

Redwood Coast Energy Authority

Financial Statements

June 30, 2025 and 2024

Redwood Coast Energy Authority

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Independent Auditors' Report

To the Board of Directors of
Redwood Coast Energy Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Redwood Coast Energy Authority (RCEA), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the RCEA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of RCEA as of June 30, 2025 and 2024, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). The 2024 audit was not conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the RCEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RCEA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the RCEA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RCEA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management 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 financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RCEA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RCEA's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Madison, Wisconsin
September 15, 2025

Redwood Coast Energy Authority

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 37,635,310	\$ 22,170,517
Accounts receivable, net of allowance	6,132,604	7,104,667
Unbilled revenue	3,050,773	3,733,793
Other receivable	438,195	800,012
Prepaid expenses	24,840	65,813
Inventory	21,822	22,644
Deposits	682,699	4,201,404
Total current assets	<u>47,986,243</u>	<u>38,098,850</u>
Noncurrent Assets		
Restricted assets:		
Reserve fund	383,271	389,289
Plant in service	812,562	747,292
Accumulated depreciation	(399,830)	(319,266)
Construction work in progress	9,399,476	9,089,891
Total noncurrent assets	<u>10,195,479</u>	<u>9,907,206</u>
Total assets	<u><u>\$ 58,181,722</u></u>	<u><u>\$ 48,006,056</u></u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 1,540,637	\$ 889,818
Accrued cost of electricity	5,394,365	2,880,751
Accrued wages	167,666	149,118
Accrued compensation	349,559	181,346
Security deposits	1,049,170	946,545
Current liabilities payable from restricted assets:		
Current portion of revenue bonds	276,378	276,378
Total current liabilities	<u>8,777,775</u>	<u>5,323,956</u>
Noncurrent Liabilities		
Revenue bonds	5,389,364	5,665,742
Advances from grantors	4,402,909	-
Total noncurrent liabilities	<u>9,792,273</u>	<u>5,665,742</u>
Total liabilities	<u>18,570,048</u>	<u>10,989,698</u>
Net Position		
Net investment in capital assets	4,529,737	3,965,086
Unrestricted	35,081,937	33,051,272
Total net position	<u>39,611,674</u>	<u>37,016,358</u>
Total liabilities and net position	<u><u>\$ 58,181,722</u></u>	<u><u>\$ 48,006,056</u></u>

See notes to basic financial statements

Redwood Coast Energy Authority

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Revenues		
Charges for service	\$ 67,883,895	\$ 77,939,425
Grant revenue	9,090,996	3,148,371
Other operating revenue	554,543	2,638
Total operating revenues	77,529,434	81,090,434
Operating Expenses		
Purchased power	63,809,443	60,169,567
Operation and maintenance	10,932,314	9,018,857
Depreciation	80,564	62,890
Total operating expenses	74,822,321	69,251,314
Operating income	2,707,113	11,839,120
Nonoperating Revenues (Expenses)		
Interest expense	(111,797)	(118,075)
Nonoperating revenues	(111,797)	(118,075)
Income before contributions	2,595,316	11,721,045
Capital Contributions	-	182,802
Change in net position	2,595,316	11,903,847
Net Position, Beginning	37,016,358	25,112,511
Net Position, Ending	\$ 39,611,674	\$ 37,016,358

See notes to basic financial statements

Redwood Coast Energy Authority

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Received from customers	\$ 70,557,963	\$ 75,789,899
Received from grants	13,493,905	3,012,297
Paid to suppliers for goods and services	(62,825,364)	(63,764,408)
Paid to employees for operating payroll	(5,004,699)	(4,821,204)
Net cash flows from operating activities	16,221,805	10,216,584
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(374,855)	(511,015)
Capital contributions received	-	182,802
Debt retired	(276,378)	(276,378)
Interest paid	(111,797)	(118,075)
Net cash flows from capital and related financing activities	(763,030)	(722,666)
Net change in cash and cash equivalents	15,458,775	9,493,918
Cash and Cash Equivalents, Beginning	22,559,806	13,065,888
Cash and Cash Equivalents, Ending	<u>\$ 38,018,581</u>	<u>\$ 22,559,806</u>

See notes to basic financial statements

Redwood Coast Energy Authority

Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Operating income	\$ 2,707,113	\$ 11,839,120
Noncash items in operating income:		
Depreciation	80,564	62,890
Changes in assets and liabilities:		
Accounts receivable	972,063	(157,111)
Unbilled revenue	683,020	(697,249)
Other receivables	361,817	(723,303)
Advances from grantors	4,402,909	(136,075)
Inventory	822	(3,481)
Deposits	3,518,705	(46,808)
Prepaid expenses	40,973	(44,908)
Accounts payable	650,819	94,807
Accrued cost of electricity	2,513,614	558,429
Accrued compensation and wages	186,761	44,773
Security deposits	102,625	(574,500)
	<u>\$ 16,221,805</u>	<u>\$ 10,216,584</u>
Net cash flows from operating activities		
	<u>\$ 16,221,805</u>	<u>\$ 10,216,584</u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Cash and cash equivalents	\$ 37,635,310	\$ 22,170,517
Reserve fund	383,271	389,289
	<u>\$ 38,018,581</u>	<u>\$ 22,559,806</u>
Cash and cash equivalents		
	<u>\$ 38,018,581</u>	<u>\$ 22,559,806</u>

See notes to basic financial statements

Redwood Coast Energy Authority

Notes to Basic Financial Statements
June 30, 2025 and 2024

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.

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.

Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The restricted assets included relate to the debt service for the

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

Accounts Receivable

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

	2025	2024
Accounts receivable from customers	\$ 14,888,075	\$ 15,072,439
Allowance for uncollectible accounts	(8,755,471)	(7,967,772)
Total	\$ 6,132,604	\$ 7,104,667

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. On June 30, 2025 and 2024, unbilled revenues were \$3,050,773 and \$3,733,793, 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 Basic Financial Statements

June 30, 2025 and 2024

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 and Accrued Wages

RCEA pays employees bi-weekly and fully pays its obligation for health benefits and contributions to its defined contribution retirement plan each month. RCEA provides compensated time off, and the related liability is recorded in these financial statements. Under terms of employment, employees are granted sick leave and vacations in varying amounts. Vacation and sick leave pay is accrued when earned in the financial statements. RCEA is not obligated to provide postemployment healthcare or other fringe benefits and, accordingly, no 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. RCEA receives operating revenues both from retail customers and from granting agencies funding specific program offerings. 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.

Redwood Coast Energy Authority

Notes to Basic Financial Statements
June 30, 2025 and 2024

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

Grant revenue includes funds from the California Energy Commission (CEC) for the design and installation of electric vehicle charging stations in Humboldt County; funds from the Governor's Office of Planning and Research for design and installation of solar plus storage energy generation systems at remote fire stations throughout the County; and from the Local Government Partnership (LGC) program through Pacific Gas and Electric (PG&E) to assist public entities in identifying and implementing energy savings projects.

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.

Recent Accounting Pronouncements, Adopted

In June 2022, GASB issued SGAS No. 101, *Compensated Absences (GASB No. 101)*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. This statement is effective in 2025. The implementation impacted the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position when the accrual of these additional leave liabilities and the associate salary-related payments and the related expenses were recorded. RCEA did not restate 2024 for this change as the impact was not material.

Redwood Coast Energy Authority

Notes to Basic Financial Statements
June 30, 2025 and 2024

In June 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures* (GASB No. 102), to enhance transparency regarding risks arising from certain concentrations and constraints that could significantly impact a government's financial position or operations. The Statement requires disclosure of risks that meet specific criteria related to timing and likelihood of occurrence. This statement is effective in 2025. After evaluation, RCEA concluded that the provisions of GASB No. 102 are not applicable to its operations, as no qualifying concentrations or constraints were identified. Accordingly, no changes were made to the financial statements in connection with this Statement.

The Governmental Accounting Standards Board (GASB) Has Approved the Following

GASB has approved 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.

2. Cash and Cash Equivalents

As of June 30, 2025 and 2024, 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.

Investment Policy

RCEA has adopted an investment policy. That policy follows state statutes for allowable investments.

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

3. Capital Assets

A summary of changes in capital assets for 2025 follows:

	Balances July 1, 2024	Increases	Decreases	Balances June 30, 2025
Capital assets, not being depreciated:				
Land and land rights	\$ 286,880	\$ -	\$ -	\$ 286,880
Total capital assets not being depreciated	286,880	-	-	286,880
Capital assets being depreciated:				
Leasehold improvements	45,972	-	-	45,972
Equipment	414,440	65,270	-	479,710
Total capital assets being depreciated	460,412	65,270	-	525,682
Total capital assets	747,292	65,270	-	812,562
Less accumulated depreciation:				
Leasehold improvements	(22,821)	(2,298)	-	(25,119)
Equipment	(296,445)	(78,266)	-	(374,711)
Total accumulated depreciation	(319,266)	(80,564)	-	(399,830)
Construction in progress	9,089,891	309,585	-	9,399,476
Capital assets, net	\$ 9,517,917	\$ 294,291	\$ -	\$ 9,812,208

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

A summary of changes in capital assets for 2024 follows:

	Balances July 1, 2023	Increases	Decreases	Balances June 30, 2024
Capital assets, not being depreciated:				
Land and land rights	\$ -	\$ 286,880	\$ -	\$ 286,880
Total capital assets not being depreciated	-	286,880	-	286,880
Capital assets being depreciated:				
Leasehold improvements	45,972	-	-	45,972
Equipment	363,950	50,490	-	414,440
Total capital assets being depreciated	409,922	50,490	-	460,412
Total capital assets	409,922	337,370	-	747,292
Less accumulated depreciation:				
Leasehold improvements	(20,523)	(2,298)	-	(22,821)
Equipment	(235,853)	(60,592)	-	(296,445)
Total accumulated depreciation	(256,376)	(62,890)	-	(319,266)
Construction in progress	8,916,246	173,645	-	9,089,891
Capital assets, net	\$ 9,069,792	\$ 448,125	\$ -	\$ 9,517,917

4. Long-Term Obligations

The following bonds have been issued:

Date	Purpose	Final Maturity	Interest Rate	Original Amount	Outstanding Amount 6/30/2025	Outstanding Amount 6/30/2024
6/1/2021	To finance the construction of electric distribution facilities, United States Department of Agriculture (USDA), Rural Utilities Service (RUS)	1/2/2046	1.79%	\$ 6,287,592	\$ 5,665,742	\$ 5,942,120*

* The debt noted is directly placed with a third party.

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

Revenue bonds debt service requirements to maturity follows:

Years Ending June 30:	Principal	Interest	Total
2026	\$ 276,378	\$ 101,237	\$ 377,615
2027	276,378	96,268	372,646
2028	276,378	91,494	367,872
2029	276,378	86,629	363,007
2030	276,378	81,135	357,513
2031-2035	1,381,890	332,417	1,714,307
2036-2040	1,381,890	208,045	1,589,935
2041-2045	1,381,890	83,689	1,465,579
2046-2050	138,182	953	139,135
Total	\$ 5,665,742	\$ 1,081,867	\$ 6,747,609

All RCEA revenues net of specified operating expenses are pledged as security of the above revenue bonds until the bonds are defeased. Principal and interest paid for 2025 and 2024 were \$388,175 and \$394,453, respectively. Total customer gross revenues as defined for the same periods were \$77,529,434 and \$81,090,434. Annual principal and interest payments are expected to require 0.5% and 0.5% of gross revenues on average, respectively.

Debt Coverage

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses must exceed 1.25 times the annual debt service of the bonds in 2025 and 2024. The coverage only includes revenue debt and does not include general obligation or other debt. The coverage requirement was met in 2025 and 2024.

Long-Term Obligation Summary

Long-term obligation activity for the year ended June 30, 2025 is as follows:

	July 1, 2024	Additions	Reductions	June 30, 2025	Due Within One Year
Revenue bonds	\$ 5,942,120	\$ -	\$ 276,378	\$ 5,665,742	\$ 276,378
Advances from grantors	-	4,402,909	-	4,402,909	-
Total	\$ 5,942,120	\$ 4,402,909	\$ 276,378	\$ 10,068,651	\$ 276,378

Long-term obligation activity for the year ended June 30, 2024 is as follows:

	July 1, 2023	Additions	Reductions	June 30, 2024	Due Within One Year
Revenue bonds	\$ 6,218,491	\$ -	\$ 276,378	\$ 5,942,120	\$ 276,378
Advances from grantors	136,075	-	136,075	-	-
Total	\$ 6,354,566	\$ -	\$ 412,453	\$ 5,942,120	\$ 276,378

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

5. Grants

RCEA administers various grants from the California Public Utilities Commission (CPUC), California Energy Commission and other sources. Grant revenues are recognized when a corresponding eligible expense is incurred.

6. Defined Contribution Retirement Plan

The Redwood Coast Energy Authority Plan (Plan) is a defined contribution 401(a) retirement plan established by RCEA to provide benefits upon retirement to its employees. The Plan is administered by Ascensus, LLC. As of June 30, 2025, there were 35 plan members. RCEA is required to contribute a flat rate of \$4,000 per year plus 4% of annual covered payroll to the Plan and up to an additional 3% of salary as match contribution. RCEA contributed \$361,500 and \$354,944 during the fiscal years ended June 30, 2025 and 2024, respectively. Plan provisions and contribution requirements are established and may be amended by the Board of Directors.

7. Deferred Compensation Plan

RCEA offers a deferred compensation plan to eligible employees under Internal Revenue Code (IRC) Section 457(b). This plan allows employees to voluntarily defer a portion of their compensation on a pre-tax basis, thereby reducing their current taxable income and allowing for tax-deferred growth of retirement savings. The plan is designed to supplement other retirement benefits and provide employees with additional financial security in retirement. Participation in the plan is optional and available to all full-time employees. In addition to employee contributions, the employer makes discretionary contributions to the plan. For the fiscal years ended June 30, 2025 and June 30, 2024, the employer contributions totaled \$322,279 and \$331,850, respectively.

8. 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, July 2021 and June 2025.

Redwood Coast Energy Authority

Notes to Basic Financial Statements

June 30, 2025 and 2024

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.

9. Purchase Commitments

Construction

On June 30, 2025, RCEA had open construction contracts for \$366,594. As of year-end, \$7,233,639 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, 2025:

Years Ending June 30:

2026	\$ 19,935,491
2027	19,933,163
2028	19,928,339
2029	19,923,443
2030	19,918,619
2031-2035	65,313,437
2036-2040	44,731,566
2041-2045	5,865,336
Total	<u>\$ 215,549,394</u>

10. Subsequent Events

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

**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***

Independent Auditors' Report

To the Board of Directors of
Redwood Coast Energy Authority

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 (*Government Auditing Standards*) and 7 CFR Part 1773, Policy on Audits of Rural Utility Service (RUS) Borrowers, the financial statements of Redwood Coast Energy Authority (the RCEA), which comprise the RCEA's statement of net position as of June 30, 2025 and 2024, and the related revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the RCEA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the RCEA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001/2025-001, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

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.

Baker Tilly US, LLP

Madison, Wisconsin
September 15, 2025

**Independent Auditors' Report on
Compliance With Aspects of Contractual Agreements and
Regulatory Requirements for Electric Borrowers**

To the Board of Directors of
Redwood Coast Energy Authority

We have audited, 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, the accompanying financial statements of Redwood Coast Energy Authority, as of June 30, 2025 and the related notes to the basic financial statements, which collectively comprise the Redwood Coast Energy Authority's financial statements as listed in the table of contents and have issued our report thereon dated September 15, 2025. In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2025, 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. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, other than the item noted below, nothing came to our attention that caused us to believe that RCEA failed to comply with the terms, covenants, provisions or conditions of their loan, grant and security instruments as set forth in 7 CFR Part 1773, Policy on Audits of Rural Utilities Service Borrowers, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the RCEA's noncompliance with the above-referenced terms, covenants, provisions or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, other than the findings 2024-001, 2024-002 and 2025-001 noted below, we noted no matters regarding RCEA's accounting and records to indicate that RCEA did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material and overhead costs and the distribution of these costs to construction, retirement and maintenance or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;
- Record and properly price the retirement of plant;
- Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap;
- Maintain adequate control over materials and supplies;

- Prepare accurate and timely Financial and Operating Reports;
 - See findings 2024-001/2025-001 and 2024-002
- Obtain written RUS approval to enter into any contract for the management, operation or maintenance of the borrowers' system if the contract concerns all or substantially all of the electric system;
- Disclose material related-party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;
- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);
- Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and
- Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the Board of Directors, management and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Baker Tilly US, LLP

Madison, Wisconsin
September 15, 2025

**Financial Statement Findings Required to Be Reported in Accordance With
Government Auditing Standards**

Finding 2024-001/2025-001: Material Weakness - Internal Control Over Financial Reporting

Criteria: Auditing Standards AU-C 265 requires us to report a material weakness if any of these factors are relevant for RCEA: 1) Material journal entries are detected as part of the financial audit and 2) The auditor prepares the annual financial statements and footnotes.

Condition: We, as your auditors, prepared RCEA's financial statements. In addition, adjusting entries were proposed as part of the audit.

Cause: RCEA does not have sufficient resources to complete RCEA's financial statements.

Effect: Without adequate internal control over financial reporting, the financial statements may not contain all the required disclosures.

Recommendation: We recommend that RCEA evaluate if resources would be available to prepare and review a complete set of financial statements. Additional levels of review may be necessary over the year end general ledger balances and the schedule of expenditures of federal awards to reduce the likelihood of material adjustments during the audit.

Management's Response: RCEA's Finance Manager prepares monthly budget to actual reports for Department managers. The Director of Business Planning and Finance prepares monthly financial reports for the RCEA Board of Directors, including a year-to-date actual report compared to budget. The Director of Business Planning and Finance also prepares a quarterly Budget Update Report that includes a summary of revenues and expenditures and calls out any significant deviations. The Board takes action to approve the financial and budget reports at its monthly meeting. Due to staffing constraints, we anticipate continued assistance from RCEA's auditors to prepare the complete annual financial statements based on information provided by RCEA staff.

Finding 2024-002: RUS Annual Audit

Criteria: In accordance with Section 1773.3 (c) for Annual Audits of 7 CFR Part 1773, Policy on Audits of Rural Utility Service (RUS) Borrowers, the auditee must furnish a reporting package to RUS within 120 days of the audit date.

Condition: During testing, it was noted that the financial statements as of and for the year ended June 30, 2024, was not submitted by the deadline.

Cause: Without proper review of the RUS requirements, the deadlines will not be met.

Effect: Without the development of an audit timeline, the reporting package may not be submitted on time.

Recommendation: We recommend that RCEA reviews the RUS requirements and develops a timeline and works with their external auditors to ensure that the audit is being completed and the reporting package is submitted on a timely basis.

Management's Response: The Director of Business Planning and Finance will work with RCEA's external auditors to develop an audit timeline to ensure the reporting package is submitted on a timely basis from now on.



Reporting and insights from 2025 and 2024 audit:

**Redwood Coast Energy
Authority**

June 30, 2025 and 2024

Executive summary

September 15, 2025

To the Board of Directors
Redwood Coast Energy Authority
633 3rd Street
Eureka, CA 95501

We have completed our audit of the financial statements of Redwood Coast Energy Authority (the Authority) for the years ended June 30, 2025 and 2024, and have issued our report thereon dated September 15, 2025. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of the Authority's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

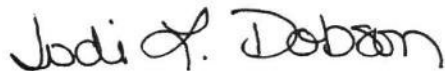
Additionally, we have included information on key risk areas Redwood Coast Energy Authority should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Jodi Dobson, Principal: jodi.dobson@bakertilly.com or +1 (608) 240 2469
- Ryan Theiler, Senior Manager: ryan.theiler@bakertilly.com or +1 (608) 240 2571

Sincerely,

Baker Tilly US, LLP

A handwritten signature in black ink that reads "Jodi X. Dobson". The signature is written in a cursive, flowing style.

Jodi Dobson, Principal, CPA

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

BAKER TILLY ADVISORY GROUP, LP AND BAKER TILLY US, LLP, TRADING AS BAKER TILLY, ARE MEMBERS OF THE GLOBAL NETWORK OF BAKER TILLY INTERNATIONAL LTD., THE MEMBERS OF WHICH ARE SEPARATE AND INDEPENDENT LEGAL ENTITIES. BAKER TILLY US, LLP IS A LICENSED CPA FIRM THAT PROVIDES ASSURANCE SERVICES TO ITS CLIENTS. BAKER TILLY ADVISORY GROUP, LP AND ITS SUBSIDIARY ENTITIES PROVIDE TAX AND CONSULTING SERVICES TO THEIR CLIENTS AND ARE NOT LICENSED CPA FIRMS. NON-ATTEST SERVICES ARE PROVIDED BY BAKER TILLY ADVISORY GROUP, LP.

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Authority's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Our audit does not relieve management or the Board of Directors of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Directors, including:

- Internal control matters
- Qualitative aspects of the Authority's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Authority and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Authority's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion
Potential for inaccurate billing data from Pacific Gas & Electric (PG&E)	Review Calpine SOC report and perform walkthrough to assess the procedures established to validate the data	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Financial reporting and required disclosures	Long-term debt
Capital assets including infrastructure	Net position calculations	

Internal control matters

We considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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.

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 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. We identified the following deficiencies as material weaknesses.

- **Financial statement close process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

- **Analysis for Allowance of Doubtful Accounts**

During our testing, it was noted that RCEA does not currently perform a detailed analysis to support the reasonableness of its allowance for doubtful accounts in relation to its accounts receivable balance. Initially, the percentage of allowance to the accounts receivable was 68% and 53% for fiscal year 2025 and 2024, respectively. We deemed that to be too high based on RCEA's historical collection data and current trends and made material audit entries to correct both fiscal year 2024 and 2025. Management was in agreeance with these entries. Furthermore, we recommend that RCEA perform a semi-annual or annual analysis of its accounts receivable aging to assess the reasonableness of the allowance. This should include assigning reserve percentages to aging buckets based on historical collection trends, identifying inactive accounts over 90 days for potential write-off, and reviewing balances for customers that have gone out of business. Any write-offs should be recorded as a reduction to both the allowance and accounts receivable and tracked as reconciling items against Calpine's account receivable aging report.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles. In addition, we have recommended material adjusting journal entries.

Other comments and recommendations

During our testing, we noted compliance-related control deficiencies regarding the entity's obligations under Rural Utility Service (RUS) requirements. Specifically, the entity failed to meet the deadline for submitting 2024 audited financial statements and relied on the auditor to prepare the financial statements, which included material journal entries. While these deficiencies are not expected to result in material misstatements, they reflect gaps in the entity's compliance processes and documentation controls. We recommend that the Authority establish formal procedures and timelines for preparing and submitting required RUS documentation, including assigning responsibility for timely review and approval. Additionally, the Authority should evaluate whether internal resources can be allocated to prepare financial statements independently and implement additional review layers to ensure the RUS requirements are being met.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1, the Authority changed accounting policies related to compensated absences by adopting GASB No. 101 in 2025. The Authority did not restate 2024 for this change as the impact was not material. The Authority evaluated GASB No. 102 and determined it not to be applicable. We noted no transactions entered into by the Authority during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Unbilled revenue	Evaluate the July Calpine monthly usage report and calculation of the estimated portion related to June	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Estimated at 3% of electricity sales	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

We encountered no significant difficulties in dealing with management and completing our audit.

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule within the attachments summarizes the material corrected misstatements, that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Authority's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Authority that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Authority's related parties.

Non-attest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Grant advisory services

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

Audit committee resources

Our business is to know every aspect of yours and to maintain a constant lookout for what's next. We invite you to learn about some of the trending challenges and opportunities for public sector organizations like yours and how Baker Tilly can help.

To explore more trending topics and regulatory updates, visit our resource page at <https://www.bakertilly.com/insights/audit-committee-resource-page>.



Funding evaluation and pursuit

Public sector organizations may be eligible for grants, tax credits and other financial incentives through funding opportunities such as the Inflation Reduction Act, the Clean Communities Investment Accelerator, and the Infrastructure Investment and Jobs Act.

Baker Tilly can help you navigate, understand and pursue various federal and state funding sources through grant research and tracking, advising and writing, and management and compliance services.



Digital transformation

Digitizing public services can be a game changer for governments. Streamlining inefficient processes, providing digital access and delivery of services to meet public expectations, implementing technology to protect constituent data, leveraging information to make data-driven decisions and migrating outdated on-premises systems to the cloud are crucial to an entity's success.

Through these types of digital services, Baker Tilly can help you scale with future demand and be better positioned to rapidly respond to changing demands.



Cybersecurity

Public sector organizations face significant challenges from cyber threats and IT regulations. It can feel like you are on the defense keeping up with the latest risks, regulations and emerging trends. To mitigate risk, you must understand your organization's unique vulnerabilities, cybersecurity processes and controls.

Baker Tilly can help enhance your cybersecurity posture and ensure compliance, with solutions in IT compliance and security and cybersecurity and data protection to safeguard your data and navigate complex risk environments.

Management representation letter



REDWOOD COAST EnergyAuthority

Arcata | Blue Lake | Blue Lake Rancheria | County of Humboldt | Eureka | Ferndale | Fortuna | Humboldt Bay Municipal Water District | Rio Dell | Trinidad | Yurok Tribe

September 15, 2025

Baker Tilly US, LLP
4807 Innovation Lane
P.O. Box 7398
Madison, WI 53711

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of Redwood Coast Energy Authority as of June 30, 2025 and 2024 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of the Redwood Coast Energy Authority and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 19, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the RCEA required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.



REDWOOD COAST Energy Authority

Arcata | Blue Lake | Blue Lake Rancheria | County of Humboldt | Eureka | Ferndale | Fortuna | Humboldt Bay Municipal Water District | Rio Dell | Trinidad | Yurok Tribe

- 3) We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable in accordance with U.S. GAAP.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.
- 9) There are no known or possible litigation, claims and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 10) Guarantees, whether written or oral, under which the RCEA is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of RCEA or summaries of actions of recent meetings for which minutes have not yet been prepared.



(707) 269-1700



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- 12) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 15) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 16) There are no related parties or related party relationships and transactions, including side agreements, of which we are aware.

Other

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 20) We have provided our views on reported findings, conclusions and recommendations, as well as our planned corrective actions, for our report.
- 21) The RCEA has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.
- 22) We are responsible for compliance with federal, state and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.



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23) There are no:

- a) Violations or possible violations of budget ordinances, federal, state and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
- b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
- c) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

24) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

- a) Financial statement preparation
- b) Adjusting journal entries
- c) Grant advisory services

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

25) Redwood Coast Energy Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

26) Redwood Coast Energy Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

27) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units have been properly presented as either blended or discrete.

28) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

29) Redwood Coast Energy Authority has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps,



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collars or caps.

- 30) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 31) Deposits and investments are properly classified, valued and disclosed (including risk disclosures, collateralization agreements, valuation methods and key inputs, as applicable).
- 32) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 33) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 34) We have appropriately disclosed Redwood Coast Energy Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy.
- 35) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 36) We have reviewed our long-term debt agreements and believe that all terms related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses have been properly identified and disclosed.
- 37) Unused lines of credit, collateral pledged to secure debt and direct borrowings and private placements have been properly identified and disclosed.
- 38) We have implemented GASB Statement No. 101, *Compensated Absences*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 39) We have implemented GASB Statement No. 102, *Certain Risk Disclosures*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in accordance with the Standard.
- 40) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with



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governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Sincerely,

Redwood Coast Energy Authority

Signed: 
Lori Biondini, Director of Business Planning and Finance

Signed: 
Elizabeth Burks, Executive Director



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Accounting changes relevant to Redwood Coast Energy Authority

Future accounting standards update

GASB statement number	Description	Potentially impacts you	Effective date
103	Financial reporting model improvements	✓	6/30/2026
104	Disclosure of certain capital assets	✓	6/30/2026

Further information on upcoming [GASB pronouncements](#).

Changes to the financial reporting model

GASB Statement 103, *Financial Reporting Model Improvements*, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis - While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.
- Unusual or infrequent items (previously known as extraordinary and special items) - The new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position - The changes are designed to improve consistency around the classification of items in these statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.
- Major component unit information, and Budgetary comparison information - Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information.

Revisions to disclosures for certain capital assets

Governments are required to provide information on capital assets in the footnotes to the financial statements as outlined in GASB Statement No. 34. Recent standards have impacted the accounting and reporting for capital assets and as a result GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* to provide enhanced disclosures for certain capital assets, including

- (a) Lease assets reported under Statement No. 87, intangible right-to-use assets reported under Statement No. 94 and subscription assets reported under Statement No. 96 should all be disclosed separately, and by major class of underlying asset. In addition, if there are any other intangible assets reported they should also be disclosed separately.
- (b) Capital assets that are held for sale should have the ending balance with separate disclosure for historical cost and related accumulated depreciation as well as any outstanding debt for which the asset is pledged as collateral disclosed by major class of asset. Assets held for sale are defined as those for which the government has decided to pursue the sale, and it is probable that the sale will be finalized within one year of the financial statement date.

While these changes are focused on footnote disclosures it is important to plan ahead to ensure the required information is available for implementation.

Material corrected misstatements

Redwood Coast Energy Authority

Year End: June 30, 2025
Normal adjusting journal entries
Date: 7/1/2024 To 6/30/2025
Account No: 25A01 To 25A99

311

Associate	Sr. Associate	Manager
Partner Review	IR/CDR	RT18036 8/11/2025
JD1877 8/25/2025		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
25A01	6/30/2025	NEM Escrow Liability	2011 EF	C.102		139,641.68	
25A01	6/30/2025	NEM Rebates	5512 EF	C.102			139,641.68
		To true-up the NEM Escrow Liability to the amount on the Calpine AR Aging Report.					
25A02	6/30/2025	Revenue- nongovernment agencies	5400 EF	U.400			40,000.00
25A02	6/30/2025	HSU-SPF	5429 EF	U.400		40,000.00	
		To move the \$40,000 receipt of cash from Humboldt State University for pre-award legal expenses for the large Department of Energy grant from capital contributions to other operating revenue.					
25A03	6/30/2025	Construction in Progress - ACV	1501 EF				196,000.00
25A03	6/30/2025	RCAM Decommissioning Fund	2705 EF			196,000.00	
		To true-up the balance for TBs 1501 and 2705 related to RCAM - Decommissioning Fund for Microgrid ARO. See wp U.200, U.300, and 331 for more information.					
25A04	6/30/2025	Allowance for Doubtful Accounts	1101 EF	C.105		1,302,126.50	
25A04	6/30/2025	Uncollectable Accounts	5580 EF	C.105			1,302,126.50
		To true up bad debt collections and the allowance for doubtful accounts.					
						1,677,768.18	1,677,768.18

Net Income (Loss) 2,595,314.01

Redwood Coast Energy Authority

Year End: June 30, 2025
Normal adjusting journal entries
Date: 7/1/2023 To 6/30/2024
Account No: 24A01 To 24A99

310

Associate	Sr. Associate	Manager
Partner Review	IR/CDR	RT18036 8/11/2025
JD1877 8/25/2025		

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit
24A01	6/30/2024	Allowance for Doubtful Accounts	1101 EF	C.105		2,049,511.00	
24A01	6/30/2024	Uncollectable Accounts	5580 EF	C.105			2,049,511.00
		To true up bad debt collections and the allowance for doubtful accounts.			✓		
						2,049,511.00	2,049,511.00
Net Income (Loss)			2,595,314.01				

Two-way audit communications

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Authority will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of April-June, and sometimes early in July. Our final financial fieldwork is scheduled during the summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 6-12 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.