,146	$ 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	841,615	726,416	1,568,031
2032-2036	6,311,001	2,349,980	8,660,981
2037-2038	2,395,847	137,735	2,533,582
Total	$ 11,927,294	$ 6,663,824	$ 18,591,118

7. DEBT

In October 2025, Ava terminated its $200,000,000 revolving credit agreement with U.S. Bank and entered into a new three-year revolving credit agreement with PNC Bank, providing a total credit facility of $300,000,000. The credit facility enhances Ava's overall liquidity to support potential working capital needs and collateral requirements. The agreement expires in October 2028. The borrowing rate on the credit facility is SOFR rate plus 1%.

Ava had no outstanding borrowings under its revolving credit agreements as of June 30, 2026 and 2025. However, Ava has issued standby letters of credit under these agreements to support certain contractual obligations. As of June 30, 2026 and 2025, outstanding letters of credit reduced the available borrowing capacity under the respective credit facilities by approximately $43,300,000 and $39,800,000, respectively. These letters of credit do not represent outstanding debt obligations of Ava.

8. NONCAPITAL SUBSIDIES

Ava participates in various grants and programs from the CPUC, Bay Area Air Quality Management District, and other sources.

The Disadvantaged Communities Green Tariff (DAC-GT) program 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 noncapital subsidy revenue for the years ended June 30:

	2026	2025
Energy Efficiency - CPUC	$ 1,177,289	$ 1,912,129
DAC-GT	5,782,579	1,349,301
Other	120,951	560,591
Total grant and subsidy revenue	$ 7,080,819	$ 3,822,021

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, 2026, there were 106 plan members. Ava is required to contribute a match up to 6% of annual covered payroll to the Plan and contributed $2,326,000 and $2,077,000 during the years ended June 30, 2026 and 2025, 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 $10,000. 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.

Ava enters into power purchase agreements to comply with state law and voluntary targets for renewable and greenhouse free products and to ensure stable and competitive electric rates for its customers.

The following table details the obligations on existing energy, renewable, and resource adequacy contracts as of June 30, 2026:

Year ending June 30,		
2027	$	688,300,000
2028		598,000,000
2029		534,400,000
2030		518,700,000
2031		507,200,000
2032-2048		5,012,300,000
Total	$	7,858,900,000

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 do 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 purchases energy from CCCFA in the same manner as it purchases energy from other suppliers. Ava purchased approximately $66,920,000 and $54,201,000 from CCCFA during fiscal years 2026 and 2025, respectively. The outstanding commitments to purchase energy from CCCFA are included in Note 11.

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

13. RECENTLY ADOPTED AND FUTURE 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*, which establishes additional disclosure requirements for certain types of capital assets. Implementation of this statement did not have a material effect on the financial statements.

GASB Statement No. 105, *Subsequent Events*, is effective for fiscal years beginning after June 15, 2026. Management is evaluating the effect of implementation of this statement.

Attachment Staff Report Item 10D

Ava Community Energy

Fiscal Year 2025-2026 Audit and Operating Results

Board of Directors

November 18, 2026

Contents

- Highlights of FY 25-26 Financial Results
- Budget to Actuals Comparison
- Local Development Fund Activity
- Overview of budget reconciliation process with audited financial statements

Audit Update and FY25-26 Financial Highlights

Highlights of the FY 25-26 financial results and audit are as follows:

The auditors have delivered an unmodified opinion – financial statements are materially accurate. We were not made aware of any significant deficiencies or material weakness in internal controls, no proposed adjustments to the financial statements have been communicated to Ava, and no unusual transactions or applications of accounting principles have been identified.

- Annual Operating Revenues: $808,235,142 (gross operating revenue is $889,202,948 and net revenue deferred is $80,967,806).
- Annual Operating Expenses: $845,576,991.
- Noncapital subsidy revenue from the CPUC for Disadvantaged Communities Green Tariff (DAC-GT) and other Grant revenue, $5,782,579 and $1,298,240, respectively.
- Annual Net Nonoperating Revenues: $20,888,365.
- Net Position decrease of $9,372,665 to $544,525,201.

Audited Financial Statements

Attachment Staff Report Item 10D

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 885,852,817	$ 890,372,917
Revenue directed to Rate Stabilization Fund	(80,967,806)	(108,097,808)
Liquidated damages	2,255,035	10,825,198
Other operating revenues	1,095,096	523,852
Total operating revenues	808,235,142	793,624,159
OPERATING EXPENSES		
Cost of electricity	781,449,941	749,266,364
Contract services	23,900,671	24,108,447
Staff compensation	24,416,879	20,387,169
Other operating expenses	14,570,974	7,502,636
Depreciation and amortization	1,238,526	923,330
Total operating expenses	845,576,991	802,187,946
Operating income (loss)	(37,341,849)	(8,563,787)
NONCAPITAL SUBSIDIES		
Grant and subsidy revenue	7,080,819	3,822,021
Operating income (loss) and noncapital subsidies	(30,261,030)	(4,741,766)
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of assets	-	(80,977)
Investment income	22,875,185	24,928,705
Interest and financing expense	(1,986,820)	(1,542,127)
Nonoperating revenues (expenses), net	20,888,365	23,305,601
CHANGE IN NET POSITION	(9,372,665)	18,563,835
Net position at beginning of period	553,897,866	535,334,031
Net position at end of period	$ 544,525,201	$ 553,897,866

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 431,511,847	$ 374,802,685
Cash and cash equivalents - restricted	2,414,235	3,691,237
Accounts receivable, net of allowance	69,844,850	92,646,802
Accrued revenue	45,629,852	61,177,258
Other receivables	6,046,976	6,776,630
Prepaid expenses	5,916,946	5,200,855
Deposits	-	147,000
Investments	18,996,609	30,099,286
Total current assets	580,361,315	574,541,753
Noncurrent assets		
Deposits	975,415	1,230,512
Investments	333,858,101	299,651,534
Loans receivable	2,573,838	2,066,218
Capital assets, net of depreciation and amortization	23,857,094	21,080,775
Total noncurrent assets	361,264,448	324,029,039
Total assets	941,625,763	898,570,792
LIABILITIES		
Current liabilities		
Accrued cost of electricity	92,010,629	119,424,612
Accounts payable	6,271,915	5,956,470
Advances from grantors	2,414,235	3,691,237
Other accrued liabilities	2,923,784	2,228,542
User taxes and energy surcharges due to other governments	8,595,534	8,455,238
Lease liability	465,029	-
Security deposits - energy suppliers	3,974,570	5,024,000
Total current liabilities	116,655,696	144,780,099
Noncurrent liabilities		
Lease liability	11,462,265	11,878,032
Total liabilities	128,117,961	156,658,131
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Fund	268,982,601	188,014,795
NET POSITION		
Net investment in capital assets	11,929,800	9,202,743
Unrestricted	532,595,401	544,695,123
Total net position	$ 544,525,201	$ 553,897,866

General Fund Budget to Actuals Comparison

- Key Highlights:
  - **Net revenue -** increased by $81MM, driven primarily by higher than expected rates in calendar year 2026 coming out of the Annual Energy True-up (AET), lower than forecasted renewable prices, and measures taken by the Board in December 2025, implemented January 1, 2026
  - **Rate Stabilization Fund -** budgeted recognition was not necessary given the stronger performance from the items mentioned above.
  - **Investment Income -** yields were higher than expected as interest rates remain higher for longer through the period
  - **Personnel -** costs were reduced by deferred hiring for open positions
- The full net revenues are deferred under GASB 62 to allow the Board to consider how to best allocate this surplus. Options will be presented in next month's ExComm and Board item: Budget Surplus Allocation Discussion

AVA COMMUNITY ENERGY AUTHORITY
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
Year Ended June 30, 2026

	2025/26 YTD Budget	2025/26 YTD Actual	2025/26 YTD Budget Variance Over (Under)	2025/26 YTD Actual/ Budget %
REVENUE				
Electricity Sales	$ 869,170,000	$ 903,243,277	$ 34,073,277	104%
Revenue directed to Rate Stabilization Fund	$ 25,327,000	(80,967,806.00)	(106,294,806)	-229%
Uncollectible	(8,692,000)	(11,607,882)	(2,915,882)	134%
Total Revenue and Other Sources	885,805,000	810,667,589	(75,137,411)	90%
EXPENDITURES AND OTHER USES				
CURRENT EXPENDITURES				
Cost of energy	836,970,000	781,424,881	(55,545,119)	93%
Energy Services				
Data Management/CRM	10,081,000	10,157,998	76,998	101%
Billing & Metering	3,208,000	3,231,449	23,449	101%
Scheduling	767,000	737,608	(29,392)	96%
Total Energy Services	14,056,000	14,127,055	71,055	101%
Overhead Operating Expenses				
Personnel	29,639,000	24,128,722	(5,510,278)	81%
Marketing & Communications	3,872,000	2,379,680	(1,492,320)	61%
Legal, Policy, & Regulatory Affairs	4,243,000	3,245,881	(997,119)	76%
Other Professional Services	3,518,000	2,380,911	(1,137,089)	68%
General & Administrative	7,095,000	6,123,103	(971,897)	86%
Total Overhead Operating Expenses	48,367,000	38,258,297	(10,108,703)	79%
Total Current Expenditures	899,393,000	833,810,233	(65,582,767)	93%
OTHER SOURCES AND USES				
Investment Income	15,066,000	22,688,544	7,622,544	151%
Other Income	49,000	59,387	10,387	121%
Liquidated damages	-	2,248,731	2,248,731	N/A
Interest and Financing Costs	(1,087,000)	(1,032,471)	54,529	95%
Local Development (Transfer to LD Fund Budget)	(190,000)	(190,000)	-	100%
Capital expenditures	(250,000)	(631,547)	(381,547)	253%
Total Other Sources and Uses	13,588,000	23,142,644	9,554,644	0%
Net Increase (Decrease)	$ -	$ -	$ -	0%

Local Development Fund Activity

- Key Highlights
  - Grant/Credit revenues were attributed to the following programs:
    - Energy Efficiency
    - Community/workforce development
    - Ava Charge
  - Interest income was generated through program lending to Blocpower and the EV Realty loans
  - Largest costs centers by programs as percent of total expenses
    - Bike Electric: 48% (large incentives distribution)
    - Critical Municipal Facilities: 24% (construction development)
    - Energy Efficiency: 11% (operations and incentives)
    - Ava Charge: 10% (operations)
  - The Adjusted final balance includes the $15MM held as deferred revenues to be applied to Smart Home Battery incentives as well as the deduction for principal outstanding from loans issued.

AVA COMMUNITY ENERGY AUTHORITY
LOCAL DEVELOPMENT FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2026

	2025/26 Annual Budget	2025/26 YTD Actual	2025/26 Budget Remaining
REVENUE AND OTHER SOURCES			
Transfer from Operating Fund	$ 190,000	$ 190,000	$ -
Grants/Credits	-	2,340,253	(2,340,253)
Interest income	-	186,641	(186,641)
Total Revenues and other sources	190,000	2,716,894	(2,526,894)
EXPENDITURES AND OTHER USES			
CURRENT EXPENDITURES			
Program expenses	10,190,000	14,899,849	(4,709,849)
Total Expenditures and other uses	10,190,000	14,899,849	$ (4,709,849)
Net Increase (Decrease)	(10,000,000)	(12,182,955)	
Fund balance at beginning of period	74,801,996	74,103,412	
Fund balance at end of period	$ 64,801,996	$ 61,920,457	
GASB 62 Deferral assigned to fund		14,963,130	
Program loans receivable outstanding		(2,789,346)	
Adjusted fund balance at end of period		$ 74,094,241	

Budget Reconciliation to Financial Statements

- 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 employs best efforts to align with GAAP and GASB standards, but financial differences exist and reconciliation is defined per item of **Audited Net Position** (GAAP/GASB) against **Actualized Net Revenues** (Budget)
- The table below is the current status of FY 2025-2026's reconciliation of Net Position (decrease on financial statements by $9.4MM) to Net Revenues (flat on Budget to Actuals statement at $0)

Reconciled Item	Details	Amount	Balance
Audited Net Position Difference	*Relative to net deferred revenues*		(9,372,665)
Loss on Disposition of Assets	*Accrued depreciation of discarded assets*	(312,964)	(9,059,701)
GASB 87 Lease	*Lease obligations outstanding as of 6/30/2026*	(974,821)	(8,084,880)
LD Actual Expenses	*Actual FY 25/26 Program expenses*	(14,899,849)	6,814,969
LD Budget Allocation	*Budgeted capital transfer to Programs*	190,000	6,624,969
LD Revenue from Grants/Credits	*FY 25/26 grant & credit revenue in Programs*	2,340,253	4,284,716
LD Interest Income	*Interest on development loans*	186,641	4,098,075
Capital Outlay	*Capital reconcilliation*	4,098,075	-

Conclusion & Questions

- This presentation is provided as an informational item
- Review of the Budget Surplus Allocation item will take place in December at ExComm and the full Board meeting

