



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

East Bay Community Energy

*Report to the
Board of Directors
by Pimenti & Brinker LLP
January 16, 2019*



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

An independently owned member
RSM US Alliance



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