

**SALT VERDE FINANCIAL CORPORATION  
BOARD MEETING NOTICE AND AGENDA**

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**BOARD OF DIRECTORS MEETING**

**Thursday, April 11, 2024, 9:30 AM**

**SRP Administration Building  
1500 N. Mill Avenue, Tempe, AZ 85288**

Directors: David Rousseau, President; Christopher Dobson, Vice President; and Kathy Mohr-Almeida

Call to Order  
Roll Call

1. Request for Approval of the Minutes for the Meeting of August 17, 2023  
..... PRESIDENT DAVID ROUSSEAU
2. Appointment of Officers for Fiscal Year 2025 (FY25)  
..... PRESIDENT DAVID ROUSSEAU
3. PricewaterhouseCoopers LLP (PwC) FY24 Audit
  - A. Informational presentation by PwC to serve as an independent public accountant for the FY24 Audit, including a presentation of the audit plan; discussion of the scope, parameters, and areas of review; and review of the fee for the audit..... RAUL PIÑA, PwC
  - B. Request for approval to retain PwC to serve as an independent public accountant for audits conducted for FY24 .....JEFFREY WRIGHT
4. Financial Matters.....JEFFREY WRIGHT
  - A. Unaudited summary of the financial statements covering the first nine months (through January 31, 2024) of FY24
  - B. Request for approval of the proposed Operating Budget for FY25
5. Update on the Status of Operations and Counterparty Credit Ratings  
.....JASON RIGGS
6. Adjourn .....PRESIDENT DAVID ROUSSEAU

The Board may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03(A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Board on any of the matters listed on the agenda.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.
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**NOTICE WILL BE SENT REGARDING THE NEXT  
SVFC MEETING**

04/04/2024



MINUTES  
BOARD OF DIRECTORS  
SALT VERDE FINANCIAL CORPORATION,  
an Arizona Nonprofit Corporation

**DRAFT**

August 17, 2023

A meeting of the Board of Directors of the Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation organized under the Arizona Nonprofit Corporation Act, convened at 10:03 a.m. on Thursday, August 17, 2023, from the Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Directors of SVFC present at roll call were David Rousseau, President of SVFC and SRP; Christopher J. Dobson, Vice President of SVFC and SRP; and Kathy L. Mohr-Almeida of SVFC and SRP.

Also present were Paul E. Rovey, Director of SRP; Tyler M. Francis, Council Chairman of SRP; J. Rocky Shelton, Council Vice Chairman of SRP; Brian J. Koch, Treasurer of SVFC and Corporate Treasurer and Senior Director of Financial Services of SRP; Dale R. Politi, Assistant Treasurer of SVFC and Assistant Treasurer of Cash Management of SRP; John M. Felty, Secretary of SVFC and Corporate Secretary of SRP; Lora F. Hobaica, Assistant Secretary of SVFC and Assistant Corporate Secretary of SRP; Mmes. Irene R. Avalos, Sue Ann Perkinson, and Corissa M. Sifuentes of SRP; Messrs. Andrew C. Davis, Reuben T. Judd, Aidan J. McSheffrey, Michael J. O'Connor, and Jeffrey A. Wright of SRP; and Scott Gavin and Dan McGill of PricewaterhouseCoopers LLP (PwC).

In compliance with A.R.S. §38-431.02, Andrew Davis of the SRP Corporate Secretary's Office had posted a notice and agenda of a meeting of the Board of Directors of SVFC at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Tuesday, August 15, 2023.

Vice President and Director C.J. Dobson served as Chairman. He called the meeting to order at 9:30 a.m. and acknowledged the existence of a quorum of the Board of Directors.

Approval of the Minutes

On a motion duly made by Director K.L. Mohr-Almeida and seconded by President and Director D. Rousseau, the Board of Directors of the SVFC unanimously approved and adopted the minutes for the meeting of April 13, 2023, as presented.

Corporate Secretary J.M. Felty polled the SVFC Board Members on Director K.L. Mohr-Almeida's motion to approve the minutes for the meeting of April 13, 2023. The vote was recorded as follows:

YES:	Directors D. Rousseau, President; C.J. Dobson, Vice President; and K.L. Mohr-Almeida	(3)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

#### Fiscal Year 2023 Audit Findings by PricewaterhouseCoopers

Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, introduced Dan McGill, Engagement Leader with PwC. Ms. S.A. Perkinson reminded the Board that PwC had been retained to audit the financials of SVFC for the Fiscal Year 2023 (FY23) ended April 30, 2023.

Using a PowerPoint presentation, Mr. D. McGill reported that PwC completed a comprehensive audit of SVFC's financial statements for FY23 and that, in the opinion of PwC, the statements of SVFC had been presented fairly and in accordance with generally accepted accounting principles.

Continuing, Mr. D. McGill detailed the audit process and findings, the significant accounting and reporting issues and transactions impacting the financial statements, and the required communications to the Board. He concluded by stating that PwC had not identified any material or significant deficiencies in internal control over financial reporting.

Copies of the PowerPoint slides used in this presentation and materials distributed by PwC are on file in the SRP Corporate Secretary's Office and, by reference, made a part of these minutes.

#### Update on Current Operations

Using a PowerPoint presentation, Brian J. Koch, Treasurer of SVFC and Corporate Treasurer and Senior Director of Financial Services of SRP, updated the Board on the status of operations of SVFC and its current counterparty credit rating. Continuing, Mr. B.J. Koch reported that the FY24 savings was \$11.6 million, the inception to-date gas discount was \$116.8 million, and that there had been no delivery issues.

Mr. B.J. Koch provided a review of Moody's and Standard and Poor's current credit ratings of Citigroup Inc. and the other counterparties involved and a review of Citigroup Inc.'s collateral. He provided information on SVFC's investments as of July 31, 2023. Mr. B.J. Koch concluded with an overview of operating account funds and functions and an investment review of SVFC.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Financial Matters

Using a PowerPoint presentation, Jeffrey A. Wright, SRP Director of Financial Reporting, provided the Board a preliminary financial update of SVFC. He compared FY23 actuals to budget for income and expenses and explained the variances. Mr. J.A. Wright concluded with a comparison of assets, liabilities, and equity of SVFC for FY23 and FY22.

Copies of the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

There being no further business to come before the Board, the meeting adjourned at 10:19 a.m.

John M. Felty  
Secretary



# Salt Verde Financial Corporation

## Appointment of Officers

- **Proposed officers**

- President: David Rousseau
- Vice President: Christopher J. Dobson
- Secretary: John M. Felty
- Asst. Secretary: Lora F. Hobaica
- Treasurer: Jon W. Hubbard
- Asst. Treasurer: Jason I. Riggs

- **Recommendation:** Appoint officers as proposed above.





April 11, 2024

# The PwC audit

For when trust matters



**Salt Verde Financial Corporation**

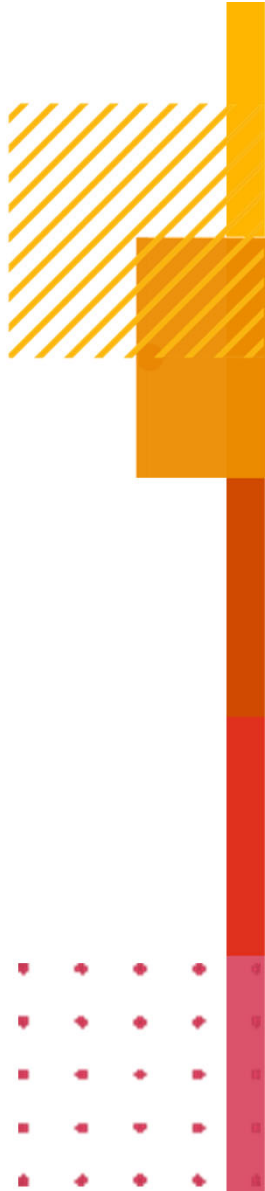
**2024 audit plan**

Report to the **Board of Directors**



**CONFIDENTIAL**

This report and the information that it contains is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be used by anyone other than these specified parties.





# Audit objective

## Our primary objective is to:

- Perform an audit in accordance with auditing standards generally accepted in the United States of America to obtain reasonable assurance the Salt Verde Financial Corporation financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and are free from material misstatement whether caused by error or fraud, and
- Render an opinion on the financial statements as of April 30, 2024 and for the year then ending
- Our audit does not relieve management of its responsibilities with regard to the financial statements.
- An audit of financial statements includes obtaining an understanding of internal control over financial reporting as a basis for designing 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 over financial reporting.

### Our audit deliverables

Audit report on the financial statements



# Our shared responsibility for independence

Compliance with the auditor independence rules continues to be a shared responsibility between a company's management and its independent auditor.

This shared responsibility includes monitoring certain areas to satisfy, as applicable, the independence requirements of the AICPA. For example:

- It is important for management to notify PwC in advance of the effective date, of changes in circumstances that may affect the population of potential entities with respect to which independence requirements apply (e.g. acquisitions/divestitures/equity investments or other transactions), as well as changes leading to new officers, directors, or beneficial owners not previously identified.
- If PwC is providing impermissible non-audit services to, or has other prohibited relationships with, an entity with respect to which independence requirements will apply (e.g., a prospective new affiliate pursuant to a merger or acquisition), such services and/or relationships will need to be identified and evaluated prior to the effective date of the transaction and actions will most likely be needed to cease or restructure the impermissible services and/or relationships.
- If a PwC partner or staff member is seeking or discussing potential employment with an audit client, this can have independence implications such that the individual would have to be removed from the engagement if providing services to the client.

We need to work together with management proactively to avoid relationships that might jeopardize our independence - that is our view and the expectation of our stakeholders.

The following PwC and management working practices have been discussed with management to support this communication on a timely basis such that PwC has sufficient time to complete the necessary independence assessment.

Actions	PwC	Management
Review board of director, and other key committee, meeting minutes	X	
Inquire of key management individuals, including the Controller and legal counsel, as to any new or expected new affiliates or new or expected new officers, directors or significant shareholders	X	
Inquire with the legal department and human resources team as to the existence of new or expected new affiliate, directors or significant shareholders		X

## Inside our independence processes:

Independence is the cornerstone of our profession. We're investing in our people and technology to ensure compliance with these rules through the following:

- **Continuous monitoring and training:**
  - Required independence training for all partners and staff
  - Global tracking of Authorizations for Services (AFS) through Salesforce
  - Global use of an independence monitoring system for personal affiliations used by all partners and staff
- **Tech-enabled compliance:** Independence confirmation system that automatically generates and sends confirmations to US partners and staff at the commencement of their work on an engagement.

In signing the engagement letter, the Company agrees to inform PwC periodically about the identity of each affiliate/beneficial owner and to **notify PwC in advance regarding any expected addition or removal of an affiliate/beneficial owner.**



# Risk assessment results

## Significant risk

Risk of management override of controls

## Related accounts

Pervasive – all accounts and assertions

## Planned audit response

- We will test manual journal entries and other adjustments.
- We will test significant new related party transactions, if applicable
- We will perform unpredictability procedures
- We will evaluate the business rationale for significant unusual transactions, if applicable

## Fraud and related-party items for discussion:

We are required to make certain inquiries of the Board of Directors related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing, and extent of our procedures.

Fraud items for discussion:

- Programs and controls in place to mitigate the risk of fraud and error
- Specific concerns about the risk of error or fraud
- Any actual, alleged or suspected fraud
- Oversight of the Company's assessment of fraud risks and mitigating controls
- Significant unusual transactions
- Understanding of the Company's relationships and transactions with related parties
- Concerns regarding related-party relationships and transactions
- Violations or possible violations of law



# Risk assessment results

## Significant risk

Risk of fraud in revenue recognition

## Related accounts

Revenue- accuracy assertion

## Planned audit response

- Perform test of details over revenue to ensure that revenue was properly recognized
- Testing will include agreeing out selections to underlying contracts



# Risk assessment results

## Significant risk

Fair Value of Derivatives may not be properly recorded

## Related accounts

Derivative Asset/Liability – Valuation Assertion

## Planned audit response

- Confirmation of prepaid gas balance
- Tracing terms to original agreements for all derivative instruments
- Involvement of our internal valuation specialists in the testing of fair value
- Work will be performed and managed by the most experienced members of the engagement team



# Scoping results

Our audit strategy is based on a top-down, risk-based audit approach. Fundamental to our audit approach is an understanding of

The size and complexity of the business and its environment

The design and implementation of entity-level controls (ELCs) and information technology general controls (ITGCs)

Management's process for evaluating internal control over financial reporting.

We identify significant accounts and disclosures and relevant assertions considering quantitative and qualitative factors, based on whether there is a reasonable possibility the account could contain a misstatement that, individually or when aggregated with others, could have a material effect on the financial statements.

We determine the materiality level for the financial statements as a whole for purposes of (1) identifying and assessing risks of material misstatement and (2) for determining the nature, timing and extent of audit procedures.

We consider quantitative and qualitative factors, as well as metrics used by the users of the financial statements including **total assets, revenue and expenses**. Materiality was preliminarily determined based on: total assets.

## Considerations for scoping accounts or disclosures include:

- Size and composition of the account;
- Susceptibility to misstatement due to errors or fraud;
- Volume of activity, complexity and homogeneity;
- Nature of the account or disclosure;
- Changes from prior period in account or disclosure characteristics;
- Accounting and reporting complexities;
- Exposure to losses in the account;
- Possibility of significant contingent liabilities;
- Existence of related-party transactions;
- Complexity, subjectivity and/or uncertainty related to accounting estimates



# Your audit team

At PwC, we develop extraordinary professionals, trained with a keen understanding of how companies build and maintain trust in a complex world. Our team includes technical leaders, digitally upskilled professionals, specialists in your industry and is ready to deliver quality assurance across financial and emerging non-financial dimensions related to your audit and business. Moreover, we care — inspired by the higher ideals of our profession, and committed to live out the tenets of independence, objectivity and public service.



**Raul Pina**  
Engagement Partner



**Scott Gavin**  
Engagement Senior  
Manager



**Pankaj Sahay**  
Valuation Specialist







# Other required communications



# Other required communications

Matter to Report	Comments
<b>Independence</b>	<p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In accordance with the AICPA's Code of Professional Conduct, we are required to communicate a breach of external independence requirements to you as soon as possible or in line with a communication protocol that is confirmed in writing. As of the date of this report, we are not aware of any breach of external independence requirements.</p> <p>In line with our policy approach in the US as it relates to the exchange of gifts, meals, entertainment, privileges or other favors with the Company.</p>
<b>Significant issues discussed with management prior to appointment or retention</b>	<p>There were no significant issues discussed with management in connection with the retention of PwC.</p>

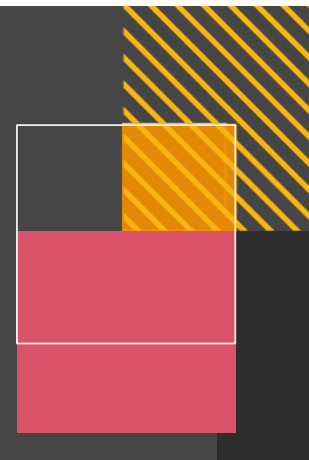


# Other required communications

Matter to Report	Comments
<b>Non-compliance with laws and regulations and illegal acts</b>	We are not aware of any instances of non-compliance with laws and regulations.
<b>Other Information included in the Annual Report</b>	<p>AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company's annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none"><li>• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or</li><li>• A material misstatement of fact exists or the other information is otherwise misleading.</li></ul> <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As of the date of this letter, management has informed us that they intend to issue other information. We will be required to obtain written acknowledgment from management as to the document(s) which comprise the annual report and the planned manner and timing of issuance of these documents.</p>
<b>Obtain information relevant to the audit</b>	We will inquire of the Board of Directors about whether it is aware of matters relevant to the audit and about the risks of material misstatement.
<b>PwC Audit Quality Report</b>	Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives. Our Audit Quality Report has been provided to the Board of Directors.

# For when trust matters

Report to the **Board of Directors**





# FY24 Independent Public Accountant

## Recommendation:

Approve PricewaterhouseCoopers as Independent Public Accountant  
for the fiscal year 2024 audit



April 11, 2024

# The PwC audit

For when trust matters



**Salt Verde Financial Corporation**

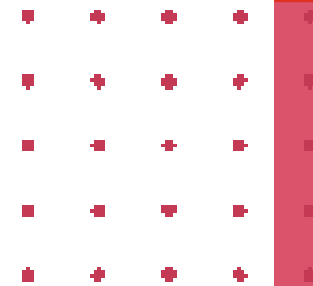
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April 11, 2024

Dear Board of Directors of Salt Verde Financial Corporation:

An audit is fundamentally about trust, as it can help enhance confidence in a company's information. Driven by a quality-first mindset, our people deliver an innovative audit that focuses on sharper risk assessment, effective and efficient execution and insights. We continue to be inspired by the higher ideals of our profession, particularly independence and objectivity, and our legacy of bringing increased confidence to the financial statements.

The pace of development in standards and technology, combined with increasing stakeholders' expectations, is transforming how companies are evaluated and how we perform our audits. As such, we are continually investing in market-leading technology (including AI), deep industry expertise and technical acumen to reimagine your audit experience.

This report was prepared based on meetings with and insights from management, consideration of Company's operating environment, and our risk assessment procedures, including considerations of any year-to-date activities. As in past years, our audit approach will remain responsive to the Company's environment and any macroeconomic influences. Any significant changes to our audit plan will be shared and discussed with the Board of Directors at a future meeting.

Discussion of our audit plan helps to ensure our PwC engagement team members understand what matters to you. Together, we can agree on mutual audit needs and expectations, enabling us to provide you with the highest level of service, audit quality, and value. Additionally, the information included within this report allows the Board of Directors to understand the judgments we have made in planning and scoping our audit procedures. We remain committed to candid discussions with the Board of Directors and management, delivering a quality audit, as well as providing an independent point of view. We welcome your feedback throughout the audit.

We are excited to continue to bring you The PwC Audit. Thank you for your continued trust in and support of us as your auditors. If you have any questions or wish to discuss any other matters prior to our meeting, please do not hesitate me at (708) 310-2358 or [raul.pina@pwc.com](mailto:raul.pina@pwc.com).

Very truly yours,

Raúl Piña  
Engagement Partner

*PricewaterhouseCoopers LLP, 4300 E Camelback Rd, Suite 475, Phoenix, AZ 85018 T: (602) 364 8000*

### Building on audit quality towards greater trust

We have an unwavering commitment to audit quality because a high quality audit is foundational and more important than ever before. In addition, as companies respond to rising expectations on a broader set of topics such as Climate and AI, among others, the need for confidence is increasing. To meet this moment, we are investing in and evolving our audit procedures, technology, and professionals.



## What's Inside

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Highlights

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**03**  
Our team and how  
we will deliver

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Other required  
communications

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Appendices



# Highlights

## Independence

- Compliance with the auditor independence rules is a shared responsibility between the Company and PwC
- As a matter of policy, we communicate gifts and entertainment the US audit engagement team anticipates providing over the course of the year

## Fraud & Related Parties

- We will inquire with management and in the Board of Directors regarding matters related to Fraud and Related Parties

## Risk Assessment

### Significant risks

- Management override of controls.
- Risk of fraud in revenue recognition
- Fair value of derivatives may not be properly recorded

### Other Matters

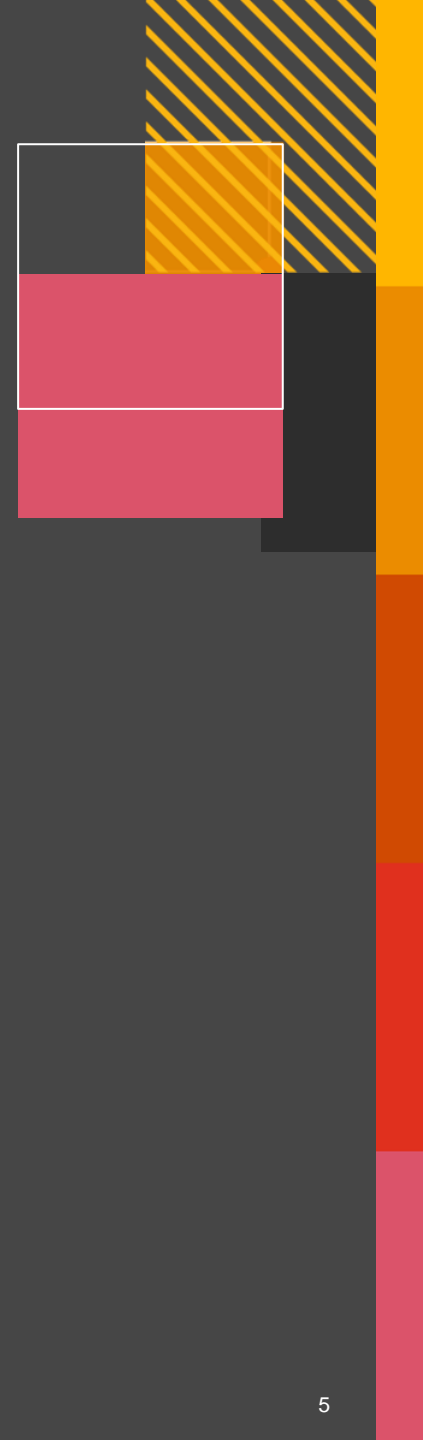
- Partner transition

## Materiality & Scoping

- Materiality was determined using assets as the primary metric



# Our Approach





# Audit objective

## Our primary objective is to:

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- Render an opinion on the financial statements as of April 30, 2024 and for the year then ending
- Our audit does not relieve management of its responsibilities with regard to the financial statements.
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### Our audit deliverables

Audit report on the financial statements



# Risk assessment results

## Significant risk

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## Related accounts

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## Planned audit response

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We are required to make certain inquiries of the Board of Directors related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing, and extent of our procedures.

### Fraud items for discussion:

- Programs and controls in place to mitigate the risk of fraud and error
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## Planned audit response

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# Risk assessment results

## **Other matter of emphasis related to management's use of artificial intelligence (AI) in the financial reporting process, including internal controls over financial reporting**

As part of the audit, we will consider the extent to which the Company and their third-party vendors and service organizations are using or plan to use artificial intelligence (AI) in the financial reporting process, including internal control over financial reporting.

### **Related accounts**

Pervasive

### **Planned audit response**

- Inquire with executive management about the overall strategy and policies with respect to AI, which have the potential to impact financial reporting and/or underlying processes and controls
- Obtain management representation related to the identification and communication of where AI has been used in the preparation of the financial statements and in the supporting financial records and related data provided as part of the audit
- Read the Company's current filings and any press releases or other public statements made by the Company related to the use of AI to identify matters which might impact financial reporting and/or underlying processes and controls

NOTE: The information above will be considered as our audit progresses in connection with our assessment of the use of artificial intelligence in the financial reporting process.



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We need to work together with management proactively to avoid relationships that might jeopardize our independence - that is our view and the expectation of our stakeholders.

The following PwC and management working practices have been discussed with management to support this communication on a timely basis such that PwC has sufficient time to complete the necessary independence assessment.

Actions	PwC	Management
Review board of director, and other key committee, meeting minutes	X	
Inquire of key management individuals, including the Controller and legal counsel, as to any new or expected new affiliates or new or expected new officers, directors or significant shareholders	X	
Inquire with the legal department and human resources team as to the existence of new or expected new affiliate, directors or significant shareholders		X

## Inside our independence processes:

Independence is the cornerstone of our profession. We're investing in our people and technology to ensure compliance with these rules through the following:

- **Continuous monitoring and training:**
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# Scoping results

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- Nature of the account or disclosure;
- Changes from prior period in account or disclosure characteristics;
- Accounting and reporting complexities;
- Exposure to losses in the account;
- Possibility of significant contingent liabilities;
- Existence of related-party transactions;
- Complexity, subjectivity and/or uncertainty related to accounting estimates



# Our team and how we will deliver





# Your audit team

At PwC, we develop extraordinary professionals, trained with a keen understanding of how companies build and maintain trust in a complex world. Our team includes technical leaders, digitally upskilled professionals, specialists in your industry and is ready to deliver quality assurance across financial and emerging non-financial dimensions related to your audit and business. Moreover, we care — inspired by the higher ideals of our profession, and committed to live out the tenets of independence, objectivity and public service.



**Raul Pina**

Engagement Partner



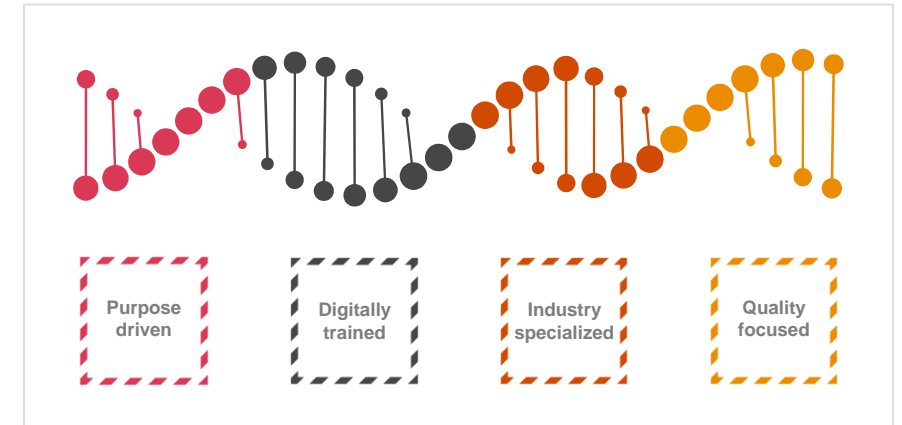
**Scott Gavin**

Engagement Senior  
Manager



**Pankaj Sahay**

Valuation Specialist





# Timeline and communication plan

- Planning and interim procedures

- Audit plan presentation to the Audit Committee

- Year-end field work
- Year- end results and audit report

Sept — Oct — Nov — Dec — Jan — Feb — Mar — Apr — May — Jun — Jul — Aug

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# Our commitment to you

## Building on our professional relationship

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### Open, two-way communication

We'll work together to establish a communication cadence that's right for you, but we know that issues don't wait. We are here for you when you need us and will discuss matters in real-time.

### Bringing the right knowledge to the table

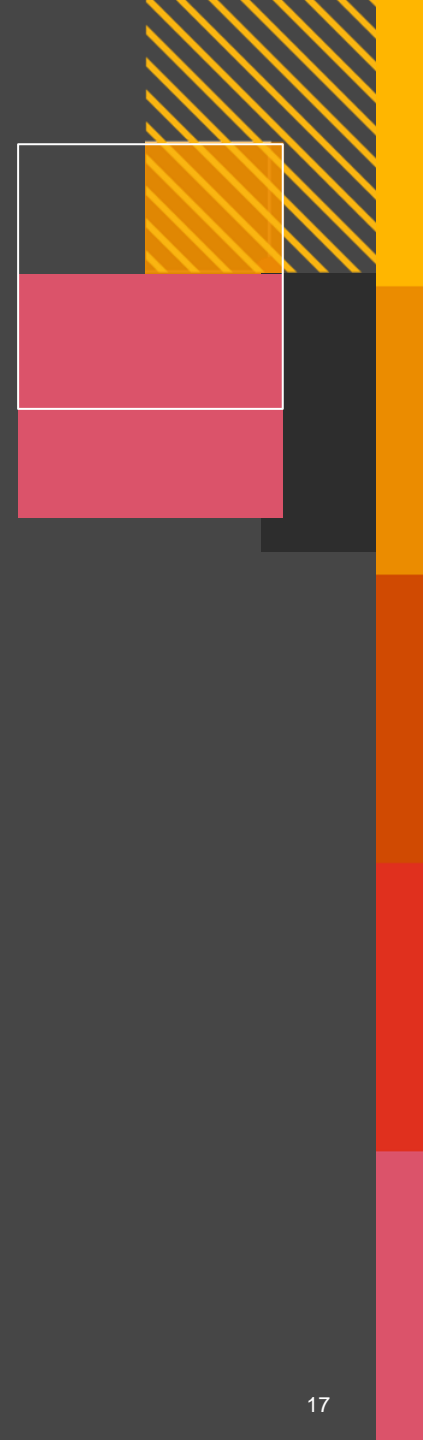
Raul leads our issues resolution process, speaking for the firm on all audit matters and leading a transparent process that directly involves all relevant parties from the beginning.

### Understanding perspectives

We both bring diverse perspectives and experiences to the table. We'll ask questions to develop a deeper understanding of the matters and your perspective on them.



# Other required communications







# Other required communications

Matter to Report	Comments
<b>Independence</b>	<p>There were no relationships or other matters identified that might reasonably be thought to bear on independence.</p> <p>In accordance with the AICPA's Code of Professional Conduct, we are required to communicate a breach of external independence requirements to you as soon as possible or in line with a communication protocol that is confirmed in writing. As of the date of this report, we are not aware of any breach of external independence requirements.</p> <p>In line with our policy approach in the US as it relates to the exchange of gifts, meals, entertainment, privileges or other favors with the Company, we have attached Appendix III, which provides an overview of our policy as well as a summary of the types of entertainment that the US audit engagement team intends to pursue this year.</p>
<b>Significant issues discussed with management prior to appointment or retention</b>	<p>There were no significant issues discussed with management in connection with the retention of PwC.</p>

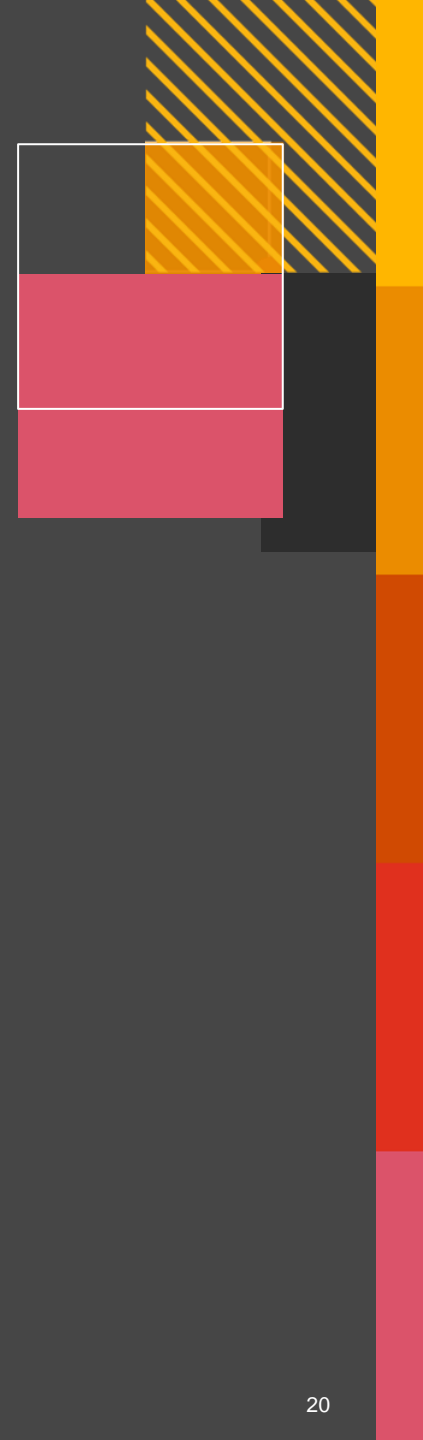


# Other required communications

Matter to Report	Comments
<b>Non-compliance with laws and regulations and illegal acts</b>	We are not aware of any instances of non-compliance with laws and regulations.
<b>Other Information included in the Annual Report</b>	<p>AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company's annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none"><li>• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or</li><li>• A material misstatement of fact exists or the other information is otherwise misleading.</li></ul> <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As of the date of this letter, management has informed us that they intend to issue other information. We will be required to obtain written acknowledgment from management as to the document(s) which comprise the annual report and the planned manner and timing of issuance of these documents.</p>
<b>Obtain information relevant to the audit</b>	We will inquire of the Board of Directors about whether it is aware of matters relevant to the audit and about the risks of material misstatement.
<b>PwC Audit Quality Report</b>	Our Audit Quality Report shares how our culture, values, people and processes come together to help us achieve our audit quality objectives. Our Audit Quality Report is included as Appendix IV.



# Appendices





# Appendices

Engagement Leader Bio- Raúl Piña

Draft Engagement letter

PwC's gift and entertainment policy

PwC's Audit Quality Report

Glossary

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**Appendix I- Engagement Leader Bio - Raúl Piña**

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# Appendix I- Engagement Leader Bio- Raul Pina



**Raúl Piña**

**Lead Audit Partner**

(708) 310-2358 | [raul.pina@pwc.com](mailto:raul.pina@pwc.com)

## Summary

Raúl is a partner with PwC's Power and Utilities practice, based in Columbus, Ohio. He has over **20 years** of experience providing assurance and accounting advisory services to public and private companies in the power and utilities industry, including public power entities.

## Relevant experience

- Has extensive expertise in accounting for rate-regulated enterprises, advising companies with accounting for complex transactions, helping implement new accounting pronouncements, evaluating internal controls, and performing readiness assessments for regulatory filings
- Served as the Accounting Fellow for the Edison Electric Institute and American Gas Association (2015-2017), providing insightful technical accounting and reporting observations, updates on emerging issues, and practical assistance to member companies
- Instructs many of PwC's technical accounting and professional development trainings; is active in PwC's national and local diversity initiatives; and volunteers with various organizations, including United Way, LadderUp, and ALPFA
- Member of the Advisory Board of Ohio State University's Department of Accounting and Management Information Systems
- Serves as the Purpose & Inclusion Partner Champion for the PwC Columbus market



# Appendix II- Draft Engagement Letter





April 11, 2024

Mr. Brian Koch  
Treasurer  
Salt Verde Financial Corporation  
P.O. Box 52025  
Phoenix, Arizona 85027-2025

Dear Mr. Koch:

The purpose of this letter is to confirm our understanding of the terms of our engagement as independent accountants of Salt Verde Financial Corporation (the "Company" or "SVFC").

#### Services and related report

We will audit the financial statements of the Company which comprise the statement of net position at April 30, 2024 and related statement of revenues, expenses, and changes in net position for the year then ending. Upon completion of our audit, we will provide the Company with our written audit report on the financial statements referred to above. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter paragraph or other matter paragraph to our audit report. If for any reason relating to the affairs or management of the Company we are unable to complete the audit, we may decline to issue a report as a result of this engagement.

Under generally accepted accounting principles promulgated for governmental organizations in the United States of America, management's discussion and analysis (MD&A) and certain other information are required supplementary information (RSI). In connection with the Company's presentation of RSI, we will apply certain limited procedures and report deficiencies in, or the omission of, such information. However, we have not been engaged to examine and, accordingly, will not express an opinion, or any other form of assurance, on RSI.

As part of this engagement and as is customary in our role as auditor, we may provide various types of insights-whether oral, written or visual.

#### Our responsibilities and limitations

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). As part of an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. However, any significant deficiencies and material weaknesses, relating to internal





control over financial reporting identified during our audit will be communicated, in writing, to the Company.

- Evaluate 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Based on the audit evidence obtained, conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We will design our audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not absolute assurance and is therefore not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. Absolute assurance is not attainable because there are inherent limitations of an audit that result in most of the audit evidence, on which we draw conclusions and base our opinion, being persuasive rather than conclusive and due to the characteristics of fraud. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements or other illegal acts having an indirect or immaterial financial statement impact. It is important to recognize that there are inherent limitations in the auditing process. An audit is based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with US GAAS. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with US GAAS may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Company, as appropriate, any such matters identified during our audit.

We also are responsible for determining that the Board of Directors is informed about certain other matters related to the conduct of the audit, including, among other matters (i) the planned scope and timing of the audit; (ii) significant findings or issues from the audit, including, but not limited to, any disagreements with management about matters that could be significant to the Company's financial statements or our report thereon and; any significant difficulties encountered in performing the audit; (iii) information relating to our independence with respect to the Company; (iv) procedures performed related to the Company's other information and the results thereof; and (v) all significant deficiencies and material weaknesses identified during the audit. Lastly, we are responsible for ensuring that the Board of Directors receives copies of certain written communications between us and management, including management representation letters and written communications on accounting, auditing, internal control or operational matters.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a



third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

#### Management's responsibilities

Our audit will be conducted on the basis that management acknowledges and understands that they have responsibility for the preparation and fair presentation of the financial statements referred to above in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued. Management's evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time will be considered in our assessment of management's use of the going concern basis of accounting and whether substantial doubt exists. Management also acknowledges and understands their responsibility for 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. Management is responsible for informing us (i) about all known or suspected fraud affecting the entity involving (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others. Management is responsible for (i) adjusting the financial statements to correct material misstatements and for affirming to us that the effects of any uncorrected misstatements aggregated by us are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of the Company's internal control over financial reporting that are reasonably likely to adversely affect the Company's ability to record, process, summarize and report external financial data reliably in accordance with generally accepted accounting principles. Management also is responsible for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities.

Management also acknowledges and understands their responsibility for providing us, on a timely basis, with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters; additional information that we may request from management for the purpose of the audit; and unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by US GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit. The results of our audit tests, the responses to our inquiries and the written representations comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Management acknowledges that internal auditors providing direct assistance to support our audit will be allowed to follow our instructions and management will not intervene in the work the internal auditors perform for us in a direct assistance capacity.

Management acknowledges and understands its responsibility to provide written acknowledgment of which document or documents comprise the Company's annual report and the Company's planned manner and timing of issuance of such documents. Management also acknowledges and understands its responsibility for the preparation of any other information, whether financial or nonfinancial (accompanying the financial statements and the audit report thereon) included in the Company's annual report ("other information") in a manner that is materially consistent with information appearing in the financial statements,



does not contain any material misstatement of fact, and is not otherwise misleading. Management acknowledges and understands its responsibility to provide us with the final version of the document or documents comprising the annual report in a timely manner, and, if possible, prior to the date of our audit report on the financial statements. When some or all of the other information will not be available until after the date of our report on the financial statements, management acknowledges and understands its responsibility to provide a written representation that the final version of the other information will be provided to us when available, and prior to the Company's issuance of the other information, such that we can complete any procedures that may be required by US GAAS.

#### Other documents

US GAAS requires that we read any annual report (or similar document) that contains our audit report. The purpose of this procedure is to consider whether the other information, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

The Company may wish to include our report on these financial statements in a registration statement proposed to be filed under the Securities Act of 1933 or in offering materials for other securities offerings, including without limitation offerings under Rule 144A and other offerings exempt from registration under the Securities Act of 1933. You agree that the aforementioned audit report, or reference to our Firm, will not be included in any such offering without our prior permission or consent. Any agreement to perform work in connection with an offering, including an agreement to provide permission or consent, will be a separate engagement.

Additionally, regulations established by certain non-U.S. countries include a requirement for the auditor to be registered in that country if the Company offers its securities to the public in the non-U.S. country or provides financial information to a non-U.S. regulator or government. The potential consequences of our non-compliance with these regulatory regimes in a timely manner can be severe for both our Firm and the Company. Accordingly, you will notify us of (i) your current or planned offerings of securities on a regulated market in a non-U.S. country or (ii) when you have provided or plan to provide audited financial statements to a non-U.S. regulator or government in connection with your access to its public capital markets, whether or not you include or refer to our report or include reference to our Firm.

#### Release and indemnification

Because of the importance of oral and written management representations to an effective audit, the Company releases and indemnifies PricewaterhouseCoopers LLP and its personnel from any and all claims, liabilities, costs, and expenses attributable to any knowing misrepresentation by management.

In no event shall PricewaterhouseCoopers LLP be liable to the Company, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages relating to PricewaterhouseCoopers LLP's services provided under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of PricewaterhouseCoopers LLP relating to such services.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), we and the Company hereby agree that the preceding two paragraphs in this "Release and Indemnification" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended



accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.

#### Dispute resolution procedures

Any controversy or claim between the parties arising out of or relating to this engagement letter, the services provided hereunder, or any prior audit engagement letters or services (a "Dispute") shall be submitted first to non-binding, confidential mediation, and if not resolved by mediation, then to binding arbitration as described herein. The mediation shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Mediation Procedure of International Institute for Conflict Prevention and Resolution ("CPR") then in effect.

A party shall submit a Dispute to mediation by written notice to the other party or parties. The mediator shall be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, the CPR shall designate a mediator in accordance with its Mediation Procedure. Any mediator must be acceptable to all parties and must confirm in writing that he or she is not, and will not become during the term of the mediation, an employee, partner, executive officer, director, or substantial equity owner of PricewaterhouseCoopers LLP or any PricewaterhouseCoopers LLP audit client.

The mediator shall conduct the mediation as he/she determines, with the agreement of the parties. The mediation shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. The mediator may not testify for either party in any later proceeding relating to the Dispute. The mediation proceeding shall not be recorded or transcribed. Each party shall bear its own costs (including attorneys' fees) of the mediation. The parties shall share equally the fees and expenses of the mediator.

If the parties have not resolved a Dispute within 90 days after the written notice beginning the mediation process is served (or a longer period, if the parties agree to extend the mediation), the mediation shall terminate and the Dispute shall be settled by binding arbitration. The arbitration shall be conducted in accordance with these procedures and, except to the extent inconsistent with these procedures, the Rules for Non-Administered Arbitration of the International Institute for Conflict Prevention and Resolution ("Rules") then in effect. The arbitration shall be conducted before a panel of three arbitrators selected using the screened process provided in the Rules. The arbitration panel, and not any federal, state or local court or agency, shall have exclusive authority to resolve any dispute regarding the extent to which a Dispute is subject to arbitration, or relating to the interpretation, applicability, enforceability or formation of the engagement letter.

Any Dispute between the parties, including any claims or defenses asserted, and the interpretation of the engagement letter shall be governed by the law of New York State, without giving effect to its choice-of-law rules. The arbitrators may render early or summary disposition of some or all issues, after the parties have had a reasonable opportunity to make submissions on those issues. Discovery shall be conducted in accordance with the Rules. Upon a showing that the evidence sought is material to the Dispute, hearing sessions attended by one or more panel members may be convened to secure (i) documents from third-party witnesses, if the production cannot reasonably be obtained by other means; and/or (ii) testimony from third-party witnesses who could not be compelled to attend the arbitration hearing at its scheduled location.

Judgment on an arbitration award may be entered in any court having jurisdiction. All aspects of the arbitration shall be treated as confidential, except to the limited extent necessary to obtain entry of the award by a court. The arbitration panel shall have no power to award non-monetary or equitable relief of any sort.



The arbitration panel shall have no power to award damages that are punitive in nature, that do not measure a party's actual damages, or that are inconsistent with the Release and Indemnification provisions or any other terms of the engagement letter. The parties further agree that if the arbitration panel determines to award pre- or post-judgment interest, any such interest shall be computed on a simple basis at a rate of three percent. The parties accept and acknowledge that any demand for arbitration must be issued within one year from the date the demanding party becomes aware or should reasonably have become aware of the facts that give rise to the alleged liability and, in any event, no later than two years after the cause of action accrued.

In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), we and the Company hereby agree that the preceding paragraph in this "Dispute resolution procedures" section of this letter and any paragraphs covering the same issues in our previous engagement letters for previously issued reports included in the filing will be null and void and will no longer confer any rights or obligations on the parties. Such engagement letters will be deemed to be amended accordingly at the time of such filing, without further action by either party. Any letters so amended will remain in full force and effect unless otherwise amended by the parties.

#### Other PricewaterhouseCoopers firms and subcontractors

PricewaterhouseCoopers LLP is a U.S. firm of the global network of separate and independent PricewaterhouseCoopers firms (exclusive of PricewaterhouseCoopers LLP, the "Other PwC Firms"). PricewaterhouseCoopers LLP may, in its discretion, draw on the resources of and/or subcontract to its subsidiaries and affiliates, the Other PwC Firms and/or third party contractors and subcontractors (each, a "PwC Subcontractor"), in each case within or outside the United States in connection with the provision of the services and/or for internal, administrative and/or regulatory compliance purposes. The Company agrees that PricewaterhouseCoopers LLP may provide information PricewaterhouseCoopers LLP receives in connection with this agreement to the PwC Subcontractors for such purposes. PricewaterhouseCoopers LLP will be solely responsible for the provision of the services (including those performed by the PwC Subcontractors) and for the protection of the information provided to the PwC Subcontractors.

You agree that neither you nor any group entity will bring any claim, whether in contract, tort (including negligence) or otherwise against any PwC Subcontractor in respect of this engagement letter or in connection with the services herein. In the event that our report is subsequently included in a filing with the Securities and Exchange Commission (unless our report is included as a result of Rule 3-05, Rule 3-14, Rule 6-11, Rule 8-04, or Rule 8-06 of Regulation S-X), for independence purposes we and the Company hereby agree that the immediately preceding sentence will be null and void and will no longer confer any rights or obligations on the parties. This letter will be deemed to be amended accordingly at the time of such filing, without further action by either party. The amended letter will remain in full force and effect unless otherwise amended by the parties.

#### Timing and fees

Completion of our work is subject to, among other things, 1) appropriate cooperation from the Company's personnel, including timely preparation of necessary schedules, 2) timely responses to our inquiries, and 3) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Company is unable to provide such schedules, information and assistance, PricewaterhouseCoopers LLP and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Should the Company be acquired, PricewaterhouseCoopers LLP will reserve the right to renegotiate the fees.



Our fees for this audit engagement will be \$86,000, subject to the terms and conditions above. We will advise you should any circumstances arise which may require a change in scope and/or fee.

We also will bill the Company for our reasonable out-of-pocket expenses, any applicable sales, use or value added tax, and our internal per ticket charges for booking travel. Amounts billed for services performed by PricewaterhouseCoopers LLP or PwC Subcontractors shall be considered fees and not expenses.

Invoices rendered are due and payable within 30 days.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

#### Other matters

PricewaterhouseCoopers LLP is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Compliance with the auditor independence rules is a shared responsibility between a company and its independent auditor. The independence rules encompass not only the Company but also its affiliates, as defined in AICPA Code of Professional Conduct, and individuals with a beneficial ownership interest (known through reasonable inquiry) that gives the individual significant influence over the Company, as provided in the AICPA Code of Professional Conduct. Therefore, the Company agrees to inform us periodically about the identity of each such affiliate or beneficial owner and will notify us in advance regarding any expected addition or removal of such an affiliate or beneficial owner, including, for example, due to (i) acquisition of a new affiliate, (ii) disposition or change in control of, or additional investment in, an existing affiliate, or (iii) the identification of a new beneficial ownership interest that gives the individual significant influence over the Company. The Company acknowledges that we will use this information confidentially to assess and/or reassess independence.

In the event we are requested or authorized by the Company or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for the Company, the Company will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

The Company agrees that it will not, directly or indirectly, agree to assign or transfer this engagement letter or any rights, obligations, claims or proceeds from claims against PricewaterhouseCoopers LLP arising out of or in any way relating to this engagement letter, any services provided hereunder, or any fees for this engagement or such services, to anyone, except to an entity with which the Company merges or an entity which acquires all or substantially all of the assets of the Company and where, in either case, the assignee entity agrees to be bound by this provision. Any assignment or transfer by the Company in violation of this paragraph shall be void and invalid.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreements contained in this engagement letter shall survive the completion or termination of this engagement. Because our services are often recurring, and due to the timing of when an engagement letter may be signed for the 2024 services ("2024 Engagement Letter"), we may perform procedures and gather information for the 2024 services before the 2024 Engagement Letter is executed. To the extent that such work occurs before the 2024 Engagement Letter is executed, the terms of this engagement letter shall continue to apply to that work until such time as either (1) the Company or



PricewaterhouseCoopers LLP informs the other party that the engagement is terminated or (2) the 2024 Engagement Letter is executed, whichever is earlier. For the avoidance of doubt, fees for any work performed in support of the 2024 services will be billed according to what is ultimately agreed in the 2024 Engagement Letter.

Except in the circumstance we reasonably believe that termination is necessary for independence reasons, this Agreement is subject to termination upon 15 days' written notice by either party, SVFC shall pay PricewaterhouseCoopers LLP for all services rendered and expenses incurred as of the date of termination as mutually agreed upon between SVFC and PricewaterhouseCoopers LLP.

SVFC agrees that PricewaterhouseCoopers may use the SVFC's name in experience citations.

Notwithstanding any other provision of this engagement letter, PwC and the Other PwC Firms may use the information received under this engagement letter to develop, enhance, modify and improve technologies, tools, methodologies, services and offerings, and/or for development or performance of data analysis or other insight generation. Information developed in connection with these purposes may be used or disclosed to you or current or prospective clients to provide them services or offerings. PwC and the Other PwC Firms will not use or disclose the information in a way that would permit the Company to be identified by third parties without the Company's consent.

The foregoing consent is valid until further notice by the Company.



\* \* \* \* \*

We are pleased to have the opportunity to provide services to Salt Verde Financial Corporation. If you have any questions about this letter, please discuss them with Raul Pina at (708) 310-2358. If the services and terms outlined in this letter are acceptable, please sign one copy of this letter in the space provided and return it to me. You may return the signed copy by hand, by mail or by air courier, attached to an email as a pdf, jpeg or similar file type sent to me at [raul.pina@pwc.com](mailto:raul.pina@pwc.com), or by electronic signature.

Very truly yours:

\_\_\_\_\_  
PricewaterhouseCoopers LLP

Date:

\_\_\_\_\_





The services and terms as set forth in this letter are agreed to.

Salt Verde Financial Corporation

By:

\_\_\_\_\_  
Brian Koch

Treasurer

Date:

\_\_\_\_\_



# Appendix III- PwC's gift and entertainment policy





# Communication to Board of Directors Regarding the Exchange of Gifts, Meals, Entertainment, Privileges or Other Favors for the U.S. Audit Engagement Team

## *A General Overview of Our U.S. Policy On the Exchange of Gifts and Entertainment*

We are informing you of our policy approach in the U.S. as it relates to the exchange of gifts, meals, entertainment, privileges or other favors (hereinafter, “gifts and entertainment”) with the Company. We have a number of general considerations regarding these exchanges, including the consideration that in order to avoid creating any actual, potential or perceived impairment of our independence or conflict of interest, we should be confident that any exchange of gifts and entertainment would not be interpreted by a reasonable, objective person as an effort to influence a specific decision.

We also have a number of guiding principles in the U.S. for the exchange of gifts and entertainment, including that such an exchange must be occasional, sensible and reasonable in the circumstances. Specifically with regard to gifts, unless prohibited by law, regulation or applicable policy, we may offer and accept a gift of typically no more than \$100 in value or less per person, assuming it is no more than occasional, sensible and reasonable in the circumstances. Our policy also provides guidance--not a dollar limit--for assessing whether a client meal is sensible and reasonable in the circumstances. Generally, a meal that costs \$200 per person or less in total (food, drinks, tip) in a large metropolitan area for a significant client contact (e.g., a CEO, CFO, etc.) is acceptable. Attending a sporting or recreational event, the theatre, a concert, or other similar event, whether in a suite or general seating, at market ticket prices for that seating, is generally acceptable. Reasonable food and drink at the event is also generally acceptable.

Our U.S. policy includes other more specific guidelines for each of the categories of gifts and entertainment, as well as factors to assist in determining the standard of “occasional, sensible, and reasonable in the circumstances,” such as the nature, cost, and value of the gifts and entertainment, the role of the individual(s) receiving and providing the gifts and entertainment, whether the gifts and entertainment was associated with the active conduct of business, and whether a reasonable person would agree the gifts and entertainment is sensible and appropriate. We also have an internal process for pre-approval of departures from our guidelines, and consultation considerations where practitioners have questions or need guidance.

## *Types of Entertainment That the U.S. Audit Engagement Team Intends to Pursue This Year*

Over the course of the next year, the U.S. audit engagement team anticipates providing the following types of entertainment: hosting a social event with key client contacts. While we anticipate that covered persons other than audit engagement team members (e.g., individuals providing ten or more hours of non-audit services) may be involved in providing entertainment, we are communicating activities of the audit engagement team because we believe these are most important for the Board of Directors to be aware of.



# Appendix IV- PwC's Audit Quality Report



# PwC's Audit Quality Report

In our **2023 Audit Quality Report** you'll read about how our culture, people, and processes come together to help us **achieve our audit quality objectives** – further supporting your understanding of our system of quality management.

## In this year's annual report you'll read about:

- Our efforts to increase interest in the profession and enhance our people experience;
- How we address risks to independence and objectivity;
- How we have engaged with our stakeholders and supported our audit teams in delivering quality during another challenging year;
- The significant investments we are making in the skills of our people and capabilities of our firm in areas including artificial intelligence and sustainability;
- Other matters relevant to our audit quality progress over the past fiscal year, such as our recent internal and external inspection results; and
- The **bold voluntary actions** we are taking to lead the profession to enhance the quality and confidence in the information that drives the capital markets.

Our **January 2024 update** provides insights into current developments impacting our audits, the results of our audit quality monitoring, and an update on our recent commitment to a series of bold, voluntary actions to further enhance confidence in the independent audit.

“

As accountants, we should leverage technology – alongside our emotional intelligence, judgment and professional skepticism – to **deliver something bigger** with a more efficient, effective process and better analysis and insights.”

- Wes Bricker, Vice Chair, US Trust Solutions Co-Leader

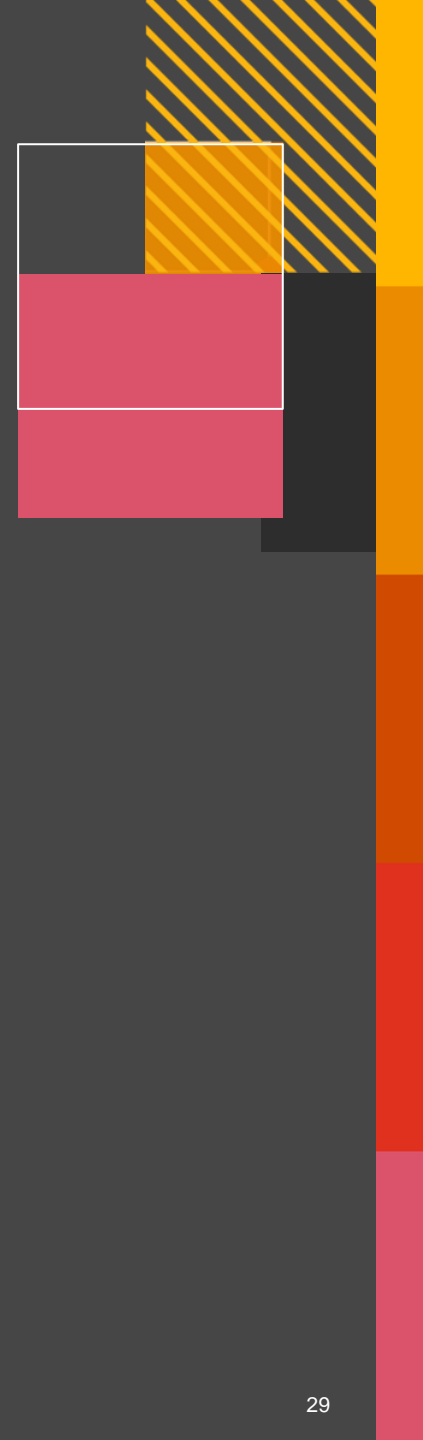


**Click the report to download our 2023 Audit Quality Report and January 2024 update.**



# Appendix V- Glossary

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# Glossary

## Related parties

Related parties include:

- a. Affiliates of the entity
- b. Entities for which investments in their equity securities would be required, absent the election of the fair value option under the Fair Value Option Subsection of ASC 825-10-15, to be accounted for by the equity method by the investing entity
- c. Trusts for the benefit of employees, such as pension and profit-sharing trusts that are managed by or under the trusteeship of management
- d. Principal owners of the entity and members of their immediate families
- e. Management of the entity and members of their immediate families
- f. Other parties with which the entity may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests
- g. Other parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

## Related party transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged.

## Risk assessment procedures

The procedures performed by the auditor to obtain information for identifying and assessing the risks of material misstatement in the financial statements whether due to fraud or error.

## Significant risk

An identified and assessed risk of material misstatement that, in our professional judgment, requires special audit consideration.

## Fraud

An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in the financial statements that are the subject of an audit. Two types of intentional misstatements are relevant: misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.



# For when trust matters

Report to the **Board of Directors**

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# **Salt Verde Financial Corporation**

## **Financial Matters**

Review of Financial Statements  
and  
Approval of FY2025 Operating Budget

Jeff Wright  
April 11, 2024

# Salt Verde Financial Corporation

## Summary

### FY 2024 Actuals through Q3

- Gas received/delivered as scheduled
- Interest income slightly above budget due to higher-than-expected interest rates
- Expenses are slightly above budget due timing of payments

### FY 2025 Budget

- Increase in scheduled rates and corresponding revenues
- Decrease in collateral interest revenue and expense
- Decrease in bond interest expense

# Salt Verde Financial Corporation

## Financial Information

(Amounts in thousands)	<u>Nine Months</u> <u>Ended 1/31/2024</u> (Unaudited)	<u>Budget for</u> <u>Nine Months</u> <u>Ended 1/31/2024</u>	<u>Variance</u>
<b><u>Income</u></b>			
Gas Revenues	\$ 78,590	\$ 78,590	\$ -
Investment Income	2,271	2,429	(158)
Interest Income on Collateral	4,779	4,424	355
Total Income	<u>85,640</u>	<u>85,443</u>	<u>197</u>
<b><u>Expenses</u></b>			
Bond Interest	41,357	41,357	-
Amortization of Prepaid Gas	35,721	35,721	-
Transfers to SRP	2,941	2,429	512
Interest Expense on Collateral	4,879	5,008	(129)
Other	74	116	(42)
Total Expenses	<u>84,972</u>	<u>84,631</u>	<u>341</u>
<b><u>Gain before gain on derivatives</u></b>	<u>668</u>	<u>812</u>	<u>(144)</u>
Gain on derivatives	<u>8,789</u>	<u>-</u>	<u>8,789</u>
<b>Net Gain</b>	<u>\$ 9,457</u>	<u>\$ 812</u>	<u>\$ 8,645</u>

# Salt Verde Financial Corporation

## Financial Information

(Amounts in thousands)	<u>As of 1/31/2024</u> <u>(Unaudited)</u>	<u>4/30/2023</u> <u>(Audited)</u>	<u>Variance</u>
<b><u>Assets</u></b>			
Current Assets	\$ 99,845	\$ 100,469	\$ (624)
Current portion of derivative asset	63,182	58,038	5,144
Derivative asset, net of current portion	738,131	774,146	(36,015)
Collateral Assets	114,832	125,941	(11,109)
Other Assets	464,377	500,098	(35,721)
Total Assets	<u>\$ 1,480,367</u>	<u>\$ 1,558,692</u>	<u>\$ (78,325)</u>
<b><u>Liabilities &amp; Equity</u></b>			
Current Liabilities	\$ 36,635	\$ 46,514	\$ (9,879)
Current portion of derivative liability	71,320	66,296	5,024
Collateral Liability	114,832	125,941	(11,109)
Long Term Liabilities	1,040,865	1,068,000	(27,135)
Derivative liability, net of current portion	770,780	815,463	(44,683)
Equity	(554,065)	(563,522)	9,457
Total Liabilities & Equity	<u>\$ 1,480,367</u>	<u>\$ 1,558,692</u>	<u>\$ (78,325)</u>

# **Salt Verde Financial Corporation**

## **FY2025 Operating Budget**

# Salt Verde Financial Corporation

## FY2025 Operating Budget

(Amounts in thousands)	<u>FY2024</u>	<u>Proposed</u> <u>FY2025</u>	<u>Change</u>
<b><u>Income</u></b>			
Gas Revenues	\$ 78,590	\$ 81,435	\$ 2,845
Investment Income	3,167	3,095	(72)
Interest on Collateral	5,871	4,546	(1,325)
Total Income	87,628	89,076	1,448
<b><u>Expenses</u></b>			
Bond Interest	54,910	53,620	(1,290)
Amortization of Prepaid Gas	35,721	35,721	-
Transfers to SRP	3,167	3,095	(72)
Interest on Collateral	6,625	5,428	(1,197)
Other	157	167	10
Total Expenses	100,580	98,031	(2,549)
<b>Net Loss</b>	\$ (12,952)	\$ (8,955)	\$ 3,997

# **Salt Verde Financial Corporation**

## **Recommendation**

- Approve the proposed Operating Budget for FY2025





# **Salt Verde Financial Corporation**

# **Operations Update**

Jason I. Riggs | April 11, 2024

# Salt Verde Financial Corporation Operations Update

## Background

In the mid 2000's, SRP sought to secure a guaranteed supply of gas at a guaranteed price to help keep prices stable for our customers and based on the forecasted resource need at the time. Gas prepay deals were being utilized in the market to procure gas, and in working with our business partners, SVFC was created as the means to secure this gas.

## SRP executed the SVFC deal in 2007 with the following elements:

- Created a separate entity; issued \$1.2 billion in tax-exempt debt, non-recourse to SRP and sole purpose to prepay for gas
- SVFC accounted for separately, own financial statements, and independently audited by PricewaterhouseCoopers (PwC)
- No impact to SRP's balance sheet/liabilities for issued debt
- Debt proceeds were used to prepay 294 million MMBtus of gas over the 30-year term
- SVCF sells the gas to SRP for its operations
- SRP receives a discount on the gas from SVFC of \$1.15/MMBtu to the market price
- SRP saves \$8.6 million annually for this gas
- Several partners: Citigroup/Citi Energy; US Bank; MBIA/AIG; RBC; PwC

# Salt Verde Financial Corporation - Operations Update

FY24 Gas Discount \$ 8.6 million

Total savings – Inception through March 2024 \$ 172.0 million

- Gas Discount \$ 123.0 million
- Interest Earnings\* \$ 49.0 million

No delivery issues

Current credit ratings 

Senior Debt		Subordinate Debt	
Moody's	S&P	Moody's	S&P
A3	BBB+	Ba3	BBB+

*\*Excluding collateral*

# Counterparty Ratings – April 2024

Counterparties Monitored in Pre-Pay Gas Transaction							
Counterparty	Role	Current Rating		Trigger Rating		Notches to Reach Trigger	
		S&P	Moody's	S&P	Moody's	S&P	Moody's
<i>Salt Verde Financial Corp.'s Primary Exposure</i>							
Citigroup Inc.	Guarantor for CEI	BBB+	A3	BBB+	Baa1	Trigger Reached	1
<i>Other Entities Involved in Transaction</i>							
Citigroup Energy Inc.	Gas Supplier	A+	NR	N/A			
Royal Bank of Canada	Commodity Swap Provider	AA-	Aa1	A-	A3	3	5
MBIA Insurance Corp. (MBIA Inc's Guarantor)	Investment Agreement Provider (Debt Reserve)	NR	Caa1	A+	A1	Trigger Reached	Trigger Reached
	Surety Bond Provider	NR	Caa1	N/A			
National Public Finance Guarantee Corp.	Reinsurance Provider for MBIA Insurance Corp.	NR	Baa2	N/A			
American General Life Insurance Co.	Investment Agreement Provider (Debt Service & Capitalized Interest)	A+	A2	A+	A1	Trigger Reached	Trigger Reached
		A+	A2	BBB+	Baa1	3	2
U.S. Bank NA	Bond Trustee	A+	A2	N/A			

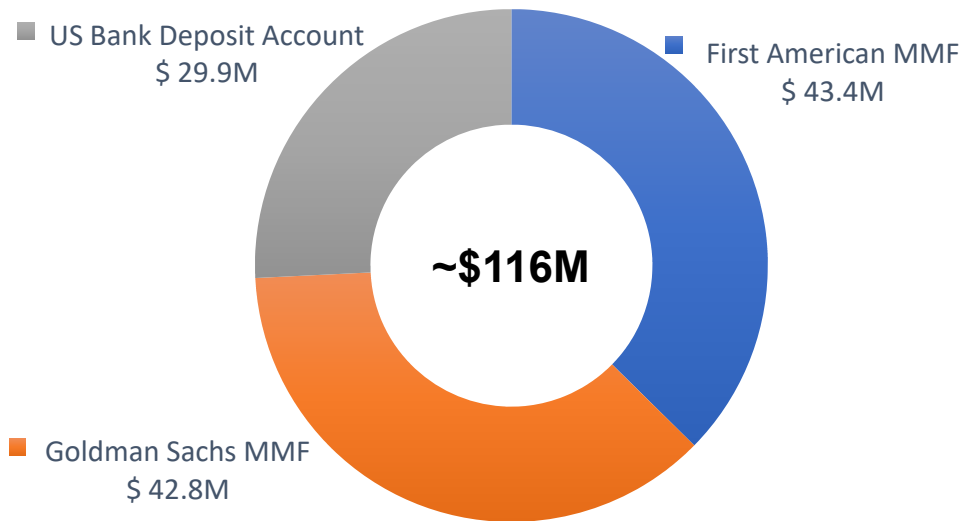
# Citi Collateral

Initial Amount Received on May 10, 2016

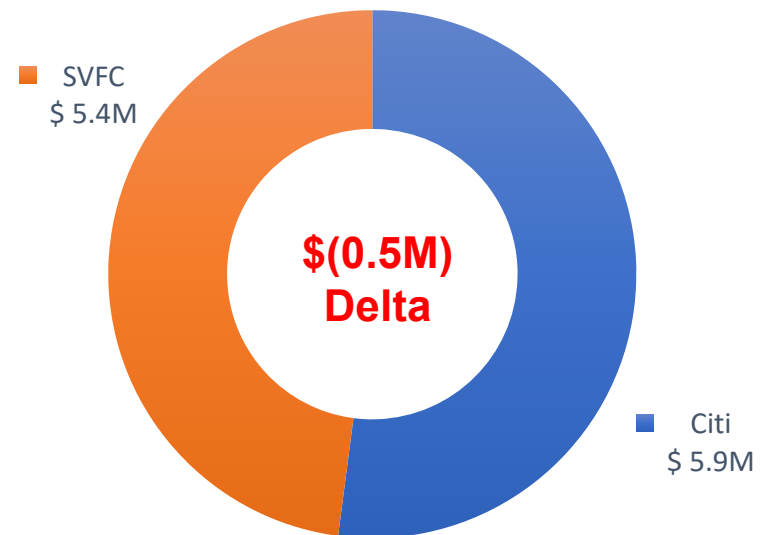
\$ 197.6 million

- Required balance is re-calculated/adjusted, ~\$115M at 3/31/2024

## Collateral Held – Breakdown



## Interest Earned - FY2024 thru March 2024



# Transaction Participants and Structure

## Summary of Key Participants

**Gas Purchaser:** Salt Verde Financial Corporation

**Gas User:** Salt River Project

**Gas Supplier:** Citigroup Energy Inc

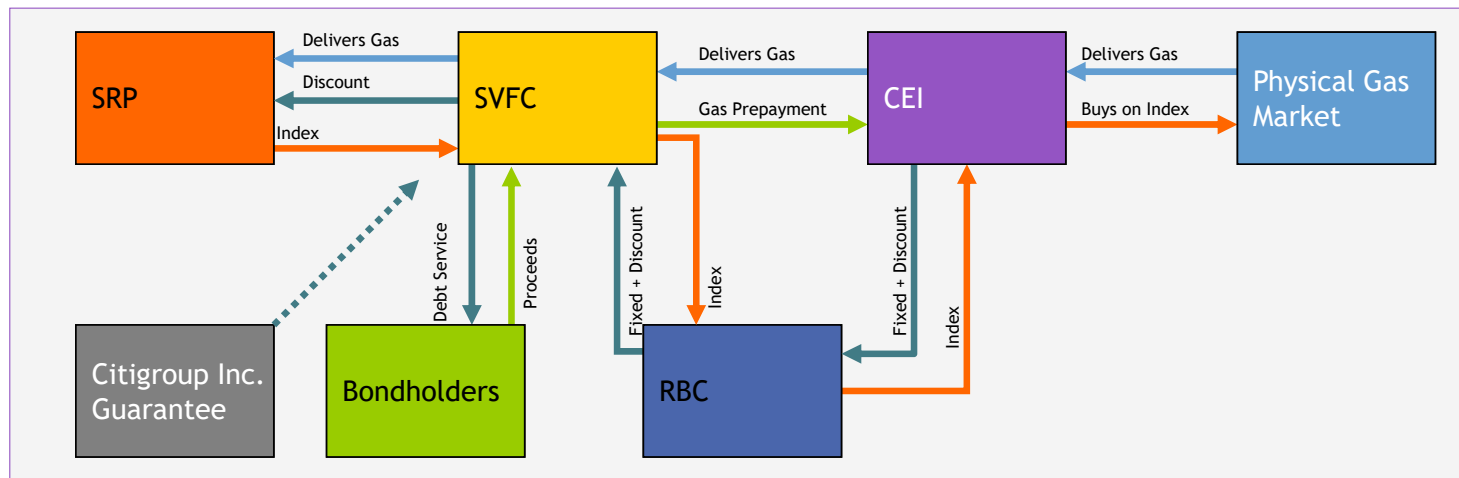
**Commodity Swap Counterparty:** Royal Bank of Canada

**Guarantor:** Citigroup, Inc.

**DSRA:** Cash Funded and Surety Provided by MBIA

**GICs:** MBIA

American General Life Insurance Co.



**thank you**



