

# Fiscal Year 2025-2026 Operating Results and Audit Preview

Finance, Administrative, and  
Procurement Subcommittee

October 28, 2026



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# Audit Background

- Each year, Ava conducts an audit of the fiscal year-end financial statements.
- The annual audit is conducted by Sorren CPAs, P.C., an independent, external CPA team.
- The Independent Auditor's Report preliminarily concludes their opinion of the financial statements as materially accurate with no significant deficiencies or material weakness in internal controls identified. This will be included in the final financial statements delivered to the Board tentatively planned for Nov 18th.
- The Management Discussion and Analysis (MD&A) 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.
- The Basic Financial Statements provide an independently verified, accurate portrait of Ava's financial position as of June 30, 2026.
- Notes to the Basic Financial Statements discuss accounting policies, cash and capital positions, risk management, commitments, and known subsequent events.

# Audit Update and FY25-26 Financial Highlights

Per our debt covenants, we are required to have a completed audit within 180 days of fiscal year-end (e.g. 12/27/2026 this year ). The audit is estimated to be final and presented by staff and the auditors at the November 18<sup>th</sup> Board meeting. There is some risk that the audit won't be closed in time to present in November. If that is the case, we will move the presentation to the December 16<sup>th</sup> Board meeting and meet Ava's compliance deadline. Factors that compressed our timeline:

- PCIA and ERRA Filings in Mid-October that affected year end accruals.
- GASB 103 implementation - categorizes certain revenue items to a new section called Noncapital Subsidies on the Statements of Revenue, Expenses, and Changes in Net Position (Grants and DAC-GT Revenues for Ava).
- Staff modification of the methodology for estimating accruals for uncollectibles.

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

It is expected that the auditors will report an unmodified opinion – financial statements are materially accurate. We are not 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.

- Estimated Annual Operating Revenues: \$808,235,142 (gross operating revenue is \$889,202,948 and net revenue deferred is \$80,967,806).
- Estimated 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.
- Estimated Annual Net Nonoperating Revenues: \$20,888,365.
- Estimated Net Position decrease of \$9,372,665 to \$544,525,201.

# Draft Audited Financial Statements (not final):

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

|                                                  | 2026           | 2025           |
|--------------------------------------------------|----------------|----------------|
| <b>OPERATING REVENUES</b>                        |                |                |
| 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    |
| <b>OPERATING EXPENSES</b>                        |                |                |
| 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)    |
| <b>NONCAPITAL SUBSIDIES</b>                      |                |                |
| Grant and subsidy revenue                        | 7,080,819      | 3,822,021      |
| Operating income (loss) and noncapital subsidies | (30,261,030)   | (4,741,766)    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>          |                |                |
| 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     |
| <b>CHANGE IN NET POSITION</b>                    | (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           |
|-----------------------------------------------------------|----------------|----------------|
| <b>ASSETS</b>                                             |                |                |
| 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    |
| <b>LIABILITIES</b>                                        |                |                |
| 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    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                      |                |                |
| Rate Stabilization Fund                                   | 268,982,601    | 188,014,795    |
| <b>NET POSITION</b>                                       |                |                |
| 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

- NOTE: The numbers presented here are not final but represent the current estimated results
- Key Highlights:
  - Net revenue** - increased by \$81MM, driven primarily by higher than expected rates in calendar year 2026, lower than forecasted renewable prices, and decisive 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 are presented in the next item: Budget Surplus Allocation Discussion

| AVA COMMUNITY ENERGY AUTHORITY<br>BUDGETARY COMPARISON SCHEDULE<br>OPERATING FUND<br>Year Ended June 30, 2026 |                       |                       |                                                |                                    |
|---------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------------------------------------|------------------------------------|
|                                                                                                               | 2025/26 YTD<br>Budget | 2025/26 YTD<br>Actual | 2025/26 YTD<br>Budget Variance<br>Over (Under) | 2025/26 YTD<br>Actual/ Budget<br>% |
| <b>REVENUE</b>                                                                                                |                       |                       |                                                |                                    |
| 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%                                |
| <b>EXPENDITURES AND OTHER USES</b>                                                                            |                       |                       |                                                |                                    |
| <b>CURRENT EXPENDITURES</b>                                                                                   |                       |                       |                                                |                                    |
| 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%                                |
| <b>OTHER SOURCES AND USES</b>                                                                                 |                       |                       |                                                |                                    |
| 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

- NOTE: The numbers presented here are not final but represent the current, best estimate results
- Key Highlights
  - Grant revenues were attributed to the following programs:
    - Health e-Communities
    - Critical Municipal Facilities
    - Energy Efficiency
  - 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)
    - Building Efficiency: 11% (operations and incentives)
    - Ava Charge: 10% (operations)

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

|                                        | 2025/26 Annual<br>Budget | 2025/26 YTD<br>Actual | 2025/26 Budget<br>Remaining |
|----------------------------------------|--------------------------|-----------------------|-----------------------------|
| <b>REVENUE AND OTHER SOURCES</b>       |                          |                       |                             |
| 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       | <u>190,000</u>           | <u>2,716,894</u>      | <u>(2,526,894)</u>          |
| <b>EXPENDITURES AND OTHER USES</b>     |                          |                       |                             |
| <b>CURRENT EXPENDITURES</b>            |                          |                       |                             |
| Program expenses                       | <u>10,190,000</u>        | <u>14,899,849</u>     | <u>(4,709,849)</u>          |
| Total Expenditures and other uses      | <u>10,190,000</u>        | <u>14,899,849</u>     | <u>(4,709,849)</u>          |
| Net Increase (Decrease)                | (10,000,000)             | (12,182,955)          |                             |
| Fund balance at beginning of period    | 74,801,996               | 74,801,996            |                             |
| Fund balance at end of period          | <u>\$ 64,801,996</u>     | <u>\$ 62,619,041</u>  |                             |
| Program loans receivable outstanding   |                          | (724,998)             |                             |
| Adjusted fund balance at end of period |                          | <u>\$ 61,894,043</u>  |                             |

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

# Conclusion

- This presentation is provided as an informational update
- Financial Statements and figures are not final, but are not expected to materially change
- Staff is targeting to bring final audited financial statements for the November board meeting, though it may push to December due to:
  - The annual ERRA filing was released on October 15 and this year requires more substantive updates due to market price volatility
  - GASB 103 and 104 implementation
  - Updated methodology on aging and uncollectibles

