PIONEER
COMMUNITY ENERGY

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019

WITH INDEPENDENT AUDITOR'S REPORT

PIONEER COMMUNITY ENERGY
JOINT POWERS AUTHORITY

FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2019

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Independent Auditor's Report

To the Governing Board
Pioneer Community Energy Joint Powers Authority
Auburn, California

Report on the Financial Statements
We have audited the accompanying statement of net position of the Pioneer Community Energy Joint Powers Authority (Authority), as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the changes in its financial and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements
The financial statements of the Authority as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day & Co., LLP who joined Eide Bailly LLP on July 22, 2019, and whose reported dated April 9, 2019 expressed an unmodified opinion on those statements.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-7 be presented to supplement the basic financial statements. Such information, 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.

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued a report dated February 17, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Sacramento, California
February 17, 2020

PIONEER COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis provides an overview of Pioneer Community Energy's ("Pioneer") financial activities for the fiscal years ended June 30, 2018 and 2019. The information presented here should be considered in conjunction with the audited financial statements.

Contents of this Report

This report is divided into the following sections:

- Management discussion and analysis, which provides an overview of operations.

- The basic financial statements, which offer information on Pioneer's financial results.

  - The *Statements of Net Position* include all of Pioneer's assets, any deferred outflows of resources, liabilities, any deferred inflows of resources, and net position using the accrual basis of accounting. The Statement of Net Position provides information about the nature and amount of resources and obligations at a specific point in time.

  - The *Statements of Revenues, Expenses, and Changes in Net Position* report all of Pioneer's revenue and expenses for the year shown.

  - The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and payments, such as debt financing.

  - The *Notes to the Basic Financial Statements* provide additional details and information pertaining to the financial statements.

Nature of Operations

Pioneer was formed with the purpose of:

1. Providing electric power and other forms of energy to customers at a competitive cost;
2. Promoting long-term electric rate stability and energy security and reliability for residents through local control of electric generation resources and the overall power supply portfolio;
3. Carrying out programs to reduce energy consumption;
4. Stimulating and sustaining the local economy by developing local jobs in renewable energy; and
5. Reducing greenhouse gas emissions related to the use of electric power and other forms of energy in Placer County and neighboring regions.

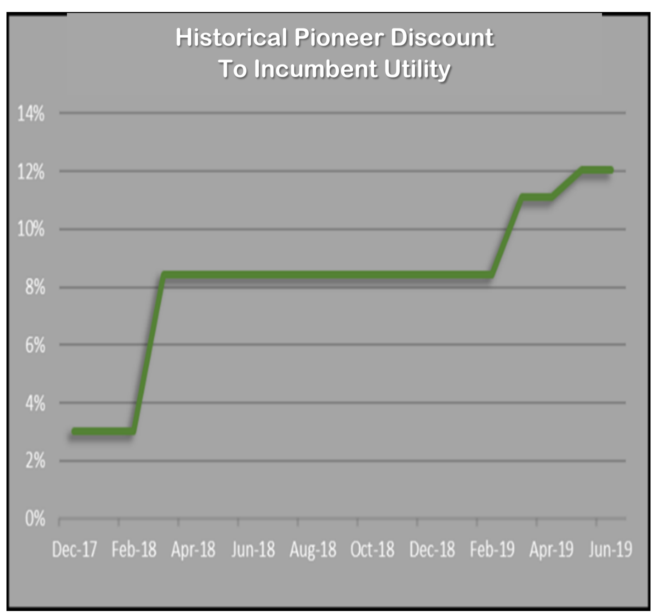
Pioneer is a California Joint Powers Authority established in 2015 pursuant to the California Joint Exercise of Powers Act and is a public agency separate from its members. The parties to the Amended and Restated Joint Exercise of Powers Agreement (the "JPA Agreement") for Pioneer Community Energy are local governments whose governing bodies elected to join Pioneer. There are two types of membership: Voting Members, who have voting representatives on Pioneer's Governing Board, and Associate Members who are members for the purpose of authorizing participation in Pioneer's mPOWER Program within their jurisdiction. Pioneer's Voting Members are the cities of Auburn, Colfax, Lincoln, Rocklin, the Town of Loomis, and the County of Placer.

Pioneer operates two separate and distinct programs, a community choice aggregation program, the "CCA Program", and a PACE (property assessed clean energy) program called the "mPOWER Program". As separate and independent programs the CCA Program and the mPOWER Program are reported and accounted for separately. The operational costs and liabilities of each program are solely payable from the revenues generated from each respective program. For purposes of financial reporting, Pioneer includes programmatic reports and consolidated financial statements. Pursuant to its JPA Agreement, Pioneer's Members are not financially liable for Pioneer's obligations or activities, and Pioneer does not receive any financial support from its members. Pioneer relies exclusively on the operating revenues of its programs to meet its financial obligations.

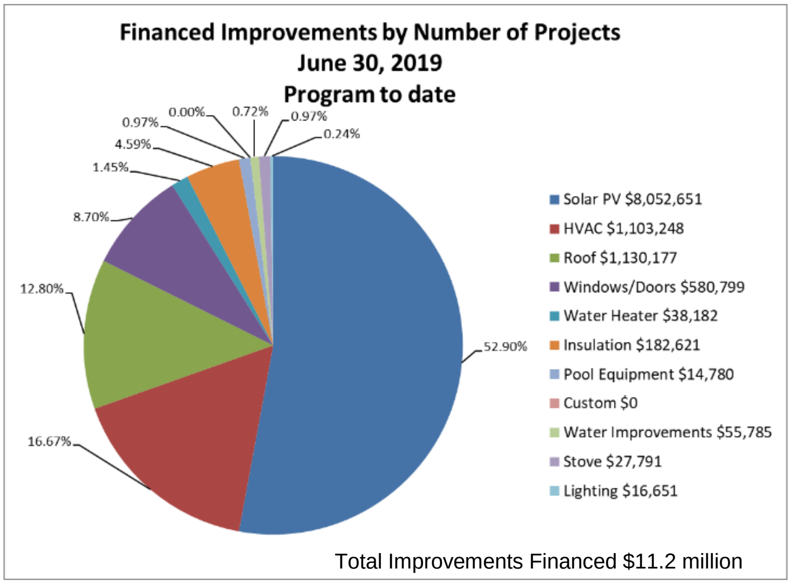
The CCA Program - Through its CCA Program, Pioneer supplies electric energy to its retail customers under provisions of the California Public Utilities Code. Pioneer's CCA Program provides local control over the power it purchases in the wholesale energy market to supply the electric energy requirements of its customers. One of Pioneer's primary goals is to provide competitive and stable electric rates to both its residential and business customers. Pioneer has the rights and powers to set rates and related charges for the electric generation services it provides, to incur debt, and to issue bonds and other obligations. Pioneer is committed to setting rates in a manner that will achieve full cost recovery, including cost of electricity and related financial obligations, administrative costs, establishing and maintaining financial reserves and ensuring timely debt service payments and retirement of debt. Operating costs and liabilities related to the CCA Program are solely payable from the revenues Pioneer receives from its electric customers.

Pioneer began enrolling customers in its CCA Program and providing electric generation service, in the territory of its Voting Members on February 1, 2018. Pioneer completed its first full fiscal year of CCA Program service on June 30, 2019. The number of customer accounts served as of March 30, 2018 was approximately 78,250, including about 450 early opt-in solar Net Energy Metering (NEM) Customers. Subsequently, Pioneer enrolled solar NEM customers in six phases over the course of FY 2018/19, beginning in September of 2018. Pioneer completed its enrollment of solar customers by July 2019. As of June 30, 2019, the number of solar NEM customer accounts served by Pioneer's CCA Program was approximately 14,200, or almost sixteen percent of its total customer accounts. As of June 30, 2019, the total number of customer accounts served, including solar NEM customers was approximately 89,950. As of June 30, 2019, Pioneer served approximately 90% of all eligible customers in Placer County. This level of participation is anticipated to remain relatively stable, due in part to the continued competitiveness of Pioneer rates and based on the experience of other CCA Programs in California.

The Pioneer Governing Board set initial electric rates in December of 2017. The original rates reflected a discount of approximately 3% to the incumbent utility provider's electric generation rates. The incumbent utility increased its electric generation rates multiple times between December 2017 and July 2019. Pioneer subsequently adjusted its rates in October of 2019. During FY 2018/19, Pioneer rates have averaged a discount of 7.5% to the electric generation rates of the incumbent utility, net of surcharges added to Pioneer customer bills by the incumbent utility.



The mPOWER Program – The mPOWER Program provides financing to property owners for the installation of permanently affixed energy efficiency, water conservation and distributed generation (solar) improvements. PACE programs are authorized pursuant to various sections of California Government Code and California Streets and Highways Code. Repayment amounts are added to the property owner's annual property tax bill. Property owner participation in the mPOWER Program is voluntary.



Pioneer began to operate the mPOWER Program in January 2017, in unincorporated areas of Nevada County and the City of Grass Valley and Nevada City and later expanding its mPOWER Program in Placer County, and the City of Folsom in Sacramento County. The Placer County territory and the City of Folsom were previously served by the mPOWER Program, under the County of Placer.

Operating costs and liabilities related to the mPOWER Program are solely payable from the assessments and fees collected from mPOWER Program participants.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The following financial and operational highlights provides a general overview of Pioneer's financial position, as well as a discussion and analysis of each of Pioneer's programs.

Summary of Statement of Net Position

	2019			2018		
Assets	**CCA**	**mPOWER**	**Total**	**CCA**	**mPOWER**	**Total**
Current assets	$ 27,709,809	$ 1,448,439	$ 29,158,248	$ 23,362,939	$ 442,055	$ 23,804,994
Noncurrent assets	2,990,000	10,107,889	13,097,889	1,427,183	5,670,583	7,097,766
Total assets	30,699,809	11,556,328	42,256,137	24,790,122	6,112,638	30,902,760
Liabilities						
Current liabilities	6,481,111	398,342	6,879,453	4,578,100	123,435	4,701,535
Noncurrent liabilities	14,070,000	11,059,475	25,129,475	14,405,000	5,900,242	20,305,242
Total liabilities	20,551,111	11,457,817	32,008,928	18,983,100	6,023,677	25,006,777
Net Position						
Net investment in capital assets	-	-	-	33,578	-	33,578
Restricted	2,990,000	-	2,990,000	1,393,605	-	1,393,605
Unrestricted	7,158,698	98,511	7,257,209	4,413,417	88,961	4,502,378
Total net position	$ 10,148,698	$ 98,511	$ 10,247,209	$ 5,807,022	$ 88,961	$ 5,895,983

Pioneer began serving its CCA customers in February of 2018. Fiscal year 2018/19 was Pioneer's first full fiscal year of CCA Program operation. During fiscal year 2018/19, the CCA Program generated additional net position of $4.3 million, for a total net position of $10.1 million. As reflected on the Statement of Net Position, the CCA Program and mPOWER Program cash and investments increased by $5.0 million to $15.8 million during Fiscal Year 2018/19.

Pioneer intends to continue building its net position through CCA Program operations, increasing its working capital to meet its contractual requirements and other obligations; developing reserves to manage market price, credit, liquidity, operating, and regulatory/legislative risks; and reducing its debt.

CCA Program: Debt

At June 30, 2019, the CCA Program's total current liabilities were $6.5 million of which $5.6 million were accrued power supply costs which represent energy delivered to Pioneer customers, but not yet paid to the supplier.

The CCA Program ended FY 2018/19 with $14.4 million in outstanding debt on its Revenue Bond 2017. Pioneer made a minimum debt service payment, retiring $325,000 of principal during FY 2018/19. Of the $14.4 million outstanding, a minimum of $335,000 is due within FY 2019/20 and is classified as a current liability. The remaining balance of $14.0 million is classified as a long-term liability. The Revenue Bond 2017 matures on June 1, 2023, at which time any remaining balance of the Revenue Bond 2017 is payable in full (balloon payment). The 2017 Revenue Bond is held as an investment in the Placer County Treasurer's Investment Pool and is secured by CCA Program revenues and assets.

CCA Program: Cash Flow and Cash and Investments

The CCA Program generated $6.7 million in cash from operating and investment activities in FY 2018/19 compared to $2.7 million that was used in FY 2017/18. The $6.7 million in FY 2018/19 was partially offset by cash used for noncapital financing activities to pay bond principal and interest in the amount $715,345, resulting in an increase of $5.9 million in cash and investments. The FY 2018/19 balance was $17.7 million compared to the June 30, 2018 ending balance of $11.7 million.

mPOWER Program: Debt

Pioneer ended FY 2018/19 with $11.2 million in outstanding debt on its five outstanding mPOWER Program revenue bonds. Pioneer retired $758,342 of mPOWER bonds during FY 2018/19, but issued $6.075 million in additional mPOWER bonds - a net increase of $5.3 million. Of the $11.2 million mPOWER bonds outstanding, $169,042 is due within the coming fiscal year and is classified as a current liability. The remaining balance of $11.1 million is classified as a long-term liability. The mPOWER revenue bonds are held as an investment in the Placer County Treasurer's Investment Pool and are secured by the underlying property tax assessments attached and collected through the property owner's secured property tax bill.

mPOWER Program: Cash Flow and Cash and Investments

The mPOWER Program used $4.6 million in cash from operating and investment activities in FY 2018/19 compared to $5.4 million in FY 2017/18. For both fiscal years, most of the cash was used to provide property tax assessment financing to property owners to fund new PACE projects (energy efficiency, solar and water conservation). The $4.6 million generated from operating and investment activities during FY 2018/19 was partially offset by cash generated from noncapital financing activities in the amount of $5.1 million. During FY 2018/19, most of the cash was generated through the issuance of bonds in the amount of $6.1 million, while $1.0 million was used to pay principal and interest. Overall, cash and investments increased by $515,827 from an ending balance on June 30, 2018 of $441,469 to end on June 30, 2019 with a balance of $957,296.

Pioneer's results of operations are summarized in the table below for the fiscal years ended June 30, 2019 and 2018:

Summary of Revenues, Expenditures, and Changes in Net Position

	2019			2018		
Revenue	**CCA**	**mPOWER**	**Total**	**CCA**	**mPOWER**	**Total**
Operating revenues	$ 71,846,243	$ 676,381	$ 72,522,624	$ 24,611,369	$ 149,400	$ 24,760,769
Interest income	480,985	244,608	725,593	37,649	99,462	137,111
Total income	72,327,228	920,989	73,248,217	24,649,018	248,862	24,897,880
Expenditures						
Operating expenses	67,596,322	607,960	68,204,282	18,497,139	75,744	18,572,883
Interest and related expenses	389,230	303,479	692,709	344,857	84,157	429,014
Total expenses	67,985,552	911,439	68,896,991	18,841,996	159,901	19,001,897
Changes in net position						
Change in net position	4,341,676	9,550	4,351,226	5,807,022	88,961	5,895,983
Beginning net position	5,807,022	88,961	5,895,983	-	-	-
Ending net position	$ 10,148,698	$ 98,511	$ 10,247,209	$ 5,807,022	$ 88,961	$ 5,895,983

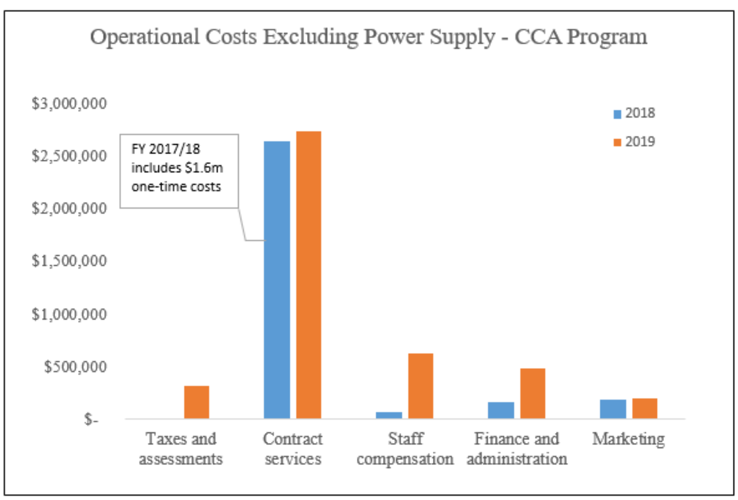
CCA Program: Electricity Sales and Costs

For its first four- and one-half months of service in FY 2017/18 (commencing February 2018), revenue from the sale of electricity was $24,611,369 and cost of electricity was $15,449,088.

For the CCA Program's first full year of operation, FY 2018/19 electricity sales were $71.8 million, and the cost of electric power supply was $63.2 million

CCA Program: Operating Costs, Excluding Cost of Electricity

Total operational costs, excluding cost of electricity, were $4.4 million in FY 2018/19 compared to $3.0 million in FY 2017/18. Although the CCA Program was only operational for four and one-half months, contract service costs for FY 2017/18, were $2.6 million. The $2.6 million in operational costs included $1.6 million in one-time costs related startup/feasibility cost reimbursement to Placer County.



Contract service costs in fiscal year 2018/19 increased to $2.7 million for the CCA Program's first full year of operation and consists mostly of meter data management, power scheduling, and legal and regulatory services. Staff compensation and finance and administration costs increased to a combined $1.1 million from $221,262 in fiscal year 2017/18, as a result of full year operations and increased staff to support power resource operations, and regulatory activities. Staffing costs are expected to increase as Pioneer's operations continue to ramp-up.

As a provider of retail electricity, Pioneer is subject to the energy surcharge levied by the California Department of Tax and Fee Administration. In fiscal year 2017/18, Pioneer paid $88,000 in energy surcharges which were recognized as an offset to electricity sales. In FY 2018/19, Pioneer paid $319,211 in energy surcharges and began recognizing the electricity surcharge as an operating expense rather than an offset to electricity sales.

mPOWER Program: Program Revenue and Costs

In FY 2018/19, mPOWER Program revenues which consist of interest on property tax assessments and program fees were $676,381 compared to $149,400 during the first six months of operations in FY 2017/18, while the mPOWER Program was being transitioned from the County. The property tax assessment interest and program fees are utilized to recover program costs and are not used to build additional net position.

Operational costs were $607,960 in FY 2018/19 compared to $75,744 in FY 2017/18. Staff compensation increased due to a full year of operations compared to a partial year in FY 2017/18. Bond interest expense in FY 2018/19 was $303,479 and was partially offset by $244,608 in interest income from investments. Full program cost recovery occurs over time as future interest revenues are realized to offset upfront costs of processing applications. The change in net position for FY2018/19 was $9,550 compared to $88,961 in FY 2017/18.

A separate Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for the CCA and mPOWER Programs can be found in the Supplementary Information Section.

FISCAL YEAR 2019/20 UPCOMING BUDGET AND ECONOMIC OUTLOOK

At its Board meeting on October 7, 2019, the Pioneer Board adopted the Final Budget for FY 2019/20, superseding the Preliminary Budget adopted on June 3, 2019. The Preliminary Budget adopted on June 3, 2019, provided appropriation authority for FY 2019/20 until the Final Budget was adopted on October 7, 2019, when new electricity rates were also approved. The new electricity rates, effective November 1, 2019, increased CCA Program revenues consistent with the Final Budget to meet Pioneer's revenue requirements for cost of electricity and operational costs. The CCA Program revenues reflected in the FY 2019/20 Final Budget are $83.9 million which is an increase of $12 million over the prior year expenses and are expected to cover increased cost of electricity due to wholesale market price increases over the past year and costs associated with increased electric load from enrollment of NEM customers enrolled during FY 2018/19.
The Pioneer Board allocated $5 million of net position to CCA Program reserves at its Board meeting on September 24, 2018. At its meeting on September 23, 2019, the Pioneer Board adopted a revised Reserve Policy for the CCA Program and adopted an updated Debt Policy addressing both the CCA Program and the mPOWER Program. At this meeting, the Pioneer Board also took action to cancel the $5 million in CCA Program reserves it had allocated on September 24, 2018 to make additional operating funds available for working capital and collateral requirements.

The revised CCA Program Reserve Policy adopted by the Pioneer calls for: 1) A Target Reserve Level equaling forty percent of projected energy and operating expenses for the upcoming fiscal year, 2) the Target Reserve Level includes a Minimum Liquidity Level of 120 days operating expenses, and 3) achieving the Target Reserve Level and Minimum Liquidity Level by June 2022. If applied to the CCA Program's current financial conditions, the Target Reserve Level would be $29.2 million of which $24 million would be needed to meet the Minimum Liquidity Level. The minimum amount necessary to achieve the Target Reserve Level by June of 2022 is $9.73 million.

The updated Pioneer Debt Policy reflects that Pioneer does not have a capital improvement program because its primary purposes are related to procuring and providing electric power primarily using contractual arrangements and not through the purchase of physical assets. The Debt Policy further states Pioneer is committed to long-term financial planning, maintaining appropriate reserve levels and employing prudent practices in governance, financial management and budget administration and that Pioneer’s goal is to utilize conservative financing methods and techniques to obtain the highest practical credit ratings and the lowest practical borrowing costs.

Financial Statements

PIONEER COMMUNITY ENERGY
STATEMENTS OF NET POSITION
JUNE 30, 2019 & 2018

Assets	**2019**	**2018**
Current assets:		
Cash and investments	$ 15,369,507	$ 10,692,202
Restricted cash and investments	294,656	70,118
Accounts receivable electric customers, net	10,900,442	10,374,665
Interest receivable	166,176	13,206
Contractual assessments receivable (due within one year)	349,880	-
Prepaid expenses	2,077,587	2,654,803
Total current assets	29,158,248	23,804,994
Noncurrent assets:		
Restricted cash and investments	2,990,000	1,393,605
Contractual assessments receivable	10,107,889	5,670,583
Capital assets, nondepreciable	-	33,578
Total noncurrent assets	13,097,889	7,097,766
Total assets	42,256,137	30,902,760
Liabilities		
Current liabilities:		
Accounts payable	323,850	233,205
Accrued cost of power supply	5,609,710	3,884,077
Other accrued liabilities	8,341	17,705
Accrued bond interest payable	155,943	89,581
Bond principal payable (due within one year)	504,042	336,981
Contract exclusivity deposits - energy suppliers	100,000	-
User taxes and energy surcharges due to other governments	77,542	88,364
Unearned revenue	100,025	51,622
Total current liabilities	6,879,453	4,701,535
Noncurrent liabilities:		
Bond principal payable, net of current position	25,129,475	20,305,242
Total noncurrent liabilities	25,129,475	20,305,242
Total liabilities	32,008,928	25,006,777
Net Position:		
Net investment in capital assets	-	33,578
Restricted for collateral deposits with others	2,990,000	1,393,605
Unrestricted	7,257,209	4,502,378
Total net postion	$ 10,247,209	$ 5,895,983

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

Financial Statements

PIONEER COMMUNITY ENERGY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Operating Revenues		
Electricity sales, net	$ 71,846,243	$ 24,611,369
Service charges	676,381	149,400
Total operating revenues	72,522,624	24,760,769
Operating Expenses		
Cost of electricity	63,195,438	15,449,088
Taxes and assessments	319,211	-
Contract services	2,788,765	2,678,543
Staff compensation	1,130,041	103,357
Finance and administration	522,492	155,890
Marketing	214,757	186,005
Total operating expenses	68,170,704	18,572,883
Operating income (loss)	4,351,920	6,187,886
Nonoperating Revenues (Expenses)		
Interest income	725,593	137,111
Interest and related expenses	(692,709)	(429,014)
Loss on disposal of capital assets	(33,578)	-
Total nonoperating revenues (expenses)	(694)	(291,903)
Change in Net Position		
Change in net position	4,351,226	5,895,983
Net position at beginning of period	5,895,983	-
Net position at end of period	$ 10,247,209	$ 5,895,983

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

PIONEER COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Receipts from electricity sales	$ 71,320,466	$ 14,376,690
Payments received from other revenue sources	724,784	149,400
Payments received from security deposits with energy suppliers	100,000	-
Payments to purchase electricity	(60,892,589)	(13,986,609)
Payments for taxes and assessments	(330,033)	-
Payments for contract services	(2,698,120)	(2,678,543)
Payments for staff compensation	(1,130,041)	(103,357)
Payments for finance and administration	(531,856)	(138,185)
Payments for maketing	(214,757)	(186,005)
Contractual assessments issued	(4,787,186)	(5,670,583)
Net cash provided by (used in) operating activities	1,560,668	(8,237,192)
Cash Flows from Noncapital Financing Activities		
Issuance of long-term debt	6,074,636	(3,368,965)
Principal paid on long-term debt	(1,083,342)	(339,433)
Interest and related expenses	(626,347)	24,011,188
Net cash provided by (used in) noncapital financing activities	4,364,947	20,302,790
Cash Flows from Capital and Related Financing Activities		
Acquisition of nondepreciable assets	-	(33,578)
Net cash provided by (used in) capital and related financing activites	-	(33,578)
Cash Flows from Investing Activities		
Interest income	572,623	123,905
Net increase (decrease) in cash and investments	6,498,238	12,155,925
Cash and investments, beginning of year	12,155,925	-
Cash and investments, end of year	$ 18,654,163	$ 12,155,925
Reconciliation to the Statement of Net Position		
Cash and investments (unrestricted)	$ 15,369,507	$ 10,692,202
Restricted cash	3,284,656	1,463,723
Cash and investments	$ 18,654,163	$ 12,155,925

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

Financial Statements

Reconciliation of Operating Income to Net Cash Provided by (used in) Operating Activities

	2019	2018
Operating income (loss)	$ 4,351,920	$ 6,187,886
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in net accounts receivable	(525,777)	(10,374,665)
(Increase) decrease in other receivables	(4,787,186)	(5,670,583)
(Increase) decrease in prepaid expenses	577,216	(2,654,803)
Increase (decrease) in accounts payable	90,645	233,205
Increase (decrease) in accrued cost of electricity	1,725,633	3,884,077
Increase (decrease) in other accrued liabilities	(9,364)	17,705
Increase (decrease) in unearned revenue	48,403	51,622
Increase (decrease) in security deposits from energy suppliers	100,000	-
Increase (decrease) in user taxes due to other governments	(10,822)	88,364
Net cash provided by (used in) operating activities	$ 1,560,668	$ (8,237,192)
Noncash financing and investing activities		
Loss on disposal of nondepreciable capital assets	$ 33,578	$ -

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Reporting Entity

Pioneer Community Energy (Pioneer) is a California joint powers authority created in August of 2015. As of June 30, 2019, the Pioneer Joint Powers Authority consisted of the following Voting Members: the cities of Auburn, Colfax, Lincoln, Rocklin, the Town of Loomis, and the County of Placer. As a joint powers authority comprised of cities and the County, Pioneer is a not-for-profit, local government agency. Pioneer is governed by a Board of Directors whose membership is composed of elected officials appointed by each of the Voting Members to represent their respective jurisdiction.

Pioneer is a public agency separate from its members and derives no financial support from its members. Pursuant to California Government Code and Pioneer's JPA Agreement, the debts, liabilities and obligations of the Authority shall not be debts, liabilities or obligations of Pioneer's individual members.

Pioneer operates two programs, the CCA Program and the mPOWER Program. Each program is independent of the other and the records and accounting for each program are separate and independent of the other program. Each program is supported by the revenues derived from the activities of each respective program. These financial statements include financial statements and information for each program and in consolidated form for Pioneer as a reporting entity for financial reporting purposes.

CCA Program – Pioneer began providing electric generation services to its customers in February of 2018. Pioneer supplies electric energy to retail customers through its Community Choice Aggregation (CCA) Program. Pioneer participates in the wholesale energy market to acquire its energy and related products (resource adequacy and renewable energy) from a variety of wholesale energy suppliers. Pioneer's energy is delivered through existing physical infrastructure and equipment owned and operated by the incumbent utility.

mPOWER Program – The mPOWER Program provides assessment financing to property owners for the installation of energy efficiency, water conservation and distributed generation improvements. The mPOWER Program is supported from revenues derived from assessments attached to and collected on participating property owners' property tax bills.

Basis of Accounting and Measurement Focus

Pioneer'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. Pioneer's operations are accounted for as a government enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting. 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 – net investment in capital assets, restricted and unrestricted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (continued)

Cash and Investments

For purpose of the Statements of Cash Flows, Pioneer defines cash and investments to include cash on hand, demand deposits, and short-term investments.

For the purpose of the Statement of Net Position, amounts prepaid for electric energy, amounts pledged as collateral with Pioneer's electric power suppliers and amounts deposited with regulatory agencies and government authorities, are not considered cash or investments. These amounts are reported separately in the Statement of Net Position as "Restricted cash and investments" and are included in restricted cash and investments.

Operating and Non-operating Revenues and Expenses

Operating revenues consist of revenue from the sale of electricity to customers for the CCA Program, and assessments and fees for the mPOWER Program. Interest income is considered "non-operating revenue".

Operating expenses consist of:

- the cost of electric power supply,
- services related to power procurement and delivery,
- general and administrative costs,
- data services related to customer meters and billing for the CCA Program,
- general and administrative costs related to application processing, assessment funding and annual bond administration for the mPOWER Program.

Interest expense is considered "non-operating expense".

Revenue Recognition

CCA Program - Revenue is recognized on the accrual basis. This includes customer meter readings during the reporting period for energy estimated to have been delivered but not yet billed and estimated future bill adjustments that apply to the reporting period. Management estimates that a portion of the billed amounts will be uncollectable. Accordingly, an allowance for uncollectable accounts is recognized.

mPOWER Program – Pioneer accrues and recognizes interest on mPOWER assessments on a monthly basis. The interest is collected twice annually as part of the property owner's property tax payment which must be paid on or before December 10th of each year for the first installment and on or before April 10th of each fiscal year for the second installment.

Expense Recognition

Pioneer recognizes its electric power purchases (renewable energy and resource adequacy costs) in the month in which the power purchased is deemed delivered. The cost of electric power and related services are recognized as "Cost of electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (continued)

CCA Program, Electric Power Purchases- During the normal course of business, Pioneer purchases electric energy from energy suppliers in the wholesale electric power market. Electric energy supply costs include the cost of electric power from contracts with wholesale suppliers, charges and credits for energy purchased and sold in the California Independent System Operator (CAISO) markets and other energy load charges incurred as a CAISO market participant.

CCA Program, Renewable Energy Purchases - To comply with the State of California's Renewable Portfolio Standards (RPS), Pioneer enters into contracts for eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) which are recognized and accounted for by the Western Renewable Energy Generation Information System (WREGIS). Pioneer procures Certificates with the intent to retire them for the purpose of complying with its RPS mandates.

CCA Program, Resource Adequacy Purchases - To comply with California Public Utilities Commission (CPUC) Resource Adequacy Program, Pioneer procures mandated resource adequacy (RA) products. The CPUC assigns allotments for the procurement of RA to ensure the reliable operation of the electric grid system and to provide incentives for the siting and construction of new resources necessary for the long-term reliability of the electric grid.

Net Position

The financial statements utilize a net position presentation comprised of the following components:

- *Net investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the net position balance.

- *Restricted* – This category consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt or credit covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted* – This category represents the net position, which is not included in the determination of net investment in capital assets or the restricted component of net position.

As of June 30, 2019, Pioneer had no capital assets. Pioneer applies restricted resources when an expense is incurred for purposes which both restricted and unrestricted net position are available.

Other Current Assets

Prepaid Expenses - Payments made for services that will benefit future accounting periods are recorded as prepaid expenses. The cost of prepaid items is recorded as an expenditure/expense when consumed rather than when purchased. As a contractual requirement, Pioneer is required by some suppliers to prepay for power products. Prepayments made in advance of use are recorded in the Statement of Net Position as "Prepaid expenses".

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (continued)

Prepaid expense balances were as follows as of June 30, 2019 and 2018:

	2019	2018
Energy	$ 1,917,710	$ 2,649,653
Metering & scheduling svcs.	142,236	-
Insurance, rent, other	17,641	5,150.0
Prepaid expenses	$ 2,077,587	$ 2,654,803

Restricted cash and investments - Pioneer makes security deposits pursuant to government and regulatory requirements and pursuant to contracts with various energy suppliers. While some deposit requirements run the length of the contract or have an expiration date, others depend on various factors such as creditworthiness, volume of transactions, and the length of the contract, or are ongoing in nature. Unless specifically addressed under the terms of the contract, collateral deposits are assumed to be held for less than one year and are accounted for as current assets. Security and collateral deposits are held in the custody of these entities and are noted on the Statement of Net Position as “Restricted cash and investments” under Non-current assets.

Pioneer also collects assessments which are legally and contractually obligated to for the payment of debt service on its revenue bonds. Assessments collected by Pioneer which are pledged for the repayment of debt are noted on the Statement of Net Position as “Restricted cash and investments” under Current assets.

Capital Assets and Depreciation

In FY 2017/18 Pioneer added $33,500 of office space tenant improvements to non-depreciable capital assets with the expectation that the total amount of non-depreciable capital assets would surpass the $50,000 accounting threshold for non-depreciable capital assets. After further review, it was determined that the initial project to set up Pioneer’s office would not surpass the $50,000 threshold. As a result, the non-depreciable capital asset amount was removed from the balance sheet and recognized as an expense in FY 2018/19. As of June 30, 2019, Pioneer had $0 capital assets.

Pioneer does not have a capital program as its CCA Program purposes are related to procuring and providing electric power primarily by using contractual arrangements and not through the purchase of physical assets. The purpose of the mPOWER Program is to provide financing. In either case, capital assets are not required to carry out Pioneer program purposes, and Pioneer does not have any plans to acquire physical assets at this time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (continued)

Capital asset activity for the fiscal year ended June 30, 2019 are as noted in the table below:

	Balance Jul. 1, 2018	Increases	Decreases	Transfers	Balance Jun. 30, 2019
Business-type activites:					
Capital assets, not being depreciated:					
Tenant Improvements	$ 33,578	$ -	$ (33,578)	$ -	$ -
Total capital assets not being deprciated	$ 33,578	$ -	$ (33,578)	$ -	$ -

	Balance Feb. 1, 2018	Increases	Decreases	Transfers	Balance Jun. 30, 2018
Business-type activites:					
Capital assets, not being depreciated:					
Tenant Improvements	$ -	$ 33,578	$ -	$ -	$ 33,578
Total capital assets not being deprciated	$ -	$ 33,578	$ -	$ -	$ 33,578

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 financial statements.

2. CASH AND INVESTMENTS

As of June 30, 2019, Pioneer's cash and investments deposited in the Placer County Treasurer's Investment Pool (the "Pool") were considered unrestricted.

Unrestricted cash and investments shown on the statement of net position and the balance sheet represent Pioneer's share of deposits in the Pool.

California Government Code Section 53600, et. seq., and the Placer County Treasurer's Investment Policy authorizes the following investments; U.S. Treasury securities, U.S. agency securities, local agency bonds, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, corporate notes, collateralized certificates of deposit, California Local Agency Investment Fund (LAIF), Certificate of Deposit Account Registry Services (CDARS) certificates of deposit, other collateralized deposits, and supranational investments. Other allowable investments pursuant to Government Code Section 53601, although restricted by the Treasurer's Investment Policy, include mutual funds, mortgage and collateral-backed securities, asset-backed securities, reverse repurchase agreements, and joint powers agency investment pools.

2. CASH AND INVESTMENTS (Continued)

The Placer County Treasurer has a Treasury Review Panel, which performs regulatory oversight over the Pool as required by the Placer County Treasurer's Investment Policy. Investments are stated at fair value in accordance with generally accepted accounting principles. However, the value of Pioneer's deposits in the Pool, is determined on an amortized cost basis, which is different than the fair value of Pioneer's position in the pool. Pioneer's deposits in the Pool as of June 30, 2019 and 2018 are stated at fair value. Placer County's comprehensive annual financial report, containing information relating to the Pool's cash and investments by risk category, can be obtained from the County Auditor-Controller's office.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. Pioneer's deposits are subject to the risk policies contained in the County Treasurer's Investment Policy.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average maturity of the Pool as of June 30, 2019 and 2018 was 897 days and 1,301 days.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Pool has not been credit rated.

Custodial Credit Risk
The custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, a depositor will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (i.e. broker-dealer) to a transaction, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Treasurer's Investment Policy contain the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Fair Value Measurement
Pioneer categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles, which provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Placer County's

2. CASH AND INVESTMENTS (Continued)

comprehensive annual financial report, containing information relating to the Pool's cash and investments fair value hierarchy, can be obtained from the County Auditor-Controller's office.

3. ACCOUNTS RECEIVABLE

CCA Program
Accounts receivable balances were as follows as of June 30, 2019 and 2018:

	2019	2018
Accounts receivable from electric customers	$ 11,261,533	$ 10,612,525
Allowance for uncollectible accounts	(361,091.00)	(237,860)
Net accounts receivable	$ 10,900,442	$ 10,374,665

Accounts receivable generated by the CCA Program represent customer meter readings during the reporting period for energy estimated to have been delivered, but not yet billed or collected and estimated future bill adjustments that apply to the reporting period.

Most account collections occur within the first few months following customer invoicing. Pioneer pursues collection on delinquent accounts that exceed a minimum amount. Pioneer estimates that a portion of the billed accounts will not be collected and reduces its revenue estimates accordingly.

mPOWER Program
Assessments receivable balances were as follows as of June 30, 2019 and 2018:

	2019	2018
mPOWER Placer County	$ 8,073,807	$ 4,003,713
mPOWER Nevada County	2,024,616	1,479,697
mPOWER Sacramento County	359,346	187,173
Total assessments receivable	10,457,769	5,670,583
Current portion of total assessments receivable	$ 349,880	$ -

Assessments receivable balances represent amounts due from mPOWER Program participants. Each assessment is payable in the same manner and at the same time as the general taxes on real property. All amounts received are used to pay the principal, interest and administrative costs of outstanding bonds when due.

Assessments are collected on the secured property tax bills which are delinquent after December 10th for the first installment and April 10th for the second installment. Installments paid after the delinquent date are subject to a ten percent penalty. Installments remaining unpaid after July 1 of each year begin to accrue a penalty at the rate of 1.5% as of the first day of each calendar month until paid. The Auditor-Controller's office apportions the collected installments to Pioneer approximately one month after collection.

3. ACCOUNTS RECEIVABLE (continued)

Unpaid assessments are subject to accelerated judicial foreclosure and tax-defaulted land sale. mPOWER assessments have never required foreclosure or tax-defaulted land sale for collection.

The increase in total assessments receivable is a result of increased PACE projects funded by mPOWER, net of early payoffs.

4. DEBT

CCA Program Revenue Bond, Series 2017 (Line of Credit)

In December of 2017, the Pioneer Governing Board authorized the issuance of Revenue Bond Series 2017 in the form of a draw-down bond in the maximum amount of $40 million to finance its initial purchases of electricity, prior to receiving revenue after the close of its initial billing cycles. The Revenue Bond Series 2017 draw-down feature operates as a line of credit. Additional draws can be made anytime. The bonds are callable for redemption at the option of Pioneer, in whole or in part on the first business day of any month and may be redeemed prior to maturity by payment of principal, plus accrued interest to date of redemption, without premium. The bonds mature on June 1, 2023, at which time the outstanding balance must be paid in full (balloon payment). The outstanding balance is amortized to June 1, 2023, and interest is payable semi-annually and a minimum principal payment is required once a year, based on the amortized balance. At June 30, 2019, the outstanding balance was $14.4 million, and the unused portion of the credit line was $25.6 million.

The Revenue Bond Series 2017 is classified as a direct borrowing held by the Placer County Treasurer's Investment Pool. Repayment is payable solely from revenues of the CCA Program. Accordingly, Pioneer's CCA Program revenues are pledged for the repayment of the Revenue Bond Series 2017 and Pioneer's cash and investments are required to be deposited and held in accounts in the Placer County Treasury and may be attached in the event of a default. Default occurs if Pioneer fails to make timely repayment of the minimum annually required debt service amounts or fails to pay the bonds in full by June 1, 2023, or if Pioneer removes its cash and investments from the Placer County Treasury.

mPOWER Program Revenue Bonds

On January 26, 2017, the Pioneer Board authorized the issuance of revenue bonds to provide the capital necessary for financing residential property improvements in the amount of $25 million, and in the amount of $25 million for non-residential property improvements. Pioneer uses the designation "R" in its bond series naming system to signify bonds financing residential improvements and "NR" to signify bonds financing non-residential improvements. Pioneer previously issued mPOWER revenue bonds Series R 2016-17, Series R 2017-18 and Series NR 2017-18 in the amounts of $493,000, $5.4 million, and $138,000 respectively, to finance energy retrofit projects. During the fiscal year ended June 30, 2019, Pioneer issued revenue bonds Series R 2018-19 and Series NR 2018-19 in the amounts $5.6 million and $418,000. All mPOWER Program series bonds are classified as direct borrowings held in the Placer County Treasurer's Investment Pool and are payable solely from assessments and fees from participating property owners. Pioneer has authorized, but has not issued $ 13.5 million residential mPOWER bonds and $24.4 non-residential bonds as of June 30, 2019.

4. DEBT (continued)

The following is a summary of Pioneer's debt outstanding at June 30, 2019:

	Maturity	Interest Rates	Annual Principal	Issuance Amount	Outstanding Bal. Jun. 30, 2019
Type of indebtedness					
Revenue Bonds:					
2017 Revenue Bonds Series 2017 (CCA Program)	6/1/2023	2.65%	$270K - $355K	$ 18,000,000	$ 14,405,000
Series R 2016-17 (mPOWER Program)	9/2/2037	3.00	$11.1K - $27.9K	492,589	354,769
Series R 2017-18 (mPOWER Program)	9/2/2038	3.00	$154.1K - $344K	5,380,276	4,839,028
Series NR 2017-18 (mPOWER Program)	9/2/2038	3.00	$3.7K - $11.4K	138,323	138,323
Series R 2018-19 (mPOWER Program)	9/2/2039	4.50	$185.4K - $394.5K	5,656,485	5,478,245
Series NR 2018-19 (mPOWER Program)	9/2/2039	4.50	$14.6K - $17.4K	418,152	418,152
Total				**$ 30,085,825**	**$ 25,633,517**

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2019 and 2018:

Bond Title, Series Number	Balance July 1, 2018	Additions	Principal Repayments	Balance June 30, 2019	Due Within One Year
Revenue Bonds Series 2017 (CCA Program)	$ 14,730,000	$ -	$ (325,000)	$ 14,405,000	$ 335,000
Series R 2016-17 (mPOWER Program)	414,150	-	(59,381)	354,769	11,137
Series R 2017-18 (mPOWER Program)	5,359,750	-	(520,722)	4,839,028	154,145
Series NR 2017-18 (mPOWER Program)	138,323	-	-	138,323	3,760
Series R 2018-19 (mPOWER Program)	-	5,656,484	(178,239)	5,478,245	-
Series NR 2018-19 (mPOWER Program)	-	418,152	-	418,152	-
Total	**$ 20,642,223**	**$ 6,074,636**	**$ (1,083,342)**	**$ 25,633,517**	**$ 504,042**

Bond Title, Series Number	Balance July 1, 2017	Additions	Principal Repayments	Balance June 30, 2018	Due Within One Year
Revenue Bonds Series 2017 (CCA Program)	$ -	$ 18,000,000	$ (3,270,000)	$ 14,730,000	$ 325,000
Series R 2016-17 (mPOWER Program)	492,589	-	(78,439)	414,150	11,981
Series R 2017-18 (mPOWER Program)	-	5,380,276	(20,526)	5,359,750	-
Series NR 2017-18 (mPOWER Program)	-	138,323	-	138,323	-
Total	**$ 492,589**	**$ 23,518,599**	**$ (3,368,965)**	**$ 20,642,223**	**$ 336,981**

The following schedule reflects the total debt service requirements to maturity as of June 30, 2019 for the outstanding CCA Program Revenue Bonds Series 2017 and the mPOWER Program revenue bonds:

Fiscal Year Ending	Revenue Bonds - CCA Fund		Revenue Bonds - mPOWER Fund		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 335,000	$ 381,733	$ 169,042	$ 411,039	$ 504,042	$ 792,772
2021	340,000	372,855	370,865	412,884	710,865	785,739
2022	350,000	363,845	393,117	398,455	743,117	762,300
2023	13,380,000	354,570	416,704	383,159	13,796,704	737,729
2024	-	-	441,707	366,946	441,707	366,946
2025-2029	-	-	2,589,681	1,559,384	2,589,681	1,559,384
2030-2034	-	-	3,011,630	1,028,489	3,011,630	1,028,489
2035-2040	-	-	3,835,771	428,099	3,835,771	428,099
Total	**$ 14,405,000**	**$ 1,473,003**	**$ 11,228,517**	**$ 4,988,455**	**$ 25,633,517**	**$ 6,461,458**

5. STAFFING COSTS AND LIABILITIES

Defined Contribution Retirement Plan

Pioneer established the Pioneer Community Energy 457(b) Plan (the "Plan"), a defined contribution retirement plan, to provide benefits at retirement for its employees. The Plan is administered by a third-party retirement plan administrator. As of June 30, 2019, there were five plan members. Pioneer contributes $1,000 per employee per month to the Plan and contributed a prorated amount of $54,600 in total during the fiscal year ended June 30, 2019. Plan provisions and contribution levels are established and may be amended by the Pioneer Board at any time. The Plan does not create long-term liabilities such as those associated with defined benefit pension plans.

Health Benefits

Pioneer provides its employees (including dependent coverage) a maximum of $1,891 per month toward the cost of health benefits, including medical, dental and vision care. Employees who are provided coverage by another family member receive a monthly in-lieu amount of $300 to defray the cost of dependent coverage on the providing family member's plan. Pioneer does not provide other post-employment (healthcare) benefits (OPEB) and therefore does not generate any long-term liabilities associated to employee health care or other benefits.

6. RELATED PARTY TRANSACTIONS

Placer County provides administrative and accounting services to Pioneer and allocates costs related to these services and facilities to Pioneer. For the fiscal year ended June 30, 2019, Placer County incurred and charged $800,295 to Pioneer for salaries, benefits, overhead, operating costs and administrative services related to both the CCA and mPOWER Programs. Additionally, Placer County provides legal services to Pioneer for which Placer County incurred and charged Pioneer $98,542 for salaries, benefits and related overhead.

Conversely, Pioneer also incurred and charged Placer County for administrative collections costs related to mPOWER assessments. For the fiscal year ended June 30, 2019, the amount charged by Pioneer to Placer County was $64,965.

7. RISK MANAGEMENT

Pioneer is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; injuries to and illnesses of employees: and errors and omissions. During the year, Pioneer purchased insurance policies from investment grade commercial carriers to mitigate risks that include those associated with natural disasters, theft, general liability, errors and omissions, property damage, and workers' compensation. There have been no changes in insurance policies, and there have not been any settlements, or other risk claims over the past three years.

Additionally, Pioneer maintains an Energy Risk Management Policy, risk management guidelines, procedures and systems for its CCA Program to mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the wholesale energy market. The Energy Risk Management Policy focuses on risk management goals and principles, definitions of risks, internal control principles, risk management business practices, and risk management governance. Pioneer manages power resource

7. RISK MANAGEMENT (Continued)

risks in accordance with internal control principles which include segregation of duties, checks and balances between different functional areas, delegation of authority commensurate with responsibility and capability, and limiting activities to defined products and transactions, including hedging strategies and financial instruments suitable for CCAs. The Energy Risk Management Policy also documents Pioneer's current risk management practices and provides a framework for Pioneer to continue to identify, measure and manage energy market risks.

8. PURCHASE COMMITMENTS

In the normal course of business, Pioneer enters into various power purchase agreements to hedge its electric power portfolio to ensure stable and competitive rates to its customers and to meet statutory and regulatory obligations. These agreements may be for the purchase of electric energy, renewable energy or electric capacity. These agreements may be based on fixed or variable prices and volumes. Variable pricing is typically based on an electricity price index and variable volumes are generally for certain renewable energy products such as solar, wind and hydro-electric facilities which may provide power on an as-generated basis.

The following table indicates the expected and undiscounted contractual obligations for electric power products outstanding as of June 30, 2019.

Year ended June 30,		
2020	$	3,998,520
2021		5,407,600
2022		3,646,000
	$	13,052,120

9. OPERATING LEASE

During FY 2018/19, Pioneer's rental expense was $106,283. Prior to FY 2018/19, Pioneer utilized space provided by Placer County. In May 2018, Pioneer entered into a non-cancelable lease for office space in Rocklin, California for which it commenced occupancy and lease payments in September of 2018. The rental agreement is for a term of 88 months, with an option to renew for two consecutive terms of five years each, for a total of 10 years.

Future minimum lease payments are shown in the table below:

Year ending June 30,		
2020	$	110,157
2021		113,462
2022		116,866
2023		120,372
2024		135,498
2025-2026		283,313
	$	879,668

10. FUTURE GASB PRONOUNCEMENTS

The requirements of the following GASB Statements are effective for future fiscal years ending after June 30, 2019:

GASB Statement No. 87, *Leases*, is effective for fiscal years beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reports for leases by governments. This Statement increases the usefulness of a governmental entity's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this Statement a lessee is required to recognize a lease liability and an intangible right-to-use a leased asset, thereby enhancing the relevance and consistency of information about government leasing activities. Pioneer has not determined the effect, if any, on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is effective for the fiscal years beginning after December 15, 2019. The objectives of this statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. Pioneer has not determined the effect, if any, on the financial statements.

GASB Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements no. 14 and No. 61*, is effective for the fiscal years be beginning after December 15, 2018. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Pioneer has not determined the effect, if any, on the financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, is effective for the fiscal years beginning after December 15, 2020. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Pioneer has not determined the effect, if any, on the financial statements.

11. PG&E AND BANKRUPTCY

In January 2019, PG&E filed for Chapter 11 bankruptcy protection.

PG&E Meter Data, Billing and Collection: Pursuant to California State Law, PG&E provides Pioneer customer meter data and collects customer payments on behalf of Pioneer. The bankruptcy court has formally recognized that CCA Program revenues are not an asset of PG&E's bankruptcy estate and are not subject to the claims of PG&E's debtors. Pioneer has not experienced any material interruption in the flow of its revenues and does not anticipate any future disruption of its revenues due to PG&E's bankruptcy.

PG&E Transmission and Delivery: PG&E owns and is responsible for operating, maintaining and repairing its transmission and delivery system. Pioneer relies on PG&E for the delivery of electric power to its customers. Pioneer expects PG&E to continue to operate its transmission and delivery system in an on-going manner.

PIONEER COMMUNITY ENERGY
SUPPLEMENTARY INFORMATION

PIONEER COMMUNITY ENERGY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019			2018		
	CCA Program	mPOWER Program	Total	CCA Program	mPOWER Program	Total
Assets						
Current assets						
Cash and investments	$ 14,706,867	$ 662,640	$ 15,369,507	$ 10,320,851	$ 371,351	$ 10,692,202
Restricted cash and investments	-	294,656	294,656	-	70,118	70,118
Accounts receivable electric customers, net	10,900,442	-	10,900,442	10,374,665	-	10,374,665
Interest receivable	24,913	141,263	166,176	12,620	586	13,206
Contractual assessments receivable (due within one year)	-	349,880	349,880	-	-	-
Prepaid expenses	2,077,587	-	2,077,587	2,654,803	-	2,654,803
Total current assets	27,709,809	1,448,439	29,158,248	23,362,939	442,055	23,804,994
Noncurrent assets						
Restricted cash and investments	2,990,000	-	2,990,000	1,393,605	-	1,393,605
Contractual assessments receivable	-	10,107,889	10,107,889	-	5,670,583	5,670,583
Capital assets, nondepreciable	-	-	-	33,578	-	33,578
Total noncurrent assets	2,990,000	10,107,889	13,097,889	1,427,183	5,670,583	7,097,766
Total assets	30,699,809	11,556,328	42,256,137	24,790,122	6,112,638	30,902,760
Liabilities						
Current liabilities						
Accounts payable	323,255	595	323,850	231,510	1,695	233,205
Accrued cost of power supply	5,609,710	-	5,609,710	3,884,077	-	3,884,077
Other accrued liabilities	5,275	3,066	8,341	17,705	-	17,705
Accrued bond interest payable	30,329	125,614	155,943	31,444	58,137	89,581
Bond principal payable (due within one year)	335,000	169,042	504,042	325,000	11,981	336,981
Contract exclusivity deposits - energy suppliers	100,000	-	100,000	-	-	-
User taxes and energy surcharges due to other governments	77,542	-	77,542	88,364	-	88,364
Unearned revenue	-	100,025	100,025	-	51,622	51,622
Total current liabilities	6,481,111	398,342	6,879,453	4,578,100	123,435	4,701,535
Noncurrent liabilities						
Bond principal payable, net of current position	14,070,000	11,059,475	25,129,475	14,405,000	5,900,242	20,305,242
Total noncurrent liabilities	14,070,000	11,059,475	25,129,475	14,405,000	5,900,242	20,305,242
Total liabilities	20,551,111	11,457,817	32,008,928	18,983,100	6,023,677	25,006,777
Net Position						
Net investment in capital assets	-	-	-	33,578	-	33,578
Restricted for collateral deposits with others	2,990,000	-	2,990,000	1,393,605	-	1,393,605
Unrestricted	7,158,698	98,511	7,257,209	4,413,417	88,961	4,502,378
Total net postion	$ 10,148,698	$ 98,511	$ 10,247,209	$ 5,807,022	$ 88,961	$ 5,895,983

PIONEER COMMUNITY ENERGY
SUPPLEMENTARY INFORMATION

PIONEER COMMUNITY ENERGY
COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	CCA Program	mPOWER Program	Total	CCA Program	mPOWER Program	Total
Operating Revenues						
Electricity sales, net	$ 71,846,243	$ -	$ 71,846,243	$ 24,611,369	$ -	$ 24,611,369
Service charges	-	676,381	676,381	-	149,400	149,400
Total operating revenues	71,846,243	676,381	72,522,624	$ 24,611,369	149,400	24,760,769
Operating Expenses						
Cost of electricity	63,195,438	-	63,195,438	15,449,088	-	15,449,088
Taxes and assessments	319,211	-	319,211	-	-	-
Contract services	2,736,150	52,615	2,788,765	2,642,829	35,714	2,678,543
Staff compensation	629,632	500,409	1,130,041	66,533	36,824	103,357
Finance and administration	485,375	37,117	522,492	154,729	1,161	155,890
Marketing	196,938	17,819	214,757	183,960	2,045	186,005
Total operating expenses	67,562,744	607,960	68,170,704	18,497,139	75,744	18,572,883
Operating income (loss)	4,283,499	68,421	4,351,920	6,114,230	73,656	6,187,886
Nonoperating Revenues (Expenses)						
Interest income	480,985	244,608	725,593	37,649	99,462	137,111
Interest and related expenses	(389,230)	(303,479)	(692,709)	(344,857)	(84,157)	(429,014)
Loss on disposal of capital assets	(33,578)	-	(33,578)			
Total nonoperating revenues (expenses)	58,177	(58,871)	(694)	(307,208)	15,305	(291,903)
Change in Net Position						
Change in net position	4,341,676	9,550	4,351,226	5,807,022	88,961	5,895,983
Net position at beginning of period	5,807,022	88,961	5,895,983	-	-	-
Net position at end of period	$ 10,148,698	$ 98,511	$ 10,247,209	$ 5,807,022	$ 88,961	$ 5,895,983

PIONEER COMMUNITY ENERGY
SUPPLEMENTARY INFORMATION

PIONEER COMMUNITY ENERGY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	CCA Program	mPOWER Program	Total	CCA Program	mPOWER Program	Total
Cash Flows from Operating Activities						
Receipts from electricity sales	$ 71,320,466	$ -	$ 71,320,466	$ 14,325,068	$ 51,622	$ 14,376,690
Payments received from other revenue sources	-	724,784	724,784	-	149,400	149,400
Payments received from security deposits with energy suppliers	100,000	-	100,000	-	-	-
Payments to purchase electricity	(60,892,589)	-	(60,892,589)	(13,988,304)	1,695	(13,986,609)
Payments for taxes and assessments	(330,033)	-	(330,033)	-	-	-
Payments for contract services	(2,644,405)	(53,715)	(2,698,120)	(2,642,829)	(35,714)	(2,678,543)
Payments for staff compensation	(629,632)	(500,409)	(1,130,041)	(66,533)	(36,824)	(103,357)
Payments for finance and administration	(497,805)	(34,051)	(531,856)	(137,024)	(1,161)	(138,185)
Payments for maketing	(196,938)	(17,819)	(214,757)	(183,960)	(2,045)	(186,005)
Contractual assessments issued	-	(4,787,186)	(4,787,186)	-	(5,670,583)	(5,670,583)
Net cash provided by (used in) operating activities	6,229,064	(4,668,396)	1,560,668	(2,693,582)	(5,543,610)	(8,237,192)
Cash Flows from Noncapital Financing Activities						
Issuance of long-term debt	-	6,074,636	6,074,636	18,000,000	6,011,188	24,011,188
Principal paid on long-term debt	(325,000)	(758,342)	(1,083,342)	(3,270,000)	(98,965)	(3,368,965)
Interest and related expenses	(390,345)	(236,002)	(626,347)	(313,413)	(26,020)	(339,433)
Net cash provided by (used in) noncapital financing activities	(715,345)	5,080,292	4,364,947	14,416,587	5,886,203	20,302,790
Cash Flows from Capital and Related Financing Activities						
Acquisition of nondepreciable assets	-	-	-	(33,578)	-	(33,578)
Net cash provided by (used in) capital and related financing activites	-	-	-	(33,578)	-	(33,578)
Cash Flows from Investing Activities						
Interest income	468,692	103,931	572,623	25,029	98,876	123,905
Net increase in cash and cash equivalents	5,982,411	515,827	6,498,238	11,714,456	441,469	12,155,925
Cash and investments, beginning of year	11,714,456	441,469	12,155,925	-	-	
Cash and investments, end of year	$ 17,696,867	$ 957,296	$ 18,654,163	$ 11,714,456	$ 441,469	$ 12,155,925
Reconciliation to the Statement of Net Position						
Cash and investments (unrestricted)	$ 14,706,867	$ 662,640	$ 15,369,507	$ 10,320,851	$ 371,351	$ 10,692,202
Restricted cash	2,990,000	294,656	3,284,656	1,393,605	70,118	1,463,723
Cash and investments	$ 17,696,867	$ 957,296	$ 18,654,163	$ 11,714,456	$ 441,469	$ 12,155,925

Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities

	2019			2018		
	CCA Program	mPOWER Program	Total	CCA Program	mPOWER Program	Total
Operating income (loss)	$ 4,283,499	$ 68,421	$ 4,351,920	$ 6,114,230	$ 73,656	$ 6,187,886
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
(Increase) decrease in net accounts receivable	(525,777)	-	(525,777)	(10,374,665)	-	(10,374,665)
(Increase) decrease in other receivables	-	(4,787,186)	(4,787,186)	-	(5,670,583)	(5,670,583)
(Increase) decrease in prepaid expenses	577,216	-	577,216	(2,654,803)	-	(2,654,803)
Increase (decrease) in accounts payable	91,745	(1,100)	90,645	231,510	1,695	233,205
Increase (decrease) in accrued cost of electricity	1,725,633	-	1,725,633	3,884,077	-	3,884,077
Increase (decrease) in other accrued liabilities	(12,430)	3,066	(9,364)	17,705	-	17,705
Increase (decrease) in unearned revenue	-	48,403	48,403	-	51,622	51,622
Increase (decrease) in security deposits from energy suppliers	100,000	-	100,000	-	-	-
Increase (decrease) in user taxes due to other governments	(10,822)	-	(10,822)	88,364	-	88,364
Net cash provided by (used in) operating activities	$ 6,229,064	$ (4,668,396)	$ 1,560,668	$ (2,693,582)	$ (5,543,610)	$ (8,237,192)
Noncash financing and investing activities						
Loss on disposal of nondepreciable capital assets	$ 33,578	$ -	$ 33,578	$ -	$ -	$ -

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
Pioneer Community Energy Joint Powers Authority
Auburn, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pioneer Community Energy Joint Powers Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 17, 2020.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Sacramento, California
February 17, 2020

Requests for Information

This constitutes Pioneer Community Energy's Basic Financial Statements and is designed to provide a record of Pioneer Community Energy's Pioneer's total and actual financial conditions for its Governing Board Members, stakeholders, customers and creditors.

Please address any questions about this report or requests for additional financial information to Executive Director, Pioneer Community Energy, 2510 Warren Drive, Ste. B, Rocklin, CA 95677.

PIONEER COMMUNITY ENERGY

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