

REDWOOD COAST ENERGY AUTHORITY
County of Humboldt

FINANCIAL STATEMENTS

Year Ended June 30, 2017

With

INDEPENDENT AUDITOR'S REPORT

REDWOOD COAST ENERGY AUTHORITY

TABLE OF CONTENTS

June 30, 2017

	<u>Page Number</u>
INTRODUCTION SECTION	
Title Page	
Table of Contents	
FINANCIAL SECTION	
Independent Auditor's Report on Financial Statements	1
Management's Discussion and Analysis	4a
<u>Basic Financial Statements</u>	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION	
Organization	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22
Findings and Recommendations	24
RCEA's Corrective Action Plan	30
Status of Prior Year Findings	32



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REDWOOD COAST ENERGY AUTHORITY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Directors
Redwood Coast Energy Authority
633 3rd Street
Eureka, California 95501

We have audited the accompanying financial statements of the Redwood Coast Energy Authority ("RCEA") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise RCEA'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.

Auditor's Responsibility

Our responsibility is to express opinions 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

REDWOOD COAST ENERGY AUTHORITY
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS -
CONTINUED

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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RCEA as of June 30, 2017, and the 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.

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 4a through 4d 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.

REDWOOD COAST ENERGY AUTHORITY
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS -
CONTINUED

Other Information

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

The Organization schedule included in supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of RCEA'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 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 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 RCEA's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Eureka, California
December 7, 2018

Year Ending June 30, 2017

Redwood Coast Energy Authority (RCEA) was formed in 2003 as a Joint Powers Authority (JPA) of the seven incorporated cities of Humboldt County, California (the Cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Trinidad and Rio Dell), and the County of Humboldt, with the subsequent addition of Humboldt Bay Municipal Water District. As a JPA, RCEA is governed by a nine member board representing each jurisdiction.

The mission of RCEA is to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the region.

To accomplish this mission, during the year ending June 30, 2017 RCEA employed twenty-two full-time staff. RCEA also employed numerous part-time interns and serves as a placement site for AmeriCorps members.

Historically, all of RCEA's funding has comes from contracts and grants, generally bringing resources to Humboldt County that would not otherwise be available. The operating budget for the year ending June 30, 2017 was approximately \$7 million. Major funding sources during the year included:

- The launch of a Community Choice Aggregation (CCA) program, which in May 2017 began providing electricity generation service to customers in partnership with Pacific Gas & Electric Company (PG&E).
- A contract with PG&E to promote energy efficiency through a local government partnership known as the Redwood Coast Energy Watch.
- Contracts with local educational agencies to help plan and implement energy efficiency and clean energy projects using Proposition 39 funding.
- Contracts with the California Energy Commission for regional alternative fuels planning and electric vehicle charging infrastructure.

The assets of RCEA exceeded its liabilities by \$1,128,352 at June 30, 2017. Of this amount, \$981,240 is unrestricted and may be used to meet RCEA ongoing program needs.

RCEA's total net position increased by \$322,319 during the year ending June 30, 2017. The increase is the result of program revenues exceeding program expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the RCEA's basic financial statements. RCEA's basic financial statements are comprised of four components: 1) Statement of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statement of Cash Flows, and 4) Notes to the basic financial statements. This report also contains other supplementary information in addition to the financial statements.

Year Ending June 30, 2017

The *Statement of Net Position* presents information on all of RCEA's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of RCEA is improving or deteriorating.

The *Statements of Revenue, Expenses, and Changes in Net Position* presents information showing how RCEA's net position changed during the year presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Statement of Cash Flows* reports the cash provided and used by operating activities, as well as other sources and uses, such as debt financing.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Redwood Coast Energy Authority
Management's Discussion and Analysis**

Year Ending June 30, 2017

Condensed Statement of Net Position

June 30,	2017	2016
Assets		
Current assets	\$ 9,021,962	\$ 838,589
Capital assets, net of accumulated depreciation	151,725	173,772
Total Assets	9,173,687	1,012,361
Liabilities		
Current liabilities	7,270,240	199,806
Long term liabilities	<u>775,095</u>	<u>6,522</u>
Total Liabilities	8,045,335	206,328
Total net position	\$ 1,128,352	\$ 806,033

Changes in Net Position

Year ended June 30,	2017	2016
Revenues		
Program revenues:		
Contract	\$ 1,651,443	\$ 1,999,194
Electricity Sales, net	11,415,845	0
Other income	20,709	18,783
General revenues- investment income	1,025	1,005
Total revenues	13,089,022	2,018,982
Expenses		
Salaries and employee benefits	1,568,108	1,110,609
Services and supplies	11,176,548	881,854
Net depreciation	22,047	24,938
Interest expense	0	0
Total expenses	12,766,703	2,017,401
Increase in net position	322,319	1,581
Net position – beginning of year	806,033	804,452
Net position – end of year	\$ 1,128,352	\$ 806,033

Year Ending June 30, 2017

RCEA revenues are primarily received on a reimbursement basis. The increase in revenue from the year ending June 30, 2016 to the year ending June 30, 2017 was the result of an increase in program activities, specifically the launch of the CCA program. Similarly, the increase in expenses for the year ending in June 30, 2017 is due primarily to an increase in program activities, most significantly the CCA program.

Economic Factors and Subsequent Year's Budget and Rates

For the year ended June 30, 2018 the following factors affect RCEA's finances:

- The continuing operation of RCEA's Community Choice Aggregation Program.
- The continuing implementation of the Energy Watch program and the Proposition 39 program.
- Continuing activities related to alternative fuels and electric vehicle charging infrastructure funded by the California Energy Commission.

These factors were considered in preparing RCEA's budget for the year ending June 30, 2018.

Requests for Information

This financial report is designed to provide a general overview of RCEA's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Redwood Coast Energy Authority, 633 Third Street, Eureka, California 95501.

REDWOOD COAST ENERGY AUTHORITY

STATEMENT OF NET POSITION

June 30, 2017

ASSETS

Current assets	
Cash	\$ 3,030,627
Accounts receivable (net of allowance of \$0)	446,617
Energy settlements receivable (net of allowance of \$24,949)	5,016,606
Prepaid expenses	2,297
Inventory	21,715
Security deposit	504,100
Total current assets	9,021,962
Noncurrent assets	
Capital assets, net of depreciation	151,725
Total noncurrent assets	151,725
Total assets	\$ 9,173,687

LIABILITIES

Current liabilities	
Accounts payable	\$ 887,469
Accrued cost of electricity	5,640,247
Accrued wages payable	65,114
Accrued payroll liabilities	482
Accrued vacation payable	54,473
Accrued workers compensation payable	4,605
Security deposit payable	500,000
Retentions payable	1,135
Current portion of notes payable	116,715
Total current liabilities	7,270,240
Noncurrent liabilities	
Notes payable	775,095
Total liabilities	8,045,335

NET POSITION

Net investment in capital assets	147,112
Unrestricted	981,240
Total Net Position	\$ 1,128,352

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION

For The Year Ended June 30, 2017

Operating Revenues:	
Contract revenue	\$ 1,651,443
Other income	20,709
Electricity Sales, net	11,415,845
Total Revenues	13,087,997
Operating Expenses:	
Program expenses:	
Direct install subcontractor labor	176,478
Direct install hardware and materials	72,986
Direct incentive and rebate payments	8,208
Salaries and employee benefits	929,129
Energy expenses	9,436,719
Program related services	1,126,064
Total Program Expenses	11,749,584
Administrative expenses:	
Salaries and employee benefits	638,979
Professional services	111,046
Travel and training	16,759
Bank charges	9,994
Office supplies and expense	81,220
Rent	53,792
Janitorial	6,197
Facility expense	12,829
Utilities	12,485
Meeting expense	8,426
Depreciation expense	22,047
Insurance	11,516
Dues and membership	4,936
Advertising	20,893
Total Administration Expenses	1,011,119
Total Operating Expenses	12,760,703
Operating Income (Loss)	327,294
Non-Operating Revenue (Expense)	
Investment income	1,025
Interest expense	(6,000)
Total Non-Operating Revenue (Expenses)	(4,975)
Change in Net Position	322,319
Net Position at Beginning of Year	806,033
Net Position at End of Year	\$ 1,128,352

The accompanying notes are an integral part of this statement.

Redwood Coast Energy Authority
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2017

Cash Flows From Operating Activities:	
Cash Received From:	
Contract revenue	\$1,770,875
Electricity sales	6,399,236
Other Income	20,709
Total Cash Received	<u>8,190,820</u>
Cash Disbursed To:	
Contract services	129,343
Electricity	3,149,804
Program related rebates, incentives & services	237,244
Staff compensation	884,283
General and administrative	1,841,253
Total Cash Disbursed	<u>6,241,927</u>
Net Cash Provided (Used) by Operating Activities	<u>1,948,893</u>
Cash Flows From Noncapital Financing Activities:	
Proceeds from long-term debt	887,197
Principal payments on long-term debt	(1,908)
Interest expense	(6,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>879,289</u>
Cash Flows From Investing Activities:	
Interest received	1,025
Net Cash Provided (Used) by Investing Activities	<u>1,025</u>
Net Increase (Decrease) In Cash and Cash Equivalents	2,829,207
Cash and Cash Equivalents at Beginning of Year	<u>201,420</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,030,627</u></u>

The accompanying notes are an integral part of this statement.

Redwood Coast Energy Authority
STATEMENT OF CASH FLOWS (CONTINUED)
For The Year Ended June 30, 2017

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

Operating income (loss)	\$ 327,294
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	22,047
Decrease / (Increase) in:	
Accounts Receivable	(4,931,233)
Inventory	34,056
Deposits	(500,000)
Prepaid Expenses	43,010
Increase / (Decrease) in:	
Accounts Payable	6,407,035
Deposits payable	500,000
Payroll Liabilities	46,684
Net Cash Provided (Used) by Operating Activities	<u><u>\$1,948,893</u></u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

1. Summary of Significant Accounting Policies

A. Reporting Entity and Nature of Activities

The Redwood Coast Energy Authority ("RCEA") is a joint powers authority formed in 2003 under Health and Safety Code Section 6500 to develop and implement sustainable energy initiatives that reduce energy demand, increase energy efficiency, and advance the use of clean, efficient and renewable resources available in the Humboldt County region of California. The member agencies of RCEA are the County of Humboldt, the Humboldt Bay Municipal Water District, the cities of Arcata, Blue Lake, Eureka, Ferndale, Fortuna, Rio Dell, and Trinidad. RCEA is governed by a Board of Directors comprised of representatives of the member agencies.

The California Public Utilities Commission ("CPUC") and the Local Government Commission ("LGC"), a California not-for-profit membership organization, have undertaken a pilot project to encourage the formation of regional organizations such as RCEA to promote energy efficiency, conservation and increased local self-reliance. The CPUC has made funds available to the LGC to help local governments establish and operate agencies such as RCEA. Funds are collected from rate payers by Pacific Gas and Electric ("PG&E") and distributed to RCEA in accordance with the objectives of this project.

RCEA began the delivery of electricity in May 2017. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by the California Independent System Operator and Pacific Gas and Electric Company.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

The financial statements required by GASB Statement No.34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB No. 34), as amended by GASB Statement No. 63, include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

RCEA utilizes an enterprise fund, which is a proprietary fund type. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds account for goods or services that are provided to outside parties. RCEA has elected to use the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the District prepares its statement of cash flows using the direct method.

2. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to the timing of the recognition of revenues and expenses in the accounts and their reporting in the financial statements. Proprietary fund types are accounted for on an economic resources measurement focus using the accrual basis of accounting in which revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

RCEA considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include contracts and grants from the California Energy Commission, the County of Humboldt, Ecology Action, and Pacific Gas and Electric Company.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue.

Deferred Inflows and Outflows of Resources:

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until that future period.

Deferred inflows of resources, represents an acquisition of net position or

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period.

Expenses:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred.

When RCEA incurs an expense for which both restricted and unrestricted resources may be used, it is RCEA's policy to use restricted resources first, then unrestricted resources.

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Equity

1. Cash and Cash Equivalents

RCEA maintains 1 percent of its cash in the Humboldt County Treasury. The County pools these funds with those of other governmental entities in the County and invests the cash. These pooled funds are carried at cost which approximates market value.

Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Humboldt County Treasury had no investments in derivatives. RCEA does not have a specific policy which relates to interest rate risk.

For purposes of the statement of cash flows, RCEA has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less.

2. Prepaid Expenses

RCEA has the option of reporting an expense for prepaid items either when purchased or during the benefiting period. RCEA has chosen to report the expenses when incurred.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

3. Program Revenues and Accounts Receivable

Operating revenues consists of revenue from the sale of electricity to customers. Program revenues include contract revenue and operating grants earned from other governmental agencies and not-for-profits.

Accounts receivable represent program revenues which have been earned for which the related cash has not been received. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered by not yet billed. Management estimates that a portion of the billed amounts will not be collected. Management has determined and recorded an allowance for uncollectible accounts in the amount of \$24,949 as of June 30, 2017.

4. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. RCEA's policy is to capitalize assets with an initial cost of more than \$2,000 and an estimated useful life in excess of two years. Capital assets are depreciated using the straight-line method over estimated useful lives between 5 to 20 years.

5. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenses) until that future period. RCEA had no items that qualified for reporting in this category as of June 30, 2017.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

RCEA had no items that qualified for reporting in this category as of June 30, 2017.

6. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of RCEA. The current portion of the liabilities is recognized at year-end. Accumulated sick leave benefits are not recognized as liabilities of RCEA. RCEA's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable.

7. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by RCEA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. RCEA first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

2. Cash and Investments

All cash held by the financial institutions is fully insured or collateralized. Cash in banks at June 30, 2017 consisted of the following:

	Reported Amount	Bank Balance
Umpqua Bank	3,009,140	\$ 3,072,300
Chase Bank	135	6,613
Total	\$ 3,009,275	\$ 3,078,913

The bank balance is the balance prior to adjustment for items that had not yet cleared the bank as of June 30, 2017.

Fair Value Measurements

RCEA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy under generally accepted accounting principles are as follows:

Level 1 - inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 - inputs include:

- a) Quoted prices for similar assets or liabilities in active markets;
- b) Quoted prices for identical assets or liabilities in inactive markets;
- c) Inputs other than quoted prices that are observable for the asset or liability;
- d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2017, RCEA held no individual investments. RCEA's fair value measurements were as follows at June 30, 2017:

Investment Type	Fair Value	Level
Pooled Cash in County Treasury	\$ 20,271	2

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

RCEA has not recorded fair value adjustments in the basic financial statements as they were determined to be immaterial to RCEA.

Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The County Treasurer's investments consist of 83.72 percent federal agencies, 10.22 percent money markets, 0.58 percent municipal bonds, 4.33 percent treasury coupons, and 1.46 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, RCEA will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g., broker-dealer) to a transaction, RCEA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit RCEA's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2017, none of RCEA's deposits were exposed to custodial credit risk.

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

the ways the Humboldt County Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the Humboldt County Treasurer's investments is 953 days.

Concentration of Credit Risk

The investment policy of RCEA contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, or external investment pools) that represented 5 percent or more of total County investments at June 30, 2017.

3. Receivables

Receivables at June 30, 2017 consisted of the following:

California Energy Commission	\$ 103,789
EUC Assessment	500
Local Government Commission	6,088
Pacific Gas and Electric Company	214,243
Retentions	62,821
Proposition 39 School Districts	59,176
Total	<u>\$ 446,617</u>

Retentions are due upon completion of the projects. RCEA expects to collect all retentions.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

4. Capital Assets

Capital asset activity for the period ended June 30, 2017 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets being depreciated</i>				
Leasehold Improvements	\$ 27,937			\$ 27,937
Equipment	<u>208,753</u>			<u>208,753</u>
Total capital assets being depreciated	<u>236,690</u>	<u>-</u>	<u>-</u>	<u>236,690</u>
Less: Accumulated depreciation for:				
Leasehold Improvements	(4,658)	\$ (1,397)		(6,055)
Equipment	<u>(58,260)</u>	<u>(20,650)</u>		<u>(78,910)</u>
Total accumulated depreciation	<u>(62,918)</u>	<u>(22,047)</u>	<u>-</u>	<u>(84,965)</u>
Capital assets being depreciated, net	<u>173,772</u>	<u>(22,047)</u>	<u>-</u>	<u>151,725</u>
Governmental activities capital assets, net	<u>\$ 173,772</u>	<u>\$ (22,047)</u>	<u>\$ -</u>	<u>\$ 151,725</u>

For the year ended June 30, 2017, depreciation expense was \$22,047.

5. Risk Management

RCEA is covered for general business, liability, automobile, and errors and omissions through the Special Districts Risk Management Authority ("SDRMA"), a public entity risk pool. As a member of a public entity risk pool, RCEA is responsible for appointing an employee as a liaison between RCEA and SDRMA, implementing all policies of the SDRMA, and promptly paying all contributions. SDRMA is responsible for providing insurance coverage as agreed upon, assisting RCEA with implementation, providing claims adjusting, and defending any civil action brought against an officer of RCEA.

6. Retirement Plan

RCEA has established a Savings Incentive Match Plan for employees (a "Simple IRA") where RCEA and employees make contributions to individual retirement accounts ("IRAs"). Under the Simple IRA, RCEA must make contributions matching participating employee contributions, up to a maximum of 3 percent of an employee's gross salary per

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

year. Employees may contribute up to the maximum federally allowed amount. All regular employees of RCEA are eligible to participate in the Simple IRA plan. Plan contributions by RCEA for the year ended June 30, 2017 were \$27,057.

7. Loans Payable

RCEA obtained a loan with PG&E in January 2014 for energy upgrades in the amount of \$10,974 at 0 percent interest for 69 months.

In January 2017, RCEA also obtained a loan from the County of Humboldt, Headwaters Fund for working capital in the amount of \$700,000 at 0 percent interest for 12 months. Following the first 12 months, the loan became fully amortized with principal and interest payments for 60 months at 5 percent interest. Total interest paid on this loan for the year ended June 30, 2017 was \$6,000

Beginning in July 2016, RCEA incurred startup costs associated with the CCA program with The Energy Authority, "TEA", for Phase I and Phase II of the project totaling \$187,197 prior to the launch of the program in May 2017. Payment for these costs was deferred until Phase III of the project and will be amortized over 48 months at 5%. No interest was paid for this loan during the year ended June 3, 2017.

Future payments obligations are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 116,715	\$ 42,589	\$ 159,304
2019	177,930	37,346	215,276
2020	185,824	28,341	214,165
2021	185,333	18,893	204,226
2022	147,852	10,667	158,519
2023-2027	<u>132,629</u>	<u>3,242</u>	<u>135,871</u>
Total	<u>\$ 946,283</u>	<u>\$ 141,078</u>	<u>\$ 1,087,361</u>

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

8. Noncurrent Obligations

Noncurrent obligations include debt and other long-term obligations. Changes in noncurrent obligations for the period ended June 30, 2017 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
PG&E Loan	\$ 6,521		\$ 1,908	\$ 4,613	\$ 1,908
Compensated absences	36,473	\$ 18,000		54,473	54,473
TEA Phase I & II		187,197		187,197	42,578
Headwaters Loan		700,000		700,000	17,756
Total governmental activities	<u>\$ 42,994</u>	<u>\$ 905,197</u>	<u>\$ 1,908</u>	<u>\$ 946,283</u>	<u>\$ 116,715</u>

9. Line of Credit

RCEA maintains an unsecured line of credit through Umpqua Bank with a credit limit of \$75,000 and an interest rate of 5 percent. As of June 30, 2017, this line of credit had a zero balance.

10. Purchase Commitments

In the ordinary course of business, RCEA enters into various power purchase agreements in order to acquire renewable and other energy and electric capacity. 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. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind and hydro-electric facilities.

RCEA enters into power purchase agreements in order to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customers.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Year Ended June 30, 2017

The following table represents the expected, undiscounted, contractual obligations outstanding as of June 30, 2017:

Year Ended	
<u>June 30,</u>	<u>Total</u>
2017	\$ 12,659,163

11. Lease of Real Property

RCEA entered into a 23 month lease for its facility as of May 1, 2013, with monthly payments of \$4,100. The lease was renewed in 2016/17 for an additional 12 months, with monthly payments of \$4,100. Total rent expense was \$53,792 for the year ended June 30, 2017. Future lease commitments are \$51,057 for the year ending June 30, 2018.

12. Community Choice Aggregation

Beginning May 2017, RCEA launched the Community Choice Aggregation program. This program allows RCEA to bundle the electricity needs of the community and purchase power on its behalf. RCEA has partnered with PG&E for this program. RCEA purchases the power for participating customers and feeds it into the power grid. PG&E continues to deliver the electricity, maintains the power lines, and handles all of the customer billing.

13. Concentrations and Contingencies

The most significant funding of RCEA is from the CCA program. For the year ended June 30, 2017, such funding totaled \$5,878,160.

14. Subsequent Events

Management has evaluated subsequent events through December 6, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

REDWOOD COAST ENERGY AUTHORITY
ORGANIZATION
June 30, 2017

Redwood Coast Energy Authority is a Joint Powers Authority formed in 2003, representing seven municipalities, the County of Humboldt, and the Humboldt Bay Municipal Water District.

The Board of Trustees for the fiscal year ended June 30, 2017 was composed of the following:

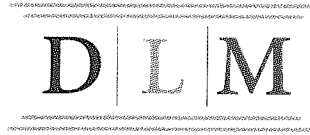
GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Jurisdiction</u>
Sheri Woo	Chairperson	Humboldt Bay Municipal Water District
Michael Winkler	Vice Chairperson	Arcata
Austin Allison	Member	Eureka
Michael Sweeney	Member	Ferndale
Bobbi Ricca	Member	Blue Lake
Dean Glaser	Member	Fortuna
Frank Wilson	Member	Rio Dell
Dwight Miller	Member	Trinidad
Estelle Fennel	Member	County of Humboldt

ADMINISTRATION

Matthew Marshall
Executive Director

John R. Goff, CPA
Mark G. Wetzel, CPA
Michael R. Cline, CPA



DAVID L. MOONIE & CO., LLP
Certified Public Accountants

Kenneth X. Stringer, CPA
Aaron S. Weiss, CPA
Joshua S. Miller, CPA
Matthew J. Haguc, CPA

REDWOOD COAST ENERGY AUTHORITY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Redwood Coast Energy Authority
633 Third Street
Eureka, California 95501

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 Redwood Coast Energy Authority ("RCEA"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise RCEA's basic financial statements, and have issued our report thereon dated December 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RCEA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RCEA's internal control. Accordingly, we do not express an opinion on the effectiveness of RCEA'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.

REDWOOD COAST ENERGY AUTHORITY

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as Findings 2017-1 through 2017-6, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RCEA'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*.

Redwood Coast Energy Authority's Response to Findings

RCEA's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. RCEA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

December 7, 2018

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS

June 30, 2017

2017-1: GENERAL ACCOUNTING POLICIES AND PROCEDURES

Criteria

Good internal controls include maintaining current written accounting policies and procedures.

Condition

During our consideration of internal controls over financial reporting to determine the audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements, we noted that the written accounting policies and procedures in place are out of date and not specific to RCEA.

Effect

Not having current written accounting policies and procedures increases the risk that misappropriations and errors will occur.

Cause

RCEA did not update its written accounting policies and procedures.

Recommendation

We recommend that RCEA establish and document current accounting policies and procedures which cater to the needs of the organization. We further recommend that these policies be read at board meetings and approved by formal board action.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2017

2017-2: INTERNAL CONTROLS OVER EXPENSES

Criteria

Good internal controls over expenses include obtaining and documenting the required support, authorization, and approval prior to issuing the disbursement.

Condition

During our testing of expenses, in which we tested 51 percent of all operating expenses, we noted 2 instances totaling \$11,231 where the original documentation supporting the expense was not readily available. We also noted three instances totaling \$131,714.75 of expense checks over \$10,000 not being signed by a board member.

Effect

The lack of documentation supporting the disbursements and proper approval could result in errors or inappropriate expenses being incurred.

Cause

RCEA did not retain the documentation supporting the expense. RCEA did not ask a board member signer to approve the expenses over the set limit.

Recommendation

We recommend that RCEA retain all documentation supporting expenses and obtain board signatures for expenses over the set limit.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2017

2017-3: PREPARATION OF BANK RECONCILIATIONS

Criteria

Good internal controls over cash include preparation of monthly bank reconciliations by a custodian of the bank account in a timely manner.

Condition

RCEA maintains a checking account with Umpqua Bank for general operations, a deposit control account for payroll expenses and a reserve account. RCEA also maintains an account with Chase Bank for payroll expenses and a trust fund account with the county of Humboldt. The custodian of the funds did not prepare monthly bank reconciliations for the Umpqua accounts and the Chase account in a timely manner. The custodian of the funds did not prepare monthly bank reconciliations for the trust fund account. Also, RCEA did not document review and approval of the bank reconciliations by someone other than the custodian of the account.

Effect

Failures to prepare bank reconciliations, and have another person review the bank reconciliations could result in future errors not being detected in a timely manner.

Cause

RCEA did not follow its policy to reconcile all bank accounts monthly in a timely manner and have another person review and initial the bank reconciliations.

Recommendation

We recommend that RCEA follow its policy to reconcile all bank accounts monthly in a timely manner and to have another person review and initial all bank reconciliations.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2017

2017-4: PAYROLL INTERNAL CONTROL

Criteria

Good internal controls over payroll include supervisor review and approval of time sheets. In addition, prior to issuance of payroll bonuses, RCEA should determine if they are an allowable expense.

Condition

During our testing of payroll we noted that a board member was not approving the executive director's time sheet. We also noted annual bonuses paid to employees totaling \$9,940.

Effect

Not having a board member or supervisor sign and approve time sheets increases the chance that inappropriate or incorrect wages could be paid and not detected in a timely manner. We noted no actual inappropriate payments to the executive director for the year ended June 30, 2017. The bonuses paid may not be in compliance with government regulations.

Cause

RCEA did not have a policy regarding approval of executive director time sheets. RCEA was unaware that bonuses may not be allowable expenses.

Recommendation

We recommend that RCEA establish procedures for a board member to review and approve the executive director's time sheet. We further recommend that RCEA consult with legal counsel prior to issuing any further bonuses to determine if the bonuses were allowable payroll expenses.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2017

2017-5: TIMELY CLOSING OF ACCOUNTING PERIOD

Criteria

Good internal controls include completing the annual accounting period close in a timely fashion.

Condition

RCEA closed the June 30, 2017 year end approximately 11 months after the year end.

Effect

The audit report was issued approximately 18 months after the year end.

Cause

Staffing limitations and turnover resulted in delayed closing of year end.

Recommendation

We recommend that RCEA works closely with staff or an outside firm to ensure that the year end is closed in a timely fashion.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.

2017-6: INTERNAL CONTROLS - BUDGET ALLOCATIONS

Criteria

Good internal controls over budgeting include allocating program and administrative expenses as separate line items in the annual budget.

Condition

The 2016/17 budget did not allocate salaries and employee benefits between program

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2017

expenses and administrative expenses.

Effect

Not having the allocation between program and administrative expenses in the budget increases the risk that RCEA is not able to track these expenses accurately against budgeted amounts throughout the year.

Cause

RCEA did not have a policy requiring allocation of salaries and employee benefits between program expenses and administrative expenses.

Recommendation

We recommend that RCEA establish procedures for allocating salaries employee benefits between program expenses and administrative expenses during the budgeting process.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees to the recommendation and will adhere to the corrective action plan described in the "RCEA's Corrective Action Plan" section immediately following this section of the audit report.



FINDING 2017-1: GENERAL ACCOUNTING POLICIES AND PROCEDURES

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: The RCEA Board of Directors adopted a new/updated Financial Management Policy at the June 19, 2017 RCEA Board Meeting. This policy includes the provision that staff will develop internal accounting operating procedures and standards to guide day-to-day financial operations, and that these procedures will be maintained and updated based on the specific needs and requirements of RCEA. In December of 2016 the Board also adopted an Energy Risk Management Policy which governs wholesale power procurement procedures and transactions.

Proposed Completion Date: Policy adopted 6/19/18, implementation ongoing.

FINDING 2017-2: INTERNAL CONTROLS OVER EXPENSES

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: RCEA retains all documentation supporting expenses; for the two instances noted, subsequent to the auditor's testing the documentation was found to in fact be on file, it was just overlooked during the process of pulling documentation for the audit testing. RCEA has taken action to ensure that all staff with check-signing authority fully understand and comply with RCEA's policies and procedures going forward.

Proposed Completion Date: Complete.

FINDING 2017-3: PREPARATION OF BANK RECONCILIATIONS

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: Going forward RCEA will follow its policy to reconcile all bank accounts monthly in a timely manner and to have another person review and initial all bank reconciliations.

Proposed Completion Date: To be implemented effective immediately.



FINDING 2017-4: PAYROLL INTERNAL CONTROL

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: RCEA will have a Board member review and approve the Executive Director's time sheets. The year-end performance-based payroll payments ("bonuses") were part of a staff performance incentive program that was approved by the Board of Directors and was reviewed by RCEA legal counsel; regardless, RCEA has subsequently discontinued this year-end performance incentive program.

Proposed Completion Date: Completed; ongoing.

FINDING 2017-5: TIMELY CLOSING OF ACCOUNTING PERIOD

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: Going forward RCEA will work to ensure the annual accounting period close is completed in a timely fashion, with a goal of closing within 3 months of the end of the fiscal year.

Proposed Completion Date: The 2017-18 accounting period will be closed as soon as possible, and the 2018-19 period will be closed on or before 9/30/19.

FINDING 2017-6: INTERNAL CONTROLS - BUDGET ALLOCATIONS

Name of contact person: Matthew Marshall, Executive Director

Corrective Action: The budget setting process for the 2017-18 fiscal year included allocation of costs between programmatic and administrative expenses. This was also done in the 2018-19 budgeting process, and will continue to be implemented going forward.

Proposed Completion Date: Completed.

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR FINDINGS

June 30, 2017

2016-1: GENERAL ACCOUNTING POLICIES AND PROCEDURES - REPEAT FINDING

Condition

During our consideration of internal controls over financial reporting to determine the audit procedures that are appropriate for the purpose of expressing our opinion on the financial statements, we noted that the written accounting policies and procedures in place are out of date and not specific to RCEA.

Cause

RCEA did not update its written accounting policies and procedures.

Current Status

Not implemented. See Finding 2017-1.

2016-2: INTERNAL CONTROL OVER EXPENSES

Condition

During our testing of expenses, in which we tested 58 percent of all operating expenses, we noted 3 instances totaling \$4,006 where there was no documentation supporting the expense.

Cause

RCEA did not retain the documentation supporting the expense.

Current Status

Not implemented. See Finding 2017-2.

2016-3: PREPARATION OF BANK RECONCILIATIONS

Condition

RCEA maintains a checking account with Umpqua Bank for general operations and

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR FINDINGS - CONTINUED

June 30, 2017

with Chase Bank for payroll expenses. RCEA also maintains a trust fund account with county of Humboldt. The custodian of the funds did not prepare monthly bank reconciliations for the Umpqua and Chase accounts in a timely manner from December 2015 to May 2016. The custodian of the funds did not prepare monthly bank reconciliations for the trust account.

Cause

RCEA did not follow its policy to reconcile all bank accounts monthly in a timely manner.

Current Status

Not implemented. See Finding 2017-3.

2016-4: INTERNAL CONTROL OVER REVENUES - REPEAT FINDING

Condition

During our testing of revenues, in which we tested 72 percent of all revenues, we noted 4 instances totaling \$132,270 where there no original signed documentation supporting vendor rebate reimbursements or complete documentation supporting reimbursement requests. We were able to trace the total batch reimbursement amount to an RCEA spreadsheet identifying the customer and total project cost, so, in our opinion, no revenue was received inappropriately.

Cause

RCEA did not maintain all documentation to support the invoices tested. Due to staff turnover and timing of the audit, RCEA was unable to locate the supporting documentation prior to issuance of the report.

Current Status

Implemented.

2016-5: PAYROLL INTERNAL CONTROL-REPEAT FINDING

Condition

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR FINDINGS - CONTINUED

June 30, 2017

During our testing of payroll we noted that a board member was not approving the executive director's time sheet. We also noted annual bonuses paid to employees totaling \$8,400.

Cause

RCEA did not have a policy regarding approval of executive director time sheets. RCEA was unaware that bonuses may not be allowable expenses.

Current Status

Not implemented. See Finding 2017-4.

2016-6: TIMELY CLOSING OF ACCOUNTING PERIOD - REPEAT FINDING

Condition

RCEA closed the June 30, 2016 year end approximately 16 months after the year end.

Cause

Staffing limitations and scheduling conflicts with an outside firm resulted in delayed closing of year end.

Current Status

Not implemented. See Finding 2017-5.

2016-7: INTERNAL CONTROLS – BUDGET ALLOCATIONS

Condition

The 2015/16 budget did not allocate salaries and employee benefits between program expenses and administrative expenses.

Cause

RCEA did not have a policy requiring allocation of salaries and employee benefits between program expense and administrative expenses.

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR FINDINGS - CONTINUED

June 30, 2017

Current Status

Not implemented. See Finding 2017-6.