Fiscal Year 2025-2026 Operating Results and Audit Preview

Executive Committee

November 4, 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 18th 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 16th 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
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

- 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
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

- NOTE: The numbers presented here are not final but represent the current, best estimate results
- 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

- 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

