

REDWOOD COAST ENERGY AUTHORITY
County of Humboldt

FINANCIAL STATEMENTS

Year Ended June 30, 2015

With

INDEPENDENT AUDITOR'S REPORT

REDWOOD COAST ENERGY AUTHORITY

TABLE OF CONTENTS

June 30, 2015

	<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>	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Balance Sheet - Governmental Funds	7
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Notes to Financial Statements	11
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	23

REDWOOD COAST ENERGY AUTHORITY

TABLE OF CONTENTS - CONTINUED

June 30, 2015

SUPPLEMENTARY INFORMATION

Organization	24
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	25
Findings and Recommendations	27
Status of Prior Year Findings	31

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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 governmental activities and the general fund of the Redwood Coast Energy Authority ("RCEA") as of and for the year ended June 30, 2015, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of RCEA as of June 30, 2015, and the respective changes in financial position 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 and budgetary comparison information on pages 4a through 4d and 23 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 opinions 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 July 12, 2017, 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
July 12, 2017

Year Ending June 30, 2015

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, 2015 RCEA employed seventeen full-time staff (Executive Director, Operations Manager, Office Manager, two Program Managers, six Energy Specialists, four Energy Technicians, and two Program Assistants). RCEA also employed numerous student interns, and sometimes serves as a placement site for AmeriCorps members and county workforce-experience training program participants.

All of RCEA's funding 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, 2015 was approximately \$3.3 million. Funding sources during the year included:

- A contract with Pacific Gas & Electric Company (PG&E) to promote energy efficiency through a local government partnership known as the Redwood Coast Energy Watch.
- A contract with the California Energy Commission to develop and implement a pilot project to demonstrate key aspects of the RePower Humboldt Strategic Plan, including the use of biomass as a key resource and fuel switching.
- 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 to develop a regional alternative fuels readiness plan and a regional electric vehicle charging network.
- Smaller grants and contracts with the City of Blue Lake, the Hoopa Valley Housing Authority, and the Schatz Energy Research Center.

The assets of RCEA exceeded its liabilities by \$804,452 at June 30, 2015. Of this amount, \$682,928 are unrestricted and may be used to meet RCEA ongoing program needs.

RCEA's total net position increased by \$148,741 during the year ending June 30, 2015. The increase is the result of program revenues exceeding program expenses.

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 three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government Wide Financial Statements

The *government wide financial statements* are designed to provide readers with a broad overview of RCEA's finances, in a manner similar to a private-sector business and are presented on the full accrual basis.

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 *statement of activities* 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.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. RCEA, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. RCEA's sole fund is the general fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. Governmental fund financial statements focus on near term inflows and outflows of current financial resources, as well as on balances of current financial resources available at the end of the fiscal year. This information is useful in evaluating RCEA's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government wide financial statements. By doing so, readers may better understand the long-term impact of RCEA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the full accrual government wide financial statements. As a single purpose government, RCEA has chosen to present the two types of reporting on the same statement, with reconciling amounts provided.

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 government wide and fund financial statements.

Government Wide Financial Statements Analysis

Condensed Statement of Net Position

June 30,	2015	2014
Assets		
Current assets	\$ 1,074,638	\$ 1,079,957
Capital assets, net of accumulated depreciation	85,547	60,038
Total Assets	1,159,638	1,139,995
Liabilities		
Current liabilities	355,186	484,284
Total net position	\$ 804,452	\$ 655,711

Changes in Net Position

Year ended June 30,	2015	2014
Revenues		
Program revenues:		
Contract	\$3,256,018	\$1,740,910
Grant	0	5,000
Other income	19,091	4,972
General revenues- investment income	965	926
Total revenues	3,276,074	1,751,808
Expenses		
Salaries and employee benefits	1,060,791	830,068
Services and supplies	2,055,054	909,847
Net depreciation	11,488	(2,407)
Loss on disposal of assets	0	0
Total expenses	3,127,333	1,737,508
Increase in net position	148,741	14,300
Net position – beginning of year	655,711	641,411
Net position – end of year	\$ 804,452	\$ 655,711

RCEA revenues are primarily received on a reimbursement basis. The increase in revenue from the year ending June 30, 2014 to the year ending June 30, 2015 was the result of an increase in program activities. Similarly, the increase in expenses for the year ending in June 30, 2015 is due to primarily to an increase in program activities.

Government Fund Financial Analysis

The general fund is the sole fund of RCEA. As a measure of the general fund's reserves, it may be useful to compare unreserved fund balance and total fund expenditures. Unreserved fund balance at the end of June 30, 2015 and 2014 represents 23.1% and 30.8% of total fund expenditures for the respective years.

Budgetary highlights

The budget for the fiscal year was adopted at the June 16, 2014, meeting of Board of Directors. No adjustments or amendments to the adopted budget were made during the fiscal year. A detail *statement of revenues, expenditures, and changes in fund balance – budget and actual – general fund* is presented as a part of the *government wide financial statements*. A summary of the budget variance for the fiscal year ended June 30, 2015, is as follows:

	Budgeted Amounts	Actual	Variance From Budget - Favorable (Unfavorable)
Total revenues	\$ 3,324,943	\$ 3,276,074	\$ (48,869)
Program expenditures	\$ 3,119,415	\$ 2,645,167	\$ 474,248
Implementation expenditures	185,808	509,583	(323,775)
Total expenditures	\$ 3,305,223	\$ 3,154,749	\$ 150,473
Excess of revenues over expenditures	\$ 19,720	\$ 121,325	\$ 101,604

The primary variance in budgeted expenditures versus actual expenditures is due to savings in salaries and employee benefits amounting to \$129,574.

Economic Factors and Subsequent Year's Budget and Rates

For the year ended June 30, 2016 the following factors affect RCEA's finances:

- The continuing implementation of the Energy Watch program and the Proposition 39 program.
- Completion during the year ended June 30, 2015 of the \$1.75 million "Repowering Humboldt with Community Scale Renewable Energy" grant from the California Energy Commission, as well as the completion of other, smaller projects.
- Continuing activities for the alternative fuels readiness planning project and the regional electric vehicle charging network project, both funded by the California Energy Commission, as well as new Energy Commission grants for additional electric and hydrogen transportation programs.

These factors were considered in preparing RCEA's budget for the year ending June 30, 2016.

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, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 298,319
Accounts receivable (net of allowance of \$7,261)	657,876
Prepaid expenses	42,203
Inventory	71,593
Security deposit	4,100
Invested in capital assets, net of depreciation	85,547
Total Assets	<u>1,159,638</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,159,638</u>
LIABILITIES	
Accounts payable	\$ 238,086
Accrued wages payable	37,501
Accrued vacation payable	25,504
Accrued workers compensation payable	2,058
Retentions payable	43,607
Long-term liabilities:	
Due within one year	1,908
Due in more than one year	6,522
Total Liabilities	<u>355,186</u>
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	<u>-</u>
NET POSITION	
Net investment in capital assets	77,117
Restricted	44,407
Unrestricted	682,928
Total Net Position	<u>\$ 804,452</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and change in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities				
Grants and program services	\$ 2,643,259	\$ 19,091	\$ 3,256,018	\$ 631,850
Implementation expenses:				
Administrative	<u>484,074</u>			<u>(484,074)</u>
Total governmental activities	<u>\$ 3,127,333</u>	<u>\$ 19,091</u>	<u>\$ 3,256,018</u>	<u>\$ 147,776</u>
General revenues:				
Interest and investment earnings				<u>\$ 965</u>
Total general revenues				<u>965</u>
Change in net position				148,741
Net position, beginning				<u>655,711</u>
Net position, ending				<u>\$ 804,452</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	<u>General Fund</u>
ASSETS	
Cash	\$ 298,319
Accounts receivable (net of allowance of \$7,261)	657,876
Prepaid expenses	42,203
Inventory	71,593
Security deposit	4,100
Total Assets	<u>1,074,091</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 1,074,091</u></u>
 LIABILITIES	
Accounts payable	\$ 238,086
Accrued wages payable	37,501
Accrued workers compensation payable	2,058
Retentions payable	43,607
Accrued vacation payable	25,504
Total Liabilities	<u>346,756</u>
 DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	<u>-</u>
 FUND BALANCES	
Nonspendable	113,796
Restricted	44,407
Unassigned	569,132
Total Fund Balance	<u>727,335</u>
Total liabilities, deferred inflows of resources and fund balance	<u><u>\$ 1,074,091</u></u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental fund balance sheet \$ 727,335

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital and intangible assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets, intangible assets, accumulated depreciation and accumulated amortization.

Capital assets at historical cost	123,527	
Accumulated depreciation and amortization	<u>(37,980)</u>	
Net		85,547

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities are reported, including long-term liabilities.

Note payable	<u>(8,430)</u>	
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Total Net Position, Governmental Activities	<u><u>\$ 804,452</u></u>	
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The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2015

	General Fund
Revenues:	
Contract revenue	\$ 3,256,018
Other income	19,091
Investment income	965
Total Revenues	3,276,074
Expenditures:	
Program expenditures:	
Direct install subcontractor labor	127,079
Direct install hardware and materials	376,014
Direct incentive and rebate payments	16,424
Salaries and employee benefits	790,848
Program related services	1,334,802
Total Program Expenditures	2,645,167
Administrative expenditures:	
Salaries and employee benefits	269,943
Professional services	19,605
Bad debt	18,037
Travel and training	17,413
Bank charges	747
Office supplies and expense	52,533
Rent	49,200
Janitorial	6,292
Facility expense	2,700
Utilities	8,588
Meeting expense	3,948
Insurance	9,200
Dues and membership	2,103
Capital outlay	36,997
Debt service - principal	1,908
Advertising	10,369
Total Administration Expenditures	509,583
Total Expenditures	3,154,750
Excess of Revenues Over (Under) Expenditures	121,324
Other financing sources (uses):	
Proceeds from debt	-
Total Other Financing Sources (Uses)	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	121,324
Fund Balance at Beginning of Year	606,011
Fund Balance at End of Year	\$ 727,335

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2015

Total changes in fund balances, governmental funds \$ 121,324

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	36,997	
Depreciation and amortization expense	<u>(11,488)</u>	
Net		25,509

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

Payment of debt principal	<u>1,908</u>	
Changes In Net Position, Governmental Activities		<u>\$ 148,741</u>

The accompanying notes are an integral part of this statement.

REDWOOD COAST ENERGY AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

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.

B. Fund Accounting

The accounts of RCEA are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. RCEA maintains one fund to account for the activity of the Redwood Coast Energy Authority.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

Major Governmental Funds:

The General Fund is the general operating fund of RCEA. It is used to account for all financial resources except those required to be accounted for in a separate fund.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of RCEA's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. RCEA does not allocate indirect expenses in the statement of activities. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about RCEA's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining funds are aggregated and reported as nonmajor funds.

2. Measurement Focus, Basis of Accounting

Government-wide Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which RCEA gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. On an accrual basis, revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

RCEA considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures 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 (expense/expenditure) until that future period.

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.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

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

D. Budget and Budgetary Accounting

In accordance with the provisions of Sections 29000 and 29143, inclusive, of the Government Code and other statutory provisions, commonly known as the County Budget Act, RCEA prepares and legally adopts a budget for the General Fund on or before August 30 for each fiscal year.

The budget is revised by RCEA during the year to give consideration to unanticipated income and expenditures. The original and final budgets are presented for the General Fund.

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

1. Deposits and Investments

RCEA maintains 42 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.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchase method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

RCEA has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. RCEA has chosen to report the expenditures when incurred.

3. Program Revenues and Accounts Receivable

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. Management has determined and recorded an allowance for uncollectible accounts in the amount of \$7,261 as of June 30, 2015.

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 (expense/expenditure) until that future period. RCEA had no items that qualified for reporting in this category as of June 30, 2015.

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

June 30, 2015

RCEA had no items that qualified for reporting in this category as of June 30, 2015.

6. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of RCEA. The current portion of the liabilities is recognized in the General Fund 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. Fund Balance Reserves and Designation

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of RCEA's Governing Board. RCEA's Governing Board is the highest level of decision-making authority for RCEA. Commitments may be established, modified, or rescinded only through resolutions approved by the Governing Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under RCEA's adopted policy, only the Governing Board may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, RCEA considers restricted funds to have

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, RCEA considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless RCEA's Governing Board has provided otherwise in its commitment or assignment actions.

As of June 30, 2015, fund balances were composed of the following:

	General Fund
Nonspendable:	
Prepaid expenses	\$ 42,203
Inventories	71,593
Total Nonspendable	113,796
Restricted:	
PG&E Foundation	5,367
Energy Upgrade California Ambassador Program	39,040
Total Restricted	44,407
Unassigned:	
Other unassigned	569,132
Total Unassigned	569,132
Total Fund Balance	\$ 727,335

8. 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. The government-wide financial statements report restricted net position as follows:

PG&E Foundation	\$ 5,367
Energy Upgrade California Ambassador Program	39,040
Total restricted net position	\$ 44,407

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

F. 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash at June 30, 2015 consisted of the following:

Pooled Funds -

Cash in County Treasury	\$ 114,457
Commercial Financial Institutions	<u>183,862</u>
Total	\$ <u>298,319</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is fully insured or collateralized.

The fair market value of this County Treasury pool as of June 30, 2015, as provided by the pool sponsor, was \$114,374. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State-registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

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 70.51 percent federal agencies, 22.86 percent money markets, 0.71 percent municipal bonds, and 5.92 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

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

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, 2015, 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 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 764 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, 2015.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

3. Receivables

Receivables at June 30, 2015 consisted of the following:

	<u>General Fund</u>
California Energy Commission	\$ 376,102
City of Arcata	1,000
City of Blue Lake	1,784
Runyon Saltzman Einhorn	20,000
Pacific Gas and Electric Company	176,134
Retentions	18,940
Proposition 39 School Districts	<u>63,917</u>
Total	<u><u>\$ 657,876</u></u>

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

4. Capital Assets

Capital asset activity for the period ended June 30, 2015 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	58,593	\$ 7,061		65,654
Work in Process		29,936		29,936
Total capital assets being depreciated	<u>86,530</u>	<u>36,997</u>	<u>-</u>	<u>123,527</u>
Less: Accumulated depreciation for:				
Leasehold Improvements	(1,864)	(1,397)		(3,261)
Equipment	<u>(24,628)</u>	<u>(10,091)</u>		<u>(34,719)</u>
Total accumulated depreciation	<u>(26,492)</u>	<u>(11,488)</u>	<u>-</u>	<u>(37,980)</u>
Capital assets being depreciated, net	<u>60,038</u>	<u>25,509</u>	<u>-</u>	<u>85,547</u>
Governmental activities capital assets, net	<u><u>\$ 60,038</u></u>	<u><u>\$ 25,509</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 85,547</u></u>

For the year ended June 30, 2015, depreciation expense was \$11,488.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

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. Excess of Expenditures Over Appropriations

Excesses of expenditures over appropriations in individual funds for the year ending June 30, 2015 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Direct install, incentives, and rebates	\$. 109,517
Salaries and employee benefits - administrative	269,943
Bad debt	18,037
Travel and training	2,413
Bank Charges	747
Office supplies and expense	8,725
Utilities	588
Insurance	200
Advertising	5,369
Capital outlay	35,997
Debt service - principal	1,908

7. 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 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, 2015 were \$17,168.

REDWOOD COAST ENERGY AUTHORITY
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2015

8. Long-Term Obligations

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. Future payments obligations are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>
2016	\$ 1,908
2017	1,908
2018	1,908
2019	1,908
Thereafter	796
Totals	<u>\$ 8,430</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, 2015, this line of credit had a zero balance.

10. 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 2014/15 for an additional 12 months, with monthly payments of \$4,100. Total rent expense was \$49,200 for the year ended June 30, 2015. Future lease commitments are \$49,200 for the year ending June 30, 2016.

11. Concentrations and Contingencies

RCEA receives the majority of its funding through a contract with PG&E to provide energy efficient programs. For the year ended June 30, 2015, this amount represented 45 percent of total revenue. As of June 30, 2015 accounts receivable from PG&E were \$176,134.

12. Subsequent Events

In October 2016, RCEA obtained a \$700,000 unsecured, non-revolving line of credit with a 5% interest rate, 1% underwriting fee, and 72 month term to assist in the launch of the Community Choice Aggregation program.

REQUIRED SUPPLEMENTARY INFORMATION

REDWOOD COAST ENERGY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget - Favorable (Unfavorable)
Revenues:				
Non-government agencies	\$1,412,200	\$1,412,200	\$ 1,559,363	\$ 147,163
Government agencies	1,902,143	1,902,143	1,696,655	(205,488)
Other income	10,600	10,600	19,091	8,491
Investment income			965	965
Total Revenues	<u>3,324,943</u>	<u>3,324,943</u>	<u>3,276,074</u>	<u>(48,869)</u>
Expenditures:				
Program expenditures -				
Direct install, incentives, and rebates	410,000	410,000	519,517	(109,517)
Salaries and employee benefits	1,190,365	1,190,365	790,848	399,517
Contracts - program related services	<u>1,519,050</u>	<u>1,519,050</u>	<u>1,334,802</u>	<u>184,248</u>
Total Program Expenditures	<u>3,119,415</u>	<u>3,119,415</u>	<u>2,645,167</u>	<u>474,248</u>
Implementation expenditures -				
Administrative expenditures:				
Salaries and employee benefits			269,943	(269,943)
Professional services	33,500	33,500	19,605	13,895
Bad debt			18,037	(18,037)
Travel and training	15,000	15,000	17,413	(2,413)
Bank charges			747	(747)
Office supplies and expense	43,808	43,808	52,533	(8,725)
Rent	49,200	49,200	49,200	-
Janitorial	6,500	6,500	6,292	208
Facility expense	3,500	3,500	2,700	800
Utilities	8,000	8,000	8,588	(588)
Meeting expense	7,500	7,500	3,948	3,552
Volunteer services	300	300		300
Insurance	9,000	9,000	9,200	(200)
Dues and membership	3,500	3,500	2,103	1,397
Capital outlay	1,000	1,000	36,997	(35,997)
Advertising	5,000	5,000	10,369	(5,369)
Debt service - principal			1,908	(1,908)
Total Implementation Expenditures	<u>185,808</u>	<u>185,808</u>	<u>509,583</u>	<u>(323,775)</u>
Total Expenditures	<u>3,305,223</u>	<u>3,305,223</u>	<u>3,154,750</u>	<u>150,473</u>
Excess of Revenues Over (Under) Expenditures	<u>19,720</u>	<u>19,720</u>	<u>121,324</u>	<u>101,604</u>
Other financing sources (uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	19,720	19,720	121,324	101,604
Fund Balance at Beginning of Year	<u>606,011</u>	<u>606,011</u>	<u>606,011</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 625,731</u>	<u>\$ 625,731</u>	<u>\$ 727,335</u>	<u>\$ 101,604</u>

SUPPLEMENTARY INFORMATION

REDWOOD COAST ENERGY AUTHORITY
ORGANIZATION
June 30, 2014

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, 2015 was composed of the following:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Jurisdiction</u>
Linda Atkins	Chairperson	Eureka
Sheri Woo	Vice Chairperson	Humboldt Bay Municipal Water District
Susan Ornelas	Member	Arcata
Doug Brower	Member	Ferndale
Jean Lynch	Member	Blue Lake
Tiara Brown	Member	Fortuna
Tim Marks	Member	Rio Dell
Dwight Miller	Member	Trinidad
Ryan Sundberg	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. Hague, 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 the governmental activities and the general fund of Redwood Coast Energy Authority ("RCEA"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise RCEA's basic financial statements, and have issued our report thereon dated July 12, 2017.

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 Responses as Findings 2015-1 through 2015-4, that 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 Responses. 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

July 12, 2017

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS

June 30, 2015

2015-1: 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 as they were updated.

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 and is in the process of establishing and documenting current accounting policies and procedures which cater to the needs of the organization. The procedures will be read at board meetings and approved by formal board action.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2015

2015-2: INTERNAL CONTROLS OVER REVENUES

Criteria

Good internal controls over revenues include maintaining supporting documentation for invoices submitted to customers.

Condition

During our testing of revenues, in which we tested 76 percent of all revenues, we noted 5 instances totaling \$11,632 where there was no documentation supporting the invoice. These invoices were expense reimbursements for time and materials used in program services. The customer received the documentation prior to paying the invoice, so, in our opinion, no revenue was received inappropriately.

Effect

By not maintaining all documentation, RCEA was unable to produce support for all invoices selected for detailed testing.

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.

Recommendation

We recommend that RCEA maintain all supporting documentation for invoices submitted to customers.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees will maintain all supporting documentation for invoices submitted to customers.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2015

2015-3: PAYROLL INTERNAL CONTROL - REPEAT FINDING

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 expenditure.

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 \$15,220.

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, 2015. 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 expenditures.

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 expenditures.

Views of Responsible Officials and Planned Corrective Actions

RCEA agrees and will establish procedures for a board member to review and approve the executive director's time sheet. RCEA will also consult with legal counsel and determine if the bonuses were allowable payroll expenditures.

REDWOOD COAST ENERGY AUTHORITY

FINDINGS AND RECOMMENDATIONS - CONTINUED

June 30, 2015

2015-4: TIMELY CLOSING OF ACCOUNTING PERIOD - REPEAT FINDING

Criteria

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

Condition

RCEA closed the June 30, 2015 year end approximately 18 months after the year end.

Effect

The audit report was issued approximately 24 months after the year end.

Cause

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

Recommendation

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

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR AUDIT FINDINGS

June 30, 2015

2014-1: INTERNAL CONTROLS OVER EXPENDITURES

Condition

During our testing of expenditures, in which we tested 18 percent of all operating expenditures, we noted 5 instances totaling \$21,196 where there was either no documentation of approval prior to issuing the disbursement or the approval was not readily apparent. We noted 2 instances totaling \$513 where the executive director approved his own reimbursement. Further, we noted 4 instances totaling \$10,874 where no purchase order was used prior to issuing the disbursement. We also noted 1 instance where a detailed receipt was not present for a meal purchase. Finally, we noted 1 instance where \$201 worth of alcohol was purchased.

Cause

RCEA did not use a purchase order form or other approved authorization documents on all disbursements.

Current Status

Implemented

2014-2: BANK RECONCILIATION APPROVAL DOCUMENTATION

Condition

RCEA maintains a checking account with Umpqua Bank for general operations. The custodian of the funds prepared monthly bank reconciliations. However, RCEA did not document review and approval of the bank reconciliations by someone other than the custodian of the account.

Cause

It was not the policy of RCEA to obtain documentation of review of the bank reconciliations.

Current Status

Implemented.

REDWOOD COAST ENERGY AUTHORITY
STATUS OF PRIOR YEAR FINDINGS - CONTINUED

June 30, 2015

2014-3: PAYROLL INTERNAL CONTROL

Condition

During our testing of payroll we noted that the executive director was approving his own time sheet. We also noted an annual bonus of \$320 to each employee, totaling \$4,000 was paid.

Cause

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

Current Status

Not implemented. See finding 2015-1.

2014-4: TIMELY CLOSING OF ACCOUNTING PERIOD

Condition

RCEA closed the June 30, 2014 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 2015-2.