PIONEER COMMUNITY ENERGY
A JOINT POWERS AUTHORITY
Auburn, California

Annual Financial Report
For the Fiscal Year Ended June 30, 2018

PIONEER COMMUNITY ENERGY
JOINT POWERS AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Pioneer Community Energy Joint Powers Authority (Authority) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2019, 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, and 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 the Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
April 9, 2019

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 year ended June 30, 2018. 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 *Statement of Net Position* includes all of Pioneer's assets, liabilities, and net position using the accrual basis of accounting. The Statements of Net Position provides information about the nature and amount of resources and obligations at a specific point in time.
  - The *Statement of Revenues, Expenses, and Changes in Net Position* reports all of Pioneer's revenue and expenses for the year shown.
  - The *Statement of Cash Flows* reports 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 is a California Joint Powers Authority established in 2015 pursuant to the Joint Exercise of Powers Act and is a public agency separate from its members. 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 consumptions;
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.

Electric energy is supplied to retail customers through a Community Choice Aggregation (CCA) Program under the California Public Utilities Code Section 366.2. Pioneer's Program provides local control over the electric supply with one of its primary goals to provide competitive and more stable electricity rates to the residents and businesses within its member jurisdictions. Pioneer has the rights and powers to set rates and charges for electricity and related services it provides, to incur debt, and to issue bonds and other obligations. Pioneer acquires energy from wholesale suppliers and delivers it through existing physical infrastructure and equipment owned and operated by Pacific Gas and Electric Company (PG&E).

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 have 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 Property Assessed Clean Energy (PACE) 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.

Pursuant to an action of the Placer County Board of Supervisors, Pioneer accepted an obligation to reimburse Placer County for specified costs to initiate and implement a CCA Program under a JPA Agreement of participating members. Pioneer repaid Placer County in full in the amount of $1,530,104 on March 2, 2018.

Pursuant to the Public Utilities Code, when new parties join Pioneer for purposes of the CCA Program, all electric customers in their jurisdictions automatically become customers of Pioneer for electric generation services, provided customers are given the option to "opt out". Pioneer's members are not financially liable for Pioneers' obligations or activities and Pioneer does not receive any financial support from its members. Pioneer relies exclusively on operating revenues to meet its financial obligations.

Pioneer began enrolling customers in its CCA Program from the cities of Auburn, Colfax, Lincoln, Rocklin, the Town of Loomis, and the unincorporated area of Placer County, and started providing electric generation services to its customers on February 1, 2018. The number of customer meters served following the full enrollment of non-solar customers on March 30, 2018 was 80,786, thus establishing Pioneer's initial customer base. As of June 30, 2018 the number of customer meters served by Pioneer's CCA Program was 80,427. Pioneer began enrolling and serving solar customers in September of 2018 and will complete its enrollment of solar customers in the summer of 2019.

Pioneer began to operate its mPOWER Program in January of 2017, within unincorporated areas of Nevada County and the City of Grass Valley and Nevada City. During 2018 Pioneer expanded its mPOWER Program in Placer County's unincorporated area, all of Placer County's cities, as well as the City of Folsom in Sacramento County. Property owner participation in the mPOWER Program is also voluntary.

Financial and Operational Highlights

During fiscal year 2017/18, Pioneer generated a net position of $5.9 million, and increased its cash and cash equivalents to $10.8 million. For fiscal year 2017/18, 15.5% of Pioneer's total liabilities consisted of accrued power supply costs which represent energy delivered to Pioneer customers, but not yet paid to the supplier. Pioneer's debt consist of bonds outstanding in the amount of $20,642,223 for financing related to both the CCA Program and the mPOWER Program (see discussion of Long-term Debt below).

Fiscal year 2017/2018 was the initial year for reporting Pioneer transactions.

The following table is a summary of Pioneer's assets, liabilities, and net position as of June 30:

	2018
Assets	
Current assets	$ 30,869,182
Capital assets	33,578
Total assets	30,902,760
Liabilities	
Current liabilities	4,705,193
Noncurrent liabilities	20,301,584
Total liabilities	25,006,777
Net Position	
Net investment in capital assets	33,578
Unrestricted	5,862,405
Total net position	$ 5,895,983

Consistent with its Reserve Policy, Pioneer is building its net position to support its working capital requirements, to provide a reserve to manage the risk of adverse economic or regulatory events, and to improve its credit worthiness. A strong net position allows Pioneer to provide consistent and reliable service to the community.

Pioneer's results of operations are summarized as follows for the fiscal year ended June 30:

	2018
Operating revenues	$ 24,760,769
Interest income	137,111
Total income	24,897,880
Operating expenses	18,572,883
Interest and related expenses	429,014
Total expenses	19,001,897
Change in net position	5,895,983
Beginning net position	-
Ending net position	$ 5,895,983

Revenues from Electric Generation Service and Costs

Electric generation revenues were $24.6 million in fiscal year 2017/18. As of June 30, 2018, customer meters accounts totaled 80,427. The cost of electric power supply was $15.4 million in fiscal year 2017/18. Gross surplus, defined as electric sales less power supply cost, was $9.2 million.

Long-Term Debt

Pioneer ended the fiscal year with a long-term debt balance of $20.6 million. During fiscal year 2017/18 Pioneer drew on its Revenue Bond, Series 2017 in the amount of $18 million for the purpose of providing financing for the procurement of electric power resources in order to serve its CCA Program customers beginning February 1, 2018. The Revenue Bond, Series 2017 is repaid solely from electric generation revenues. In June 2018, Pioneer was able to pay its Revenue Bond, Series 2017 down to $14.7 million. Also during the fiscal year 2017/18, Pioneer issued $5.5 million of Revenue Bonds (mPOWER Program), Series R 2017-18 and Series NR 2017-18, to finance energy retrofit projects within its jurisdiction, and repaid the principal of $99,000, resulting in an ending balance of $5.9 million. The Revenue Bonds (mPOWER Program, Series R 2017-18 and Series NR 2017-18) are payable solely from voluntary assessments on participating properties.

Economic Outlook and Purchase Commitments – CCA Program

Pioneer serves approximately 92% of all eligible customers in the territories of its voting members. This level of participation is anticipated to remain relatively stable. For residential customers, over its first year of operations, Pioneer's electric generation rates provided an average discount of 7.5% from PG&E rates, after including PG&E's Power Charge Indifference Adjustment (PCIA) surcharge.. This discount represents approximately $7 million annually in aggregate savings for electric customers in Pioneer's service territory. However, increases to the PCIA could erode this discount, and it could be some time before Pioneer is able to offset expected increases in the PCIA. Pioneer has worked in the regulatory arena with other CCAs to stabilize the PCIA. Recent actions by the California Public Utilities Commission (CPUC) are likely to cause the PCIA to remain high. The CPUC has not yet taken action to minimize the costs that comprise the PCIA which would lower costs for all customers (both CCA and remaining bundled PG&E customers).

Pioneer's first year of CCA operations, included only five months of providing electric services to its customers (February 1 – June 30). At the end of its first year of operations, on June 25, 2018, the Pioneer Governing Board approved its Fiscal Year 2018-19 Budget, and the Governing Board also took actions to begin establishing reserves based on its previously adopted Reserve Policies. Those actions included fully funding Cash on Hand at $2,000,000, fully funding reserves held at the California Independent System Operator (CAISO) in the amount of $600,000 and providing $3,750,000 (58% funding) for its Rate Stabilization Fund.

In the normal course of business, Pioneer enters into various agreements, for the purchase of energy, renewable energy, resource adequacy, and other energy related products for its CCA Program. Pioneer enters into these agreements to provide electric generation services to its customers, and to comply with state laws and regulations mandating the procurement of renewable and non-carbon producing energy and to comply with requirements related to the reduction of greenhouse gas (GHG) emissions, described in its Integrated Resource Plan. California law established a Renewable Portfolio Standard (RPS) that requires load-serving entities, such as Pioneer, to gradually increase the amount of renewable energy they deliver to their customers. In October 2015, the California Governor signed into law Senate Bill (SB) 350, the Clean Energy and Pollution Reduction Act of 2015. SB 350 became effective January 1, 2016, increasing the RPS delivered by most load-serving entities, to their customers from 33% of their total annual retail sales by the end of the 2017-2020 compliance period, to 50% of their total annual retail sales by the end of the 2028-2030 compliance period, and in each three-year compliance period thereafter. Beginning January 1, 2021, at least 65 percent of the procurement a retail seller counts toward its RPS requirement for each compliance period shall be from long-term contracts, 10 years or more in duration. Subsequently in 2018, SB 100 was passed into law which accelerated and increased the RPS requirements. As a result, load serving entities must increase its renewable portfolio standard requirement to 50% by the end of 2026, 60% by the end of 2030. Pioneer is subject to both SB 350 and SB 100.

Pioneer enters into various electric power purchase commitments based on expected demand for energy for resource adequacy based on allocations by state agencies and RPS mandates. Management plans to continue conservative use of financial resources and expects ongoing operating surpluses.

Requests for Information

This financial report is designed to provide Pioneer's board members, stakeholders, customers and creditors with a general overview of the Pioneer's finances and to demonstrate Pioneer's accountability for the funds under its stewardship.

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

PIONEER COMMUNITY ENERGY
STATEMENT OF NET POSITION
JUNE 30, 2018

Assets		
Current assets		
Cash and cash equivalents	$	10,762,320
Accounts receivable, net of allowance		10,374,665
Contractual assessments receivable		5,670,583
Interest receivable		13,206
Prepaid expenses		2,654,803
Collateral deposits		1,393,605
Total Current Assets		30,869,182
Noncurrent assets		
Capital assets, nondepreciable		33,578
Total Assets		30,902,760
Liabilities		
Current liabilities		
Accounts payable		233,205
Accrued cost of power supply		3,884,077
Other accrued liabilities		17,705
Accrued interest payable		89,581
Users taxes and energy surcharges due to other governments		88,364
Unearned revenue		51,622
Bonds payable (due within one year)		336,981
Total Current Liabilities		4,701,535
Noncurrent liabilities		
Bonds payable, net of current portion		20,305,242
Total Liabilities		25,006,777
Net Position		
Investment in capital assets		33,578
Unrestricted		5,862,405
Total Net Position	$	5,895,983

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

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

Operating Revenues	
Energy sales, net	$ 24,611,369
Program investment revenue	84,826
Service charges	64,574
Total Operating Revenues	24,760,769
Operating Expenses	
Power supply cost	15,449,088
Contract services	2,678,543
Staff compensation	103,357
General and administration	155,890
Marketing	186,005
Total Operating Expenses	18,572,883
Operating income	6,187,886
Nonoperating Revenues (Expenses)	
Interest income	137,111
Interest and related expenses	(429,014)
Total NonoperatingRevenues (expenses)	(291,903)
Change in Net Position	
Change in net position	5,895,983
Net position at beginning of period	-
Net position at end of period	$ 5,895,983

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

PIONEER COMMUNITY ENERGY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities		
Receipts from energy sales	$	14,376,690
Payments received from other revenue sources		149,400
Payment to procure power supply		(15,380,214)
Payments for contract services		(2,678,543)
Payments for staff compensation		(103,357)
Payments for general and administration		(138,185)
Payments for maketing		(186,005)
Contractual assessments issued		(5,670,583)
Net cash (used) in operating activities		(9,630,797)
Cash Flows from Noncapital Financing Activities		
Issuance of long-term debt		24,011,188
Principal paid on long-term debt		(3,368,965)
Interest paid on long-term debt		(339,433)
Net cash provided by noncapital financing activities		20,302,790
Cash Flows from Capital and Related Financing Activities		
Acquisition of nondepreciable assets		(33,578)
Cash Flows from Investing Activities		
Interest income		123,905
Net increase in cash and cash equivalents		10,762,320
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	10,762,320

Reconciliation of Operating Income to Net Cash (Used) in Operating Activities		
Operating income	$	6,187,886
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in net accounts receivable		(10,374,665)
(Increase) decrease in contractual assessments receivable		(5,670,583)
(Increase) decrease in prepaid expenses		(2,654,803)
(Increase) decrease in collateral deposits		(1,393,605)
Increase (decrease) in accounts payable		233,205
Increase (decrease) in accrued cost of power supply		3,884,077
Increase (decrease) in other accrued liabilities		17,705
Increase (decrease) in unearned revenue		51,622
Increase (decrease) in user taxes due to other governments		88,364
Net cash provided (used) by operating activities	$	(9,630,797)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Pioneer Community Energy (Pioneer) is a California joint powers authority created in August of 2015. As of June 30, 2018, Pioneer's Joint Powers Agreement voting members consisted of the following local governments: the cities of Auburn, Colfax, Lincoln, Rocklin, the town of Loomis, and Placer County (collectively, "the Parties"). Pioneer is separate from and derives no financial support from its members. Pioneer is governed by a Board of Directors whose membership is composed of elected officials representing each of the voting members.

Pioneer was created to provide local control over the electric power supply within the jurisdictions of its Voting Members. One of Pioneer's primary goals is to provide stable and competitive electric rates, and to provide other energy related programs to the residents and business within the jurisdiction of its Voting Members. Pioneer supplies electric energy to retail customers as a Community Choice Aggregation (CCA) Program under the California Public Utilities Code Section 366.2. Pioneer's CCA Program started providing energy to its customers on February 1, 2018. Electric power is acquired from suppliers in the wholesale market and delivered through existing physical infrastructure and equipment owned and operated by Pacific Gas and Electric Company.

In addition to the CCA Program Pioneer offers the mPOWER Program. mPOWER is a Property Assessed Clean Energy (PACE) program which provides financing to property owners for the installation of energy efficiency, water conservation and distributed generation improvements, Pioneer began providing financing under the mPOWER Program in Nevada County, including its three incorporated cities, in January 2017. During 2018, Pioneer expanded its mPOWER Program to its territory within Placer County, and in the City of Folsom in Sacramento County. The Placer County territory and the City of Folsom were previously served by the mPOWER Program, under Placer County.

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 governmental enterprise fund, and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. 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.

Cash and Cash Equivalents

For purpose of the Statements of Cash Flows, Pioneer defines cash and cash equivalents to include cash on hand, demand deposits, and short-term investments. Amounts prepaid for electric energy and amounts pledged as collateral with Pioneer's contractors and electric power suppliers, are not considered cash and cash equivalents. These balances are included in other current assets in the Statement of Net Position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES (Continued)

Operating and Non-operating Revenue and Expenses

Operating revenues consist of revenue from the sale of energy to customers and revenue mPOWER Program application fees. Interest income is considered "non-operating revenue". Operating expenses consist of general and administrative costs, cost of electric power supply, services related to power procurement and delivery, and data services related customer meters and billing. mPOWER Program expenses consist of general and administrative costs related to application processing, assessment funding and bond administration. Nonoperating expenses consist of interest and the costs of starting up the CCA Program.

Revenue Recognition

Pioneer recognizes revenue on the accrual basis. This includes invoices issued to customers during the reporting period for energy estimated to have been delivered but not yet billed. Management estimates that less than 0.5 percent of the billed amounts will not be collected. Pursuant to policy adopted by the Pioneer Board, an allowance of 0.5 percent annually is budgeted for uncollectable accounts.

Electric Power Purchased

During the normal course of business Pioneer purchases electric power from numerous suppliers. Power 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 from the CAISO's market. The cost of electric power and related services are recognized as "Power Supply Costs" in the Statements of Revenues, Expenses and Changes in Net Position.

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 Western Renewable Energy Generation Information System (WREGIS). Pioneer procures eligible renewable energy for the purpose of complying with its RPS mandates. An expense is recognized when the cost of the RPS credits or RPS eligible energy is due and payable to the supplier. Pioneer is in compliance with its RPS external mandates.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets and unrestricted funds.

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

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.

2. CASH AND CASH EQUIVALENTS

Pioneer maintains its cash within the Placer County Treasurer's Investment Pool (the "Pool"). The Pool is not SEC–registered, but is invested in accordance with California State Government Code section 53600 et. seq. The Treasury Review Panel is charged with reviewing activity in the Pool for compliance with The Placer County Treasurer's Investment Policy and Code requirements. To this end, the Treasury Review Panel reviews the monthly investment report and causes a compliance audit of investments to occur annually.

3. ACCOUNTS AND ASSESSMENTS RECEIVABLE

Accounts receivable balances were as follows for the fiscal year ended June 30:

Accounts receivable from customers	$	10,612,525
Allowance for uncollectible accounts		(237,860)
Net accounts receivable	$	10,374,665

Accounts receivable generated by the CCA Program represent customer billings for energy supplied during the months of May and June 2018, which are billed to Pioneer customers in July and August 2018, through PG&E's billing system as required by state law.

The majority of account collections occur within the first few months following customer invoicing. Pioneer estimates that a portion of the billed accounts will not be collected. Pioneer continues collection efforts on accounts in excess of de minimis balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, Pioneer has had success collecting on older accounts.

Assessments receivable balances were as follows for the fiscal year ended June 30:

mPOWER Nevada County	$	1,479,697
mPOWER Placer County		4,003,713
mPOWER Sacramento County		187,173
Total Assessments Receivable	$	5,670,583

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 sums received are held by a Trustee and applied to the payment of principal and interest on the bonds when due, redeem bonds, and to pay administrative costs of the mPOWER Program in accordance with the terms of the revenue bond indenture dated January 26, 2017.

4. OTHER CURRENT ASSETS AND DEPOSITS

Pioneer maintains several security and collateral deposits paid by Pioneer pursuant to agreements with the CA Independent System Operator, Pioneer's energy scheduling coordinator/agent and various energy suppliers. While some of those deposit requirements have an expiration date, others depend on various factors such as creditworthiness, volume of transactions, and the length of contract.

5. NONDEPRECIABLE CAPITAL ASSETS

As of June 30, 2018, Pioneer incurred $33,578 in tenant improvement costs, which are considered construction in progress to be capitalized and depreciated after all necessary construction to the Pioneer's office has been completed.

6. DEBT

Bonds Payable

A summary of changes in long-term debt is as follows:

Revenue Bonds	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
CCA Program	$ -	$ 18,000,000	$ (3,270,000)	$ 14,730,000	$ 325,000
mPOWER	-	6,011,188	(98,965)	5,912,223	11,981
	$ -	$ 24,011,188	$ (3,368,965)	$ 20,642,223	$ 336,981

To provide financing for its CCA Program, on December 13, 2017, Pioneer entered into a bond purchase agreement with the Placer County Treasurer for a draw-down revenue bond not to exceed $40 million. The bond operates like a line of credit. The purpose of the bonds is to finance the startup costs, administrative and operational expenses, the purchase of electric power and related transaction costs, and other costs related to Pioneer's CCA Program. All of the net revenues are irrevocably pledged, charged and assigned to the payment of the principal of and interest on the bonds. Debt Service is payable semi-annually, calculated on a 30-year amortization of the outstanding balance. The bonds mature on June 1, 2023, at which all outstanding balances are due and payable. The bonds are callable for redemption at the option of Pioneer in whole or in part on the first business day of any month, (in inverse order of sinking fund payment date), and may be redeemed prior to maturity by payment of principal, plus accrued interest to the date of redemption, without premium. During the fiscal year 2017/18, Pioneer utilized $18 million, and subsequently redeemed $3.3 million prior to maturity and ahead of the debt service schedule requirements. As of June 30, 2018, $14.7 million remained outstanding.

As of July 1, 2017, Pioneer had issued revenue bonds Series R 2016-17 No.1 in the amount of $492,589, related to its mPOWER Program. During fiscal year ended June 30, 2018, it issued revenue bonds Series NR 2017-18 in the amount of $138,323, and revenue bonds Series R 2017-18 in the amount of $5,380,276. The purpose of the bonds is to provide assessment financing for energy efficiency improvements and distributed generation projects that help property owners reduce energy use and save money. The bonds were purchased by the Placer County Treasurer pursuant to a Purchase Agreement entered into on January 26, 2017. Pioneer's obligation to repay the bonds is secured by a pledge of voluntary contractual assessments payable pursuant to assessment agreements between the owners of participating parcels and Pioneer. Each assessment is amortized over the useful life of the improvements, and the annual amount due is added to the property tax bill each year until paid in full. The revenue bonds have various maturities ranging from five to 20 years, depending on the underlying assessments, which is based on the useful life of the improvements.

6. DEBT (Continued)

Pioneer revenue bonds are summarized as follows:

Bond Title, Series Number	Principal	Interest Rate	Issuance Amount
Revenue Bonds Series 2017	$ 14,730,000	2.65%	$ 18,000,000
Series R 2016 No.1	414,150	3.00%	492,589
Series R 2017-18	5,359,751	3.00%	5,380,276
Series NR 2017-18	138,323	3.00%	138,323
	$ 20,642,223		$ 24,011,188

The following is a schedule of total debt service requirements to maturity as of June 30, 2018 for the outstanding revenue bonds payable:

Fiscal Year Ending June 30,	Principal	Interest
2019	$ 336,981	$ 532,462
2020	523,562	555,570
2021	539,875	540,866
2022	561,868	525,680
2023	13,604,580	509,858
2024-2028	1,319,230	664,949
2029-2033	1,539,918	448,648
2034-2038	1,824,185	198,304
2039	392,024	5,880
	$ 20,642,223	$ 3,982,218

7. DEFINED CONTRIBUTION RETIREMENT PLAN

The Pioneer Community Energy Retirement Plan (Plan) is a defined contribution 457 Plan established by Pioneer to provide benefits at retirement to its employees. The Plan is administered by Lincoln Financial Group. As of June 30, 2018, there were three plan members. Pioneer contributes $1,000 per employee per month to the Plan, and contributed $10,046 during the year ended June 30, 2018. Plan provisions and contribution levels are established and may be amended by the Board of Directors.

8. RISK MANAGEMENT

Pioneer is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; 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. Pioneer maintains risk management guidelines, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. As this is the first year of operations for Pioneer, there have been no changes in insurance policies. Additionally, there were no settlements exceeding insurance coverage over the past three years.

9. PURCHASE COMMITMENTS

Electric Power Supply and Related Contracts

In the ordinary course of business, Pioneer enters into various agreements in order to acquire energy, renewable energy, and resource adequacy. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of either natural gas or electricity at the date of delivery.

Pioneer enters into various power supply agreements to ensure stable and competitive electric rates for its customers and to comply with RPS and other legal and regulatory requirements.

10. SUBSEQUENT EVENT

Subsequent Event – Facility Lease

On December 11, 2017, Pioneer entered into an eighty-eight month sublease with Placer County for commercial office space. On August 14, 2018, the lease was amended with a lease commencement date of August 20, 2018. The initial lease agreement expires on December 31, 2025, and includes a renewal option for two consecutive five-year terms.

Subsequent Event – Direct Access Transaction Expansion

At the close of 2018, legislative session California Senate Bill 237 was enacted into law. This bill requires the California Public Utilities Commission (CPUC) to issue an order specifying, among other things, an increase in the annual maximum allowable total kilowatt hour limit of direct access transactions by 4,000 gigawatt hours, and to apportion that increase among the service territories of the investor owned utilities in California on or before June 1, 2019. It is currently unknown what the impact may be to Pioneer.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' 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 the 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 9, 2019.

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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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*.

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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.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
April 9, 2019