Staff Report Item 16

TO: East Bay Community Energy Board of Directors
FROM: Howard Chang, Chief Operating Officer & Treasurer
SUBJECT: Audit Report (Informational Item)
DATE: January 16, 2019

Recommendation:
Receive report on audited financial statements for Fiscal years ending June 30, 2017 and June 30, 2018.

Summary:
In December 2018, Pisenti & Brinker LLP completed EBCE’s first financial audit for Fiscal years ending June 30, 2017 and June 30, 2018. Fiscal year ending June 30, 2017 represents the pre-launch start-up period. Fiscal year ending June 30, 2018 is made up of 11 months of pre-launch start-up period and one month of operations starting June 1, 2018.

EBCE’s Balance Sheet net position was $(1,803,530) as of June 30, 2017 and $3,084,520 as of June 30, 2018.

For fiscal year ending June 30, 2017, there were no operating revenues and operating expenses of $(1,803,530). For Fiscal year ending June 30, 2018, EBCE had operating revenues of $16,142,192 and operating expenses of $10,821,190 with net income for the period of $4,888,050.

As of June 30, 2018, EBCE had a cash position of $4,272,590.

Attachments:
A. EBCE Audited Financial Statements for Fiscal years ending June 30, 2017 and June 30, 2018
Introduction...

- Brett Bradford, CPA
- Audit Partner
- 15 years in public accounting and performing audits of governmental entities
Audits of the periods ended June 30, 2018 and 2017 Financial Statements

**Relative Roles & Responsibilities**

- **Management** is responsible for preparing the Financial Statements and establishing a system of internal control.

- **Auditor** is responsible for auditing the Financial Statements:
  - Considering risks of material misstatement in the Financial Statements - Inherent risk
  - Considering internal controls relevant to the Financial Statements - Control risk
  - Performing tests of year-end balances based on risk assessment
  - Evaluating adequacy of disclosures
Audits of the periods ended June 30, 2018 & 2017 Financial Statements

- Audit is complete. We have reported:
  - Unqualified opinion – Based on our audit, the financial statements are materially accurate.
  - No significant deficiencies in internal control have been identified.
Risk Assessment for the periods ended June 30, 2018 & 2017

- **Significant areas of focus**
  - Review policies and procedures for various types of financial transactions
  - Revenue recognition
    - Accounts receivable and accrued revenue
      - Test a sample of customer billings (mailed in July)
      - Relate total cash received subsequent to year-end to revenue (accrued revenue)
  - Cut-off
    - Review revenue recognition through year-end and method for determining (accrued revenue)
Risk Assessment for the periods ended June 30, 2018 & 2017

- **Cash – Existence**
  - Confirmation sent to banks and County of Alameda

- **Accrued cost of electricity**
  - Review subsequent bills from electricity providers and cash payments and analyze margin

- **Notes payable**
  - Confirmation sent to County of Alameda and financial institution

- **Financial Statement Note Disclosures** - Complete and without bias
Required Board Communications

- The significant accounting policies adopted by EBCE throughout the periods audited appeared appropriate and consistently applied.

- No alternative treatments of accounting principles for material items in the financial statements were discussed with management.
Required Board Communications

Other Required Communications with those charged with governance:

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

- There were no disagreements with management concerning the scope of our audits, the application of accounting principles, or the basis for management’s judgments on any significant matters.
Required Board Communications

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

- Brett Bradford: 707-577-1582