

Redwood Coast Energy Authority

Financial Statements

June 30, 2021 and 2020

Redwood Coast Energy Authority

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Independent Auditors' Report

To the Board of Directors of
Redwood Coast Energy Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Redwood Coast Energy Authority, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Redwood Coast Energy Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Redwood Coast Energy Authority as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Redwood Coast Energy Authority has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Baker Tilly US, LLP

Madison, Wisconsin
December 13, 2024

Redwood Coast Energy Authority

Statements of Net Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,653,289	\$ 6,676,143
Accounts receivable, net of allowance	4,486,727	4,954,361
Unbilled revenue	1,766,726	2,214,282
Other receivable	100,874	264,637
Prepaid expenses	14,192	12,027
Inventory	22,283	22,151
Deposits	4,293,632	2,246,617
Total current assets	<u>15,337,723</u>	<u>16,390,218</u>
Noncurrent Assets		
Plant in service	329,534	400,008
Accumulated depreciation	(139,358)	(224,706)
Construction work in progress	5,236,593	2,324,758
Total noncurrent assets	<u>5,426,769</u>	<u>2,500,060</u>
Total assets	<u>\$ 20,764,492</u>	<u>\$ 18,890,278</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 941,553	\$ 434,864
Accrued cost of electricity	2,319,664	1,681,453
Accrued wages	98,878	157,983
Accrued compensation	127,422	99,769
Security deposits	180,840	51,420
Current portion of notes payable	-	31,469
Total current liabilities	<u>3,668,357</u>	<u>2,456,958</u>
Noncurrent Liabilities		
Advances from grantors	<u>1,540,959</u>	<u>-</u>
Total noncurrent liabilities	<u>1,540,959</u>	<u>-</u>
Total liabilities	<u>5,209,316</u>	<u>2,456,958</u>
Net Position		
Net investment in capital assets	5,426,769	2,500,060
Unrestricted	<u>10,128,407</u>	<u>13,933,260</u>
Total net position	<u>15,555,176</u>	<u>16,433,320</u>
Total liabilities and net position	<u>\$ 20,764,492</u>	<u>\$ 18,890,278</u>

See notes to financial statements

Redwood Coast Energy Authority

Statements of Revenues, Expenses and Change in Net Position
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Charges for service	\$ 44,576,619	\$ 51,788,964
Grant revenue	681,900	1,246,378
	<u>45,258,519</u>	<u>53,035,342</u>
Operating Expenses		
Purchased power	39,813,705	38,675,158
Operation and maintenance	6,590,559	6,466,662
Depreciation	57,751	47,078
	<u>46,462,015</u>	<u>45,188,898</u>
	<u>(1,203,496)</u>	<u>7,846,444</u>
Nonoperating Revenues (Expenses)		
Miscellaneous expenses	-	(1,605)
Investment income	35	367
Interest expense	(527)	(3,736)
	<u>(492)</u>	<u>(4,974)</u>
	<u>(1,203,988)</u>	<u>7,841,470</u>
Capital Contributions	<u>325,844</u>	<u>15,000</u>
	<u>(878,144)</u>	<u>7,856,470</u>
Net Position, Beginning	<u>16,433,320</u>	<u>8,576,850</u>
Net Position, Ending	<u>\$ 15,555,176</u>	<u>\$ 16,433,320</u>

See notes to financial statements

Redwood Coast Energy Authority

Statements of Cash Flows

Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Received from customers	\$ 45,784,992	\$ 51,516,059
Received from grants	2,222,859	1,246,378
Paid to suppliers for goods and services	(45,144,109)	(46,151,316)
Paid to employees for operating payroll	(2,589,517)	(2,338,198)
	<u>274,225</u>	<u>4,272,923</u>
Net cash flows from operating activities	<u>274,225</u>	<u>4,272,923</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,590,962)	(1,565,098)
Capital contributions received	325,844	15,000
	<u>(2,265,118)</u>	<u>(1,550,098)</u>
Net cash flows from capital and related financing activities	<u>(2,265,118)</u>	<u>(1,550,098)</u>
Cash Flows From Noncapital and Related Financing Activities		
Interest paid	(527)	(3,736)
Debt retired	(31,469)	(61,050)
	<u>(31,996)</u>	<u>(64,786)</u>
Net cash flows from noncapital and related financing activities	<u>(31,996)</u>	<u>(64,786)</u>
Cash Flows From Investing Activities		
Interest income	35	367
	<u>35</u>	<u>367</u>
Net cash flows from investing activities	<u>35</u>	<u>367</u>
Net change in cash and cash equivalents	(2,022,854)	2,658,406
Cash and Cash Equivalents, Beginning	<u>6,676,143</u>	<u>4,017,737</u>
Cash and Cash Equivalents, Ending	<u>\$ 4,653,289</u>	<u>\$ 6,676,143</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ (1,203,496)	\$ 7,846,444
Nonoperating revenue (expense)	-	(1,605)
Noncash items in operating income:		
Depreciation	57,751	47,078
Changes in assets and liabilities:		
Accounts receivable	1,362,746	(169,091)
Unbilled revenue	(447,556)	(33,029)
Other receivables	163,763	29,400
Advances from grantors	1,540,959	-
Inventory	(132)	13,301
Deposits	(2,047,015)	(2,142,517)
Prepaid expenses	(2,165)	(10,315)
Accounts payable	113,191	89,635
Accrued cost of electricity	579,106	(1,320,769)
Accrued compensation	27,653	22,971
Security deposits	129,420	(98,580)
	<u>\$ 274,225</u>	<u>\$ 4,272,923</u>
Net cash flows from operating activities	<u>\$ 274,225</u>	<u>\$ 4,272,923</u>

See notes to financial statements

Redwood Coast Energy Authority

Notes to the Basic Financial Statements

June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting Entity

The Redwood Coast Energy Authority (RCEA) is a joint powers authority formed in 2003 under California Government 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.

RCEA began the delivery of electricity in May 2017. RCEA provides electric service to retail customers as a Community Choice Aggregation Program (CCA) under the California Public Utilities Code Section 366.2. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by the California Independent System Operator and PG&E.

Basis of Accounting

RCEA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

RCEA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting - similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories - investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is RCEA's policy to use restricted resources first, then unrestricted resources as they are needed.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

Cash and Cash Equivalents

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.

Redwood Coast Energy Authority

Notes to the Basic Financial Statements

June 30, 2021 and 2020

Accounts Receivable

Accounts receivable represent program revenues which have been earned for which the related cash has not been received. Accounts receivable were as follows:

	<u>2021</u>	<u>2020</u>
Accounts receivable from customers	\$ 8,854,668	\$ 7,935,423
Allowance for uncollectible accounts	<u>(4,367,941)</u>	<u>(2,981,062)</u>
Total	<u>\$ 4,486,727</u>	<u>\$ 4,954,361</u>

The majority of account collections occur within the first few months following customer invoicing. RCEA estimates that a portion of the billed amounts will not be collected. The allowance for uncollectible accounts at the end of a period includes amounts billed during the current and prior fiscal years.

Unbilled Revenue

RCEA records an estimate for unbilled revenues earned from the dates its customers were last billed to the end of the fiscal year. At June 30, 2021 and 2020, unbilled revenues were \$1,766,726 and \$2,214,282, respectively.

Inventory

Inventory is generally used for construction, operation and maintenance work, not for resale. Inventory is valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

Deposits

Various energy contracts entered into by RCEA require RCEA to provide a supplier with a security deposit. These deposits are generally held for the term of the contract. Deposits are classified as current or noncurrent depending on the length of the time the deposits are expected to be held.

Capital Assets and Depreciation

Capital assets are generally defined by RCEA as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

Capital assets of RCEA are recorded at cost or the estimated acquisition value at the time of contribution to RCEA. Major outlays for capital assets are capitalized as projects are constructed. Depreciation is computed according to the straight-line method over estimated useful lives of five to ten years for equipment. Leasehold improvements are depreciated over the shorter of 1) the useful life of the leasehold improvement or 2) the remaining years of the lease.

Advances From Grantor

RCEA received grant funding from various grantors. The amount in this category represents funds received by RCEA, but not yet expended to carry out specific goals as required by the terms and conditions of the grant agreement. Grant revenue will be recognized as the objectives of the grant agreement are carried out.

Redwood Coast Energy Authority

Notes to the Basic Financial Statements

June 30, 2021 and 2020

Long-Term Obligations

Long-term debt and other obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter. The balance at year end for premiums and discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for the loss on refunding is shown as a deferred outflow in the statement of net position.

Accrued Compensation

RCEA pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. RCEA is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements. RCEA provides compensated time off, and the related liability is recorded in these financial statements.

Security Deposits

Various energy contracts entered into by RCEA require the supplier to provide RCEA with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent depending on the length of time the deposits will be held.

Net Position

Net position is presented in the following components:

Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and is reduced by outstanding borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - This component of net position consists of net assets subject to external constraints on their use imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted".

Revenue and Expenses

RCEA distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with RCEA's principal ongoing operations. The principal operating revenues of RCEA include revenues derived from the provision of electricity to retail customers. Electricity sales are reported net of changes to the allowance for uncollectable accounts. Operating expenses for RCEA include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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Revenue Recognition

RCEA recognizes revenue on an accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded. RCEA's methodology used to calculate the allowance for doubtful accounts considers the impacts of the recession and the suspension of customer electricity disconnections.

Grant Revenue

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.

Capital Contributions

Cash and capital assets are contributed to the RCEA from customers or external parties. The value of property contributed to the RCEA are reported as revenue on the statements of revenues, expenses and changes in net position.

Electrical Power Purchased

During the normal course of business, RCEA purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from bilateral contracts with energy suppliers as well as wholesale sales and generation credits, and load and other charges arising from RCEA's participation in the CAISO's centralized market. The cost of electricity and capacity is recognized as "Purchased Power" in the Statements of Revenues, Expenses and Changes in Net Position.

Income Taxes

RCEA is a joint powers authority under the provisions of the California Government Code and is not subject to federal or state income or franchise taxes.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

GASB has approved GASB Statement No. 87, *Leases*; GASB Statement No. 91, *Conduit Debt Obligations*; GASB Statement No. 92, *Omnibus 2020*; GASB Statement No. 93, *Replacement of Interbank Offered Rates*; GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*; GASB Statement No. 99, *Omnibus 2022*; GASB Statement No. 100, *Accounting Changes and Error Corrections—An Amendment of GASB Statement No. 62*; GASB Statement No. 101, *Compensated Absences*; GASB Statement No. 102, *Certain Risk Disclosures*; GASB Statement No. 102, *Financial Reporting Model Improvements*; GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. When they become effective, application of these standards may result in restating of these financial statements. Management is evaluating the effects of these new pronouncements.

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Notes to the Basic Financial Statements

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2. Cash and Cash Equivalents

As of June 30, 2021 and 2020, RCEA maintains its cash in both interest-earning and noninterest-earning bank accounts with Umpqua Bank.

California Government Code Section 16521 requires banks to collateralize amounts of public funds in excess of the FDIC limit of \$250,000 in an amount equal to 110% of deposit balances.

As of June 30, 2021 and 2020, RCEA maintains \$21,325 and \$21,304 of its cash in the Humboldt County Treasury, respectively. 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.

Investment Policy

No formal investment policy has been adopted by RCEA.

3. Capital Assets

A summary of changes in capital assets for 2021 follows:

	Balances July 1, 2020	Increases	Decreases	Balances June 30, 2021
Construction work in progress	\$ 2,324,758	\$ 2,911,835	\$ -	\$ 5,236,593
Capital assets being depreciated:				
Leasehold improvements	45,972	-	-	45,972
Equipment	354,036	72,625	143,099	283,562
Total capital assets being depreciated	400,008	72,625	143,099	329,534
Less accumulated depreciation:				
Leasehold improvements	(13,628)	(2,299)	-	(15,927)
Equipment	(211,078)	(55,452)	(143,099)	(410,629)
Total accumulated depreciation	(224,706)	(57,751)	(143,099)	(425,556)
Capital assets being depreciated, net	\$ 175,302	\$ 14,874	\$ -	\$ 190,176

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A summary of changes in capital assets for 2020 follows:

	<u>Balances July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2020</u>
Construction work in progress	\$ 860,350	\$ 1,464,408	\$ -	\$ 2,324,758
Capital assets being depreciated:				
Leasehold improvements	45,972	-	-	45,972
Equipment	253,346	100,690	-	354,036
Total capital assets being depreciated	<u>299,318</u>	<u>100,690</u>	<u>-</u>	<u>400,008</u>
Less accumulated depreciation:				
Leasehold improvements	(11,329)	(2,299)	-	(13,628)
Equipment	(166,299)	(44,779)	-	(211,078)
Total accumulated depreciation	<u>(177,628)</u>	<u>(47,078)</u>	<u>-</u>	<u>(224,706)</u>
Capital assets being depreciated, net	<u>\$ 121,690</u>	<u>\$ 53,612</u>	<u>\$ -</u>	<u>\$ 175,302</u>

4. Notes Payable

RCEA obtained a loan with PG&E in January 2014 for energy upgrades in the amount of \$10,974 at 0% interest for 69 months. The loan was paid off in fiscal year 2020.

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%. The loan was paid off in fiscal year 2021.

All of the aforementioned debt is directly placed with a third party.

The outstanding balances as of June 30, 2021 and 2020 are as follows:

<u>Loan Description</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>
TEA Loan	3/31/2021	5.00%	\$ -	\$ 31,468

Redwood Coast Energy Authority

Notes to the Basic Financial Statements

June 30, 2021 and 2020

Long-Term Obligation Summary

Long-term obligation activity for the year ended June 30, 2021 is as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Notes payable	\$ 31,469	\$ -	\$ 31,469	\$ -	\$ -

Long-term obligation activity for the year ended June 30, 2020 is as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Notes payable	\$ 92,519	\$ -	\$ 61,050	\$ 31,469	\$ 31,469

5. 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% 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 years ended June 30, 2021 and 2020 were \$128,492 and \$80,019, respectively.

6. 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.

RCEA is exposed to various insurable risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions. During the year, RCEA purchased insurance policies from investment-grade commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions and property damage. Settled claims have not exceeded the commercial liability in any of the past three years. There were no significant reductions in coverage compared to the prior year.

On July 12, 2018, RCEA's Board adopted the Energy Risk Management Policy (ERMP). The ERMP establishes RCEA's Energy Risk Program and applies it to all power procurements and related business activities that may impact the risk profile of RCEA. The ERMP documents the framework by which RCEA staff and consultants will identify and quantify risk, develop and execute procurement strategies, develop controls and oversight and monitor and measure and report on the effectiveness of the ERMP. Risks covered by the ERMP include market price risk, credit risk, volumetric risk, operational risk, opt-out risk, legislative and regulatory risk and other risks arising from operating as a Community Choice Aggregation and participating in California energy markets. The Board approved updates to the ERMP in July 2019, July 2020 and July 2021.

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RCEA maintains other risk management policies, procedures and systems that help mitigate and manage credit, liquidity, financial, regulatory and other risks not covered by the ERMP.

Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, RCEA enters into netting arrangements whenever possible and where appropriate obtains collateral and other performance assurances from counterparties.

7. Purchase Commitments

Construction

At 12/31/2021, RCEA had open construction contracts for \$3,219,340. As of year-end, \$4,112,531 has been expended.

Power and Electric Capacity

In the ordinary course of business, RCEA enters into various power purchase and energy storage 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 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 and energy storage agreements in order to comply with state law and elective targets for renewable and greenhouse gas (GHG) free products and to ensure stable and competitive electric rates for its customer.

The following table represents the expected, undiscounted, contractual commitments for energy storage, power and electric capacity outstanding as of June 30, 2021:

Years ending June 30:	
2022	\$ 7,653,043
2023	8,006,992
2024	6,267,473
2025	11,386,808
2026	-
Total	<u>\$ 33,314,316</u>

8. Subsequent Events

RCEA evaluated subsequent events through the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements.

USDA Loan

On June 1, 2021, RCEA secured a guaranteed loan to finance construction of electric generation facilities through the U.S. Department of Agriculture (USDA) Rural Utilities Service program totaling \$6,600,000 with an effective interest rate of 1.79%. RCEA completed two loan draws totaling \$6,287,592 subsequent to June 30, 2021 as the project continues.

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Debt Issue

On February 8, 2022, RCEA entered into a \$2,000,000 unsecured loan agreement with Blue Lake Rancheria. The obligation is payable over 7 months and bears an interest rate of 8.00%. The obligation was paid in full on August 25, 2022.