

**REDWOOD REGION ECONOMIC DEVELOPMENT  
COMMISSION**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2015**

**With**

**INDEPENDENT AUDITOR'S REPORT**

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

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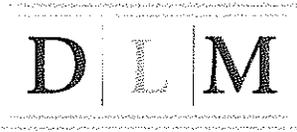
REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

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REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners  
Redwood Region Economic Development Commission  
520 E Street  
Eureka, California 95501

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redwood Region Economic Development Commission (the "Commission") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission'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 the financial reporting provisions of the Economic Development Administration. Management is also responsible 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - CONTINUED

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

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Notes 1 and 2, the Commission prepares its financial statements on a regulatory basis of accounting that demonstrates compliance with the administrative requirements and procedures that apply to Revolving Loan Fund grants funded by the Economic Development Administration under Title IX of the Public Works and Economic Development Act of 1965, as amended, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Notes 1 and 2 and accounting principles generally accepted in the United States of America are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Commission as of June 30, 2015, or the changes in its financial position for the year then ended.

**Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission as of June 30, 2015, and the respective changes in financial position for the year then ended on the basis of the financial reporting provisions of the Economic Development Administration as described in Notes 1 and 2.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 4a through 4j and 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - CONTINUED

procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary schedules listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2016, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*David L. Moonie + Co.*

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

January 5, 2016

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**I. Introduction**

**a. Background**

The Redwood Region Economic Development Commission (RREDC) is a Joint Powers Authority formed in 1977. The Commission was formed to distribute funds granted to Humboldt County by the U.S. Department of Commerce, Economic Development Administration (EDA). A portion of these funds, approximately \$2.9 million, was held by RREDC to create a revolving loan fund (RLF) to provide loans to small businesses in Humboldt County. This fund continues to this day. In addition, RREDC manages two additional "operational funds," including an RLF created by a subsequent grant from the U.S. Department of Housing and Urban Development (HUD) and a General Fund, which receives income from other RREDC activities. Finally, RREDC periodically administers grant funds from a variety of sources for special projects.

RREDC does not receive direct support for its operations. All revenue is derived from the operation of its loan programs, fees for service, and income from facilities.

**b. Financial Highlights – FY 2015**

- Net position on June 30, 2015 was \$4,871,925 an increase of \$149,684 from June 30, 2014
- Total revenues were \$495,851. Loan interest and fees accounted for \$413,670 or approximately 83% of all revenues. Rent and other fees for service totaled \$77,125 or 16%, and interest earned on investments totaled \$5,056 or 1%
- Total expenses for the year, not including net position adjustments, were \$337,183. Salaries and employee benefits were the largest expense at \$129,241 or 38% of total expenses. Professional fees were the second highest expenditure at \$54,769 or 16%. The next largest expenditure was rent at \$46,376.

**Using this Annual Report**

**a. The Statement of Net Position and Statement of Activities**

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities on pages 5 and 6 provide information about the activities of RREDC as a whole. Individual fund financial statements start on page 7. These statements provide more detail on individual fund balances and how dollars were spent in individual programs of RREDC. These statements do not contain fixed assets or depreciation. Capital Assets and Accumulated Depreciation are shown on page 8.

Page 11 includes the Statement of Net Position (Assets and Liabilities) for the part of the Headwaters Fund that RREDC uses to make loans. While RREDC is responsible for servicing these loans and reporting performance to the Headwaters Fund, we do not hold significant cash. Each month, cash received for Headwaters Fund loans is transferred to the County of Humboldt.

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**b. RREDC's Individual Funds**

RREDC has three "operational funds," which form the core of our program. Two of these funds are Revolving Loan Funds (RLF) and the third is the RREDC "General Fund". These three funds are reported as major funds in the individual fund financial statements. In addition to these three funds, RREDC will, from time to time, create additional non-major funds to manage grant-sponsored programs. Typically, these grants are managed on behalf of other entities and do not have a significant impact on the overall financial status of the organization.

The two RLFs were created by grants from the federal government. The EDA RLF was created in 1978 and the RREDC RLF was created in 1994. To survive over time, each of these funds must generate sufficient revenue through operations to cover all expenses and return excess revenues to the fund. Operations are centered in the making of loans to small businesses unable to obtain credit through traditional lenders. Loan interest and fees account for 98% of total revenue to these RLFs.

At their January 23, 2012 meeting, the RREDC Board of Directors directed staff to begin depositing funds into the RREDC Revolving Loan Fund from a new revenue source. As a result, a portion of the interest and the entire amount of servicing fees from loans made this year from the Headwaters Revolving Loan Fund (HWF-RLF), for which RREDC has fiduciary responsibility, were deposited in the RREDC Revolving Loan Fund. In the past, all revenue generated by loans made from this source was voluntarily deposited in the EDA Revolving Loan Fund, making them subject to the restrictions on that fund.

The General Fund is a discretionary fund. The largest single source of revenue for this fund is rental income from sub-leases of space at the RREDC facility. Other revenues include fees for service and grant revenues for specific projects.

These three operational funds are self-supporting and receive no direct public support.

RREDC also has fiduciary responsibility for certain loans made from the Headwaters Revolving Loan Fund (HWF). In July 2003, RREDC executed a contract with the County of Humboldt that allows RREDC to make loans from the Headwaters Fund. Essentially, RREDC draws from the HWF and is responsible for returning all principal and sixty-percent of the interest collected back to the HWF. Under that contract, RREDC retained forty percent of the collected interest as compensation for making and servicing the loans.

In December 2013, County of Humboldt released a Request for Proposal for Lender Services for the Headwaters Fund. This resulted in a new "Master Participation Agreement" between RREDC and the HWF. This agreement became effective on April 8, 2014. Since execution of that agreement, RREDC receives the following compensation from the Headwaters Fund (note that "Participant" refers to the Headwaters Fund and "Lender" refers to RREDC):

- A. If the total loan is less than \$300,000, thirty-five percent (35%) of interest collected on the Participating Interest as a Service Fee. As of the date of this contract, new loans

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

underwritten in the amount of \$300,000 or less cannot exceed 25% of the total Participant's portfolio, unless with prior consent of Participant.

- B. If the total loan is greater than \$300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee;
- C. Non-interest late charges arising in connection with the Participation Loan, but only after all interest payments are brought current;
- D. Origination fees and related charges received by Lender in connection with the Participation Loan, but only after all interest payments are brought current.

**II. Financial Performance for Fiscal 2015**

**a. Net Position**

RREDC's net position increased by \$149,684 from one year ago. Table 1 below compares the current statement of assets to that of the previous year.

<b>TABLE 1</b>			
<b>Comparative Statement of Net Position</b>			
	<b>30-Jun-14</b>	<b>30-Jun-15</b>	<b>Change</b>
Cash	1,124,487	730,456	(394,031)
Notes receivable	3,364,841	3,973,319	608,478
Other assets	390,903	300,803	(90,100)
Capital assets	2,184	4,268	2,084
<b>Total Assets</b>	<b>4,882,415</b>	<b>5,008,846</b>	<b>126,431</b>
Notes payable	-	-	-
Other liabilities	46,139	27,984	(18,155)
Airline recruitment fund	114,035	108,937	(5,098)
<b>Total liabilities</b>	<b>160,174</b>	<b>136,921</b>	<b>(23,253)</b>
Invested in capital assets	2,184	4,268	2,084
Reserved for grant programs	-	-	-
Reserved for loan servicing	4,429,358	4,553,458	124,100
Committed for loan servicing	172,877	178,036	5,159
Unreserved	117,822	136,163	18,341
<b>Total Net Position</b>	<b>4,722,241</b>	<b>4,871,925</b>	<b>149,684</b>

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**b. Changes In Net Position**

Table 2 shows the change in net position for the year ended June 30, 2015 in comparison to the prior year.

<b>TABLE 2</b>		
<b>Comparative Statement of Activities</b>		
	<b>30-Jun-14</b>	<b>30-Jun-15</b>
<b>Revenues:</b>		
Charges for services	471,907	478,574
Operating grants and contributions	-	-
Interest and investment earnings	5,895	5,056
<b>Total Revenues</b>	<b>477,802</b>	<b>483,630</b>
<b>Expenses:</b>		
Loan services	278,987	228,953
Economic development services	2,996	4,805
General administration	96,628	89,120
<b>Total Expenses</b>	<b>378,611</b>	<b>322,878</b>
Net Assets Adjustments	-	-
<b>Change in Net Position</b>	<b>99,191</b>	<b>160,752</b>

**c. Fund Equity of the Individual Funds**

Table 3 shows the end of year fund balances for each of RREDC's three operational funds and other governmental funds (grant or service fee funded projects).

<b>TABLE 3</b>			
<b>Year End Fund Balance for Operational Funds</b>			
	<b>30-Jun-14</b>	<b>30-Jun-15</b>	<b>Change</b>
EDA RLF	4,429,358	4,553,458	124,100
RREDC RLF	172,877	178,036	5,159
General Fund	117,822	136,163	18,341
<b>Total</b>	<b>4,720,057</b>	<b>4,867,657</b>	<b>147,600</b>

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**d. Revenues and Expenditures, Governmental Funds**

Table 4 shows revenues for governmental funds for the past two years.

	30-Jun-14	30-Jun-15	Change
Grant revenue	-	-	-
Loan interest	295,173	318,077	22,904
Investment interest	5,895	5,056	(839)
Late fees	10,615	6,015	(4,600)
Rental income	54,290	48,879	(5,411)
Loan Service Fee - Headwaters	79,654	71,191	(8,463)
Loan fees	16,750	18,387	1,637
Other revenue	15,425	28,246	12,821
<b>Total Revenue</b>	<b>477,802</b>	<b>495,851</b>	<b>18,049</b>

**e. Discussion of Budget vs. Actual Revenues and Expenses**

**RREDC Revolving Loan Funds**

Each year, RREDC creates a budget for each of its three operational funds. The RLF budgets are predicated on estimates of annual lending, notes receivable balances, average interest rates on loans and investments, and expenses. Revenue and expenses directly attributable to loan activity can vary significantly from predictions made during the budget process.

Tables 5 and 6 show the budget-to-actual revenue and expenses for the two loan funds.

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

<b>TABLE 5</b>			
<b>Budget vs. Actual Revenues and Expenditures</b>			
<b>EDA Revolving Loan Fund</b>			
			<b>Variance - Favorable</b>
<b>Revenues</b>	<b>Budget</b>	<b>Actual</b>	<b>(Unfavorable)</b>
Loan interest	270,000	314,757	44,757
Investment interest	1,800	3,198	1,398
Late/service/other fees	10,000	5,383	(4,617)
Loan Service Fee – Headwaters	46,250	35,160	(11,090)
Loan fees	10,000	6,881	(3,119)
Other revenue	-	690	690
<b>Total Revenue</b>	<b>338,050</b>	<b>366,069</b>	<b>28,019</b>
<b>Expenditures</b>			
Salaries and employee benefits	172,968	114,393	58,575
Rent	33,482	32,568	914
Professional fees	52,390	49,559	2,831
Credit investigation fees	1,000	-	1,000
Contracted Services	6,000	-	6,000
Repairs and maintenance	500	-	500
Postage, copying, and printing	4,000	3,920	80
Supplies	2,500	5,433	(2,933)
Community education	4,500	3,355	1,145
Telephone	8,000	6,296	1,704
Software	6,500	5,715	785
Professional development	2,000	192	1,808
Books, publications, subscriptions	1,000	243	757
Recruitment	-	3,175	(3,175)
Dues	2,500	2,100	400
Travel	2,250	-	2,250
Lease/Purchase Equipment	2,500	525	1,975
Capital Outlay	-	2,971	(2,971)
Miscellaneous	1,000	918	82
<b>Total Expenditures</b>	<b>303,090</b>	<b>231,363</b>	<b>71,727</b>
<b>Excess of Revenues Over (Under)</b>	<b>34,960</b>	<b>134,706</b>	<b>99,746</b>
<b>Expenditures</b>			
Transfers In	-	462	462
<b>Excess of Revenues and Other Financing Sources Over</b>	<b>34,960</b>	<b>135,168</b>	<b>100,208</b>
<b>Expenditures and Other Financing Uses</b>			
	-	-	
<b>Fund Balance July 1, 2014</b>	<b>4,429,358</b>	<b>4,429,358</b>	
Fund Balance Adjustment (Loan Loss)	-	(11,068)	(11,068)
<b>Fund Balance June, 30, 2015</b>	<b>4,464,318</b>	<b>4,553,458</b>	<b>(89,140)</b>

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
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	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Loan interest	38,665	3,320	(35,345)
Investment interest	-	732	732
Late fees	-	632	632
Loan Fees	300	1,000	700
Other Revenue	-	-	-
<b>Total Revenue</b>	<b>38,965</b>	<b>5,684</b>	<b>(33,281)</b>
<b>Expenditures</b>			
Salaries and employee benefits	-	340	(340)
Miscellaneous	-	185	(185)
<b>Total Expenditures</b>	<b>-</b>	<b>525</b>	<b>(525)</b>
<b>Other Financing Sources –</b>			
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>38,965</b>	<b>5,159</b>	<b>(33,806)</b>
<b>Fund Balance July 1, 2014</b>	<b>172,877</b>	<b>172,877</b>	
Fund Balance Adjustment	-		
<b>Fund Balance June, 30, 2015</b>	<b>211,842</b>	<b>178,036</b>	<b>(33,806)</b>

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**RREDC General Fund**

The general fund budget is largely made up of revenue from rents and other services related to the operation of the RREDC facility. In addition, fees charged for direct services are accounted for in this fund. Funds for grant pass-throughs are not included in the annual agency budget because expenditure of these funds are generally influenced by third parties and these grants are either revenue neutral or provide only a small net income to RREDC. Net income from these grants is typically shown as "other revenue" for the RREDC general fund.

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Investment interest	1,013	1,126	113
Loan Service Fee - Headwaters	51,665	36,031	(15,634)
Loan Fees	-	10,506	10,506
Rental income	54,149	48,879	(5,270)
Airline Recruitment reimbursement	-	12,221	12,221
Other revenue	1,100	15,335	14,235
<b>Total Revenue</b>	<b>107,927</b>	<b>124,098</b>	<b>16,171</b>
<b>Expenditures</b>			
Salaries and employee benefits	31,480	14,508	16,972
Rent	15,769	13,808	1,961
Utilities	12,000	9,578	2,422
Insurance	4,000	5,385	(1,385)
Janitorial	8,400	7,786	614
Professional Fees	5,960	5,210	750
Contracted Services	-	13,949	(13,949)
Repairs and maintenance	4,000	2,996	1,004
Postage, copying, and printing	3,250	23	3,227
Supplies	350	341	9
Community education	5,000	1,445	3,555
Telephone	-	69	(69)
Dues	-	50	(50)
Travel	1,500	-	1,500
Airline Recruitment	-	29,903	(29,903)
Miscellaneous	-	244	(244)
<b>Total Expenditures</b>	<b>91,709</b>	<b>105,295</b>	<b>(13,586)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>16,218</b>	<b>18,803</b>	<b>2,585</b>
Transfers out	-	(462)	(462)
<b>Fund Balance July 1, 2014</b>	<b>117,822</b>	<b>117,822</b>	
<b>Fund Balance June, 30, 2015</b>	<b>134,040</b>	<b>136,163</b>	<b>2,123</b>

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
For The Year Ended June 30, 2015**

**III. RREDC Operational Results**

**a. 2015 Results**

RREDC has the challenge of meeting its mission of providing relatively inexpensive, higher risk capital to local small businesses while generating sufficient income to grow its programs. The need for capital increased in 2014/2015 with several larger loans made in conjunction with the Headwaters Fund. Low cash balances have a negative effect on RREDC's ability to meet loan demand. To mitigate this, RREDC has submitted a request to the Economic Development Administration for an additional \$1,000,000 in loan funds. Using matching funds from the HWF, RREDC could effectively increase its loan funds by a minimum of \$2 million.

The larger EDA Fund made a "profit" of \$136,000 before a loan loss of \$11,068. The EDA fund continues to concentrate on larger, better secured loans, which is necessary to ensure its continued operation and growth. We have been successful over the past years in reducing the amount of loss as a percentage of loans made. We continue to make higher risk loans to businesses not able to secure other financing. Meeting our goal of operating the fund in such a way that it consistently generates a net return requires us to contain expenses, limit loan losses, and expand our lending base.

The General Fund experienced a return of \$18,341.

The small "RREDC Loan Fund" showed an operational gain of \$5,159. This fund is now primarily used for a pilot "microloan" program. This streamlined program is for loans under \$50,000. RREDC anticipates growth of this fund in the 2015/2016 fiscal year

Note that the audit shows a significant unfavorable variation in loan interest received for this fund. This was due to an error in the 2014/2015 budget. This error was that interest income from one of the larger EDA loans was improperly credited to the RREDC Loan Fund. While this affected the individual fund report, the net on the agency wide financial report was neutral.

**b. Factors Affecting Results**

RREDC's overall performance exceeded the 2014/2015 budget projection by \$57,457. This was due to both higher than slightly higher revenues and lower expenses than were budgeted. Some of the savings in 2014/2015 were due to the absence of an executive director. Personnel costs were, overall, \$75,207 less than budgeted. With full staffing in 2015-2016, this cost will be incurred. However, it is also anticipated that revenue will increase as more loans are originated.

**Redwood Region Economic Development Commission  
Management's Discussion and Analysis  
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**IV. Request for Information**

This financial report is designed to provide a general overview of RREDC's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Executive Director, RREDC, 520 E Street, Eureka, CA 95501.

Gregg Foster  
Executive Director

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities
<b>ASSETS</b>	
Cash in County Treasury	\$ 484,755
Cash in banks	136,064
Restricted Cash in County Treasury	109,537
Cash on hand	100
Accounts receivable	2,972
Interest receivable	34,596
Prepaid expenses	7,717
Other deposits	234,000
Capitalized interest receivable from HWF	21,518
Notes receivable - EDA revolving loan fund	3,838,994
Notes receivable - RREDC revolving loan fund	47,189
Collection assets - EDA revolving loan fund	87,136
Property and equipment, net of accumulated depreciation	4,268
Total assets	<u>5,008,846</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Total deferred outflows of resources	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 5,008,846</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 8,744
Unearned revenue	5,548
Employee insurance payable	996
Accrued salaries	7,254
Accrued payroll taxes	3,514
Accrued vacation	1,328
Liabilities payable from restricted assets:	
Refundable tenant deposits	600
Refundable airline fund deposits	108,937
Total liabilities	<u>\$ 136,921</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Total deferred inflows of resources	<u>\$ -</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,268
Restricted for EDA revolving loan program	4,553,458
Unrestricted -RREDC revolving loan program	178,036
Unrestricted	136,163
Total net position	<u>\$ 4,871,925</u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2015

		<u>Program Revenues</u>		<u>Net (Expense)</u>
			<u>Operating</u>	<u>Revenue and</u>
	<u>Expenses</u>	<u>Charges For</u>	<u>Grants and</u>	<u>Changes in</u>
		<u>Services</u>	<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental Activities				
Loan services	\$ 228,953	\$ 413,670		\$ 184,717
Economic development services	4,805			(4,805)
General administration	89,120	64,904		(24,216)
Total governmental activities	<u>\$ 322,878</u>	<u>\$ 478,574</u>	<u>\$ -</u>	<u>155,696</u>
General revenues:				
Interest and investment earnings				<u>5,056</u>
Total general revenues				<u>5,056</u>
Change in net position				160,752
Net position beginning				4,722,241
Net position adjustment				<u>(11,068)</u>
Net position ending				<u>\$ 4,871,925</u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	EDA Revolving Loan Fund	RREDC Revolving Loan Fund	Total
<b>ASSETS</b>				
Cash in County Treasury	\$ 153,596	\$ 279,360	\$ 51,799	\$ 484,755
Cash in banks		116,643	19,421	136,064
Restricted Cash in County Treasury	109,537			109,537
Cash on hand	100			100
Accounts receivable	1,424	963		2,387
Due from RREDC Headwaters Fund		585		585
Prepaid expenses	5,024	2,693		7,717
Due from other funds			59,180	59,180
Accrued interest receivable	3,596	30,553	447	34,596
Capitalized interest due from Headwaters Fund		21,518		21,518
Other deposits		234,000		234,000
Notes receivable		3,838,994	47,189	3,886,183
Collection assets		87,136		87,136
Total assets	<u>273,277</u>	<u>4,612,445</u>	<u>178,036</u>	<u>5,063,758</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 273,277</u>	<u>\$ 4,612,445</u>	<u>\$ 178,036</u>	<u>\$ 5,063,758</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,752	\$ 6,992		\$ 8,744
Unearned revenue	4,077	1,471		5,548
Accrued salaries	988	6,266		7,254
Accrued payroll taxes	3,514			3,514
Accrued vacation	199	1,129		1,328
Liabilities payable from restricted assets:				
Refundable tenant deposits	600			600
Refundable airline fund deposits	108,937			108,937
Employee insurance payable	747	249		996
Due to other funds	16,300	42,880		59,180
Total liabilities	<u>137,114</u>	<u>58,987</u>	-	<u>196,101</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total deferred inflows of resources	-	-	-	-
<b>FUND BALANCES</b>				
Restricted for:				
Loan servicing		4,553,458		4,553,458
Committed for:				
Loan servicing			\$ 178,036	178,036
Unassigned	136,163			136,163
Total fund balances	<u>136,163</u>	<u>4,553,458</u>	<u>178,036</u>	<u>4,867,657</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 273,277</u>	<u>\$ 4,612,445</u>	<u>\$ 178,036</u>	<u>\$ 5,063,758</u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds balance sheet \$ 4,867,657

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

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

	\$	77,855	
Capital assets at historical cost			
Accumulated depreciation		<u>(73,587)</u>	
Net			<u>4,268</u>
Total Net Position, Governmental Activities	\$		<u><u>4,871,925</u></u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2015

	General Fund	EDA Revolving Loan Fund	RREDC Revolving Loan Fund	Total
<u>REVENUES</u>				
Loan interest		\$ 314,757	\$ 3,320	\$ 318,077
Investment interest	\$ 1,126	3,198	732	5,056
Late/service/other fees		5,383	632	6,015
Rental income	48,879			48,879
Loan service fee - Headwaters Fund	36,031	35,160		71,191
Loan fees	10,506	6,881	1,000	18,387
Airline recruitment reimbursement	12,221			12,221
Other revenue	15,335	690		16,025
Total Revenues	<u>124,098</u>	<u>366,069</u>	<u>5,684</u>	<u>495,851</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	14,508	114,393	340	129,241
Rent	13,808	32,568		46,376
Utilities	9,578			9,578
Insurance	5,385			5,385
Janitorial	7,786			7,786
Professional fees	5,210	49,559		54,769
Contracted services	13,949			13,949
Repairs and maintenance	2,996			2,996
Postage, copying and printing	23	3,920		3,943
Supplies	341	5,433		5,774
Community education	1,445	3,355		4,800
Telephone	69	6,296		6,365
Software purchase and support		5,715		5,715
Professional development		192		192
Books and publications		243		243
Dues	50	2,100		2,150
Lease/purchase equipment		525		525
Recruitment		3,175		3,175
Capital outlay		2,971		2,971
Airline Recruitment	29,903			29,903
Miscellaneous	244	918	185	1,347
Total Expenditures	<u>105,295</u>	<u>231,363</u>	<u>525</u>	<u>337,183</u>
Excess of Revenues Over (Under) Expenditures	<u>18,803</u>	<u>134,706</u>	<u>5,159</u>	<u>158,668</u>
Other financing sources (uses):				
Transfers in		462		462
Transfers out	(462)			(462)
Total Other Financing Sources (Uses)	<u>(462)</u>	<u>462</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	18,341	135,168	5,159	158,668
Fund Balance, July 1, 2014	117,822	4,429,358	172,877	4,720,057
Fund Balance Adjustment		(11,068)		(11,068)
Fund Balance, June 30, 2015	<u>\$ 136,163</u>	<u>\$ 4,553,458</u>	<u>\$ 178,036</u>	<u>\$ 4,867,657</u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

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

June 30, 2015

Total changes in fund balances, governmental funds \$ 158,668

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

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

Expenditures for capital outlay	\$ 2,971	
Depreciation expense	<u>(887)</u>	
Net		<u>2,084</u>

Changes In Net Position, Governmental Activities \$ 160,752

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	Agency Funds
	<u>Headwaters Fund</u>
<b><u>Assets</u></b>	
Cash in County Treasury	\$ 585
Interest receivable	10,412
Notes receivable	2,340,479
Total assets	<u>2,351,476</u>
<b><u>Liabilities</u></b>	
Accrued interest due to County of Humboldt Headwaters Fund	10,412
Capitalized interest due to EDA Fund	21,518
Due to EDA Fund	585
Notes payable to County of Humboldt Headwaters Fund	2,318,961
Total liabilities	<u>2,351,476</u>
<b><u>Net Position</u></b>	
Total net position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Redwood Region Economic Development Commission (the Commission) was established on November 1, 1977 under a Joint Exercise of Powers Agreement between the nineteen public agencies listed in the supplemental information section of these financial statements. The Commission was created to aid, assist, and coordinate the formulation, administration, and implementation of an Economic Development Action Plan and Strategy for Humboldt County, California, in accordance with the purpose and intent of the Special Economic Development and Adjustment Assistance Program enacted by Congress in 1974 as Title IX of the Public Works and Economic Development Act of 1965, as amended. The Commission was empowered to establish appropriate operating and advisory committees to assist the Commission in carrying out the foregoing purpose and to assist the Commission in the implementation of economic development projects and programs to improve the quality of life in the area.

The Commission's combined financial statements include the accounts of all Commission operations. The criteria for including organizations as component units within the Commission's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

1. The organization is legally separate
2. The Commission holds the corporate powers of the organization
3. The Commission appoints a voting majority of the organization's board
4. The Commission is able to impose its will on the organization
5. The organization has the potential to impose a financial benefit/burden on the Commission
6. There is fiscal dependency by the organization on the Commission.

Based on the aforementioned criteria, the Commission has no component units.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2015

B. Accounting Policies

The accounting and reporting policies of the Commission relating to the funds included in the accompanying financial statements follow a regulatory basis of accounting that demonstrates compliance with administrative requirements and procedures that apply to Revolving Loan Fund grants funded by the Economic Development Administration under Title IX of the Public Works and Economic Development Act of 1965, as amended. These policies differ from generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

C. Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Commission's accounts are organized into major and non-major funds as follows:

Major Governmental Funds:

General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

EDA Revolving Loan Fund is used to account for receipts and disbursements of Economic Development Administration revolving loan fund grant monies.

RREDC Revolving Loan Fund is used to account for the revolving loans originally established under a grant awarded to the Commission by the Department of Housing and Urban Development on July 2, 1993. In the year 2000, the Commission completed the grant projects and closed out the grant. At that time the Commission's Board approved using the funds remaining after the closeout in a revolving loan fund.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

Fiduciary Funds:

Agency Funds are used to account for assets of others for which the Commission acts as an agent. The Commission maintains one agency fund.

Headwaters Revolving Loan Fund is used to account for receipts and disbursements of the Humboldt County Headwaters revolving loan funds.

D. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Commission.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Commission's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The Commission does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements:

Fund financial statements report detailed information about the Commission.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

The focus of governmental fund financial statements is on major funds, rather than reporting funds by type. Each major governmental fund is presented in a separate column, and non-major funds, if any, are aggregated into one column.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Commission, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the Commission receives value without directly giving equal value in return, include grants and entitlements. Under the accrual basis, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

Unearned revenue:

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

Deferred Inflows and Outflows of Resources:

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

Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period.

Expenses/Expenditures:

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

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

F. Budgets and Budgetary Accounting

Annual budgets are adopted for the EDA Revolving Loan Fund and the RREDC Revolving Loan Fund on the basis of accounting used by those funds. An annual budget is adopted for the General Fund consistent with generally accepted accounting principles for governmental fund types. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. On or before March 1 of each year, the Executive Director prepares and submits a budget for the succeeding fiscal year beginning July 1.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

2. After a ten-day public notice of the public meeting has been given, the Board of Directors conducts a public hearing on the proposed budget.
3. Prior to May 1 of each year, the Board of Directors adopts the budget as submitted or as revised by the Board of Directors. All annual appropriations lapse at fiscal year-end.

G. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances

1. Deposit and Investments

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

The Commission maintains substantially all of its cash in the Humboldt County Treasury. The County pools these funds with those of other government 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 funds maintained by the County are either secured by federal depository insurance or are collateralized.

The Humboldt County Treasury has no investments in derivatives.

The Commission does not have a specific policy which relates to interest rate risk.

2. Prepaid Expenditures

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

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2015

historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$500 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	10
Office furniture and equipment	5

4. Unearned Revenue

The Commission recognizes unearned revenue when grant cash receipts exceed qualified grant expenditures.

5. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until that future period. The Commission had no items that qualified for reporting in this category as of June 30, 2015.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that future period. The Commission had no items that qualified for reporting in this category as of June 30, 2015.

6. Compensated Absences

All accumulated unpaid vacation leave is recognized as a liability of the Commission when incurred in the government-wide financial statements. In governmental funds, the current portion of the liabilities is recognized in the fund at year-end.

Accumulated sick leave benefits are not recognized as liabilities of the

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2015

Commission since such benefits do not vest nor is payment probable. The Commission's policy is to record sick leave as an operating expense in the period taken.

7. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental funds report the face amount of the debt issued, premiums, or discount as other financing sources/uses.

9. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

Committed — amounts that can be used only for specific purposes determined by a formal action of the Commission's Governing Board. The Commission's Governing Board is the highest level of decision-making authority for the Commission. Commitments may be established,

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2015

modified, or rescinded only through resolutions approved by the Governing Board.

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

Unassigned — all other spendable amounts.

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

H. Use of Estimates

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

2. Departures From Generally Accepted Accounting Principles

The Commission has modified the basis of accounting for the EDA Revolving Loan Fund and the RREDC Revolving Loan Fund in order to demonstrate compliance with requirements of the Economic Development Administration. The departures from accounting principles generally accepted in the United States of America include the following:

a) Uncollectible Notes Receivable

Accounting principles generally accepted in the United States of America require that receivables be reported at their face value less an estimated amount that may become uncollectible. The Commission's practice, in accordance with requirements of the Economic Development Administration, is to write off

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 For The Year Ended June 30, 2015

notes receivable directly to the Revolving Loan Fund fund balance when they are determined to be uncollectible.

b) Investment Income From Collection Assets

Accounting principles generally accepted in the United States of America require that gains and losses on the sale and collection of assets be recorded as income or expense. The Commission's practice, in accordance with requirements of the Economic Development Administration, is to credit or charge these gains or losses to principal.

c) Long Term Notes Receivables and Payables

Accounting principles generally accepted in the United States of America and Governmental Auditing Standards require that long-term receivables and payables are not included in the fund based financial statements. The Commission's practice, in accordance with requirements of the Economic Development Administration, is to record long-term notes receivables and payables and include them in the fund-based financial statements.

3. Cash and Investments

Cash at June 30, 2015 consisted of the following:

	Fair Value	Carrying Value
Deposits:		
Governmental Funds:		
Cash in bank - general checking account	\$ 116,643	\$ 116,643
Cash in bank - RREDC RLF checking account	19,421	19,421
Total Cash In Bank	136,064	136,064
Pooled Funds:		
Cash in County Treasury	590,714	594,292
Total Governmental Funds	\$ 726,778	\$ 730,356
Fiduciary Funds:		
Pooled Funds:		
Cash in County Treasury	\$ 581	\$ 585
Total Fiduciary Funds	\$ 581	\$ 585

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED

For The Year Ended June 30, 2015

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

The Commission maintains substantially all of its cash in the Humboldt County Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, State registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

Credit Risk - Investments

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

The County Treasurer's investments consist of 70.51 percent federal agencies, 22.86 percent money markets, 0.71 percent municipal bonds, and 5.92 percent certificates of deposit. The S & P credit ratings for these investments include AAA, AA, A+e, and Ae, and non-rated for certificates of deposit and the California State Treasurer's local agency investment fund.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Commission will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contains legal or policy requirements that would limit the Commission's exposure to custodial credit risk for deposits or investments, except that the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2015, none of the Commission's deposits were exposed to custodial credit risk.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 For The Year Ended June 30, 2015

Interest Rate Risk – Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County of Humboldt Treasurer manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so a portion of its portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity of operations. The weighted average maturity of the County of Humboldt Treasurer’s investments is 764 days.

4. Interfund Transactions

Interfund Receivables/Payables

Interfund balances at June 30, 2015 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund		\$ 16,300
EDA Revolving Loan Fund		42,880
RREDC Revolving Loan Fund	\$ 59,180	
Total	<u>\$ 59,180</u>	<u>\$ 59,180</u>

Interfund receivables and payables are generated due to timing difference between when cash is transferred between funds and when actual accruals for accrued interest and expenditures are recorded.

Interfund Transfer

Interfund transfers during the year ended June 30, 2015 consisted of the following:

Transfer from the General Fund to the EDA Revolving Loan Fund for operating expenses	\$ <u>462</u>
--	---------------

5. Notes Receivable

EDA Revolving Loan Fund: Notes receivable in this fund consist of loans made through the revolving loan program funded by the Economic Development Administration (EDA). These loans must meet the criteria of the Revolving Loan Plan Guidelines approved by the EDA. Among other requirements, borrowers must demonstrate the inability to obtain financing through commercial sources. Consequently, loans made are

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 For The Year Ended June 30, 2015

RREDC Revolving Loan Fund: Notes receivable in this fund consist of loans made through a supplement to the revolving loan program, initially funded by a grant from the Department of Housing and Urban Development and subsequently funded by the Commission with funds remaining to the Commission after the grant was closed out in the year 2000. Loans are issued in accordance with the Revolving Loan Plan Guidelines. Borrowers must demonstrate the inability to obtain financing through commercial sources. Consequently, loans made are likely to have higher risk of default than loans made by commercial lending institutions.

Headwaters Revolving Loan Fund: Notes receivable in this fund consist of loans made through the revolving loan program funded by the County of Humboldt Headwaters Fund. These loans must meet the criteria of the Humboldt County Headwaters Fund Revolving Loan Lender Manual. Among other requirements, borrowers must demonstrate the inability to obtain financing through commercial sources. Consequently, loans made are likely to have higher risk of default than loans made by commercial lending institutions. All principal collections on these notes, and 60 percent of interest collections, are payable to the Humboldt Headwaters Fund. The remaining 40 percent of interest collections are retained by the Commission as a fee for servicing the loans. A notes payable amount equal to the notes receivable balance less the capitalized interest due to the Commission is reflected in the Commission's financial statements.

Following is a summary of changes in the notes receivable for the fiscal year ended June 30, 2015:

	EDA Revolving <u>Loan Fund</u>	RREDC Revolving <u>Loan Fund</u>	Headwaters Revolving <u>Loan Fund</u>
Balance, June 30, 2014	\$3,334,942	\$ 29,899	\$2,176,119
Loans disbursed	1,100,577	39,923	1,533,833
Principal payments received	<u>(596,525)</u>	<u>(22,633)</u>	<u>(1,369,473)</u>
Balance, June 30, 2015	<u>\$3,838,994</u>	<u>\$ 47,189</u>	<u>\$2,340,479</u>

6. Collection Assets

Collection assets are notes receivable that have become delinquent and are in various stages of collections. At the time collection efforts are intensified, the note balance is written off of the notes receivable account and reclassified as collection assets. In some cases, property on which the Commission has foreclosed to collect on the note is included in the collection assets account. Additional costs, including attorney's fees, are capitalized in the collection assets account.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 For The Year Ended June 30, 2015

7. Capital Assets

Capital asset activity for the period ended June 30, 2015, was as follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Capital assets being depreciated:				
Improvements - General Fund	\$ 46,595			\$ 46,595
Office Equipment - EDA Fund	9,109	\$ 2,971		12,080
Office Equipment - General Fund	<u>19,180</u>			<u>19,180</u>
Total capital assets being depreciated	<u>74,884</u>	<u>2,971</u>	<u>-</u>	<u>77,855</u>
Less accumulated depreciation for:				
Equipment and improvements	<u>(72,700)</u>	<u>\$ (887)</u>		<u>(73,587)</u>
Total accumulated depreciation	<u>(72,700)</u>	<u>(887)</u>	<u>-</u>	<u>(73,587)</u>
Total capital assets being depreciated, net	<u>2,184</u>	<u>2,084</u>	<u>-</u>	<u>4,268</u>
Governmental activities capital assets, net	<u>\$ 2,184</u>	<u>\$ 2,084</u>	<u>\$ -</u>	<u>\$ 4,268</u>

Depreciation was charged to functions as follows:

Loan Services	<u>\$ 887</u>
Total	<u>\$ 887</u>

8. Excess of Expenditures Over Appropriations

Excesses of expenditures over appropriations in individual major funds are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
General Fund:	
Insurance	\$ 1,385
Contracted services	13,949
Telephone	69
Dues	50
Airline recruitment	29,903
Miscellaneous	244
EDA Revolving Loan Fund:	
Supplies	2,933
Recruitment	3,175
Capital outlay	2,971
RREDC Revolving Loan Fund:	
Salaries and employee benefits	340
Miscellaneous	185

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

9. Employee Retirement Systems

The Commission implemented a retirement plan for the benefit of its employees effective July 1, 2000. The Commission matches the employee's contribution, up to five percent of each participating employee's gross wages. The employee must contribute a minimum of three percent to receive a matching contribution from the Commission. For the year ended June 30, 2015, the Commission's total matching contribution was \$4,032.

10. Risk Management

The Commission is exposed to various risks of loss related to torts, theft or destruction of assets, errors and omissions, and natural disasters. The Commission manages those risks of loss through commercial insurance. There have been no significant reductions in insurance coverage from the prior year. For each of the past three years, settlements did not exceed insurance coverage.

11. Adjustment to Fund Balance and Net Position

The Commission made the following adjustment for the year ended June 30, 2015 to the beginning EDA Revolving Loan Fund balance, for an uncollectible note receivable written off and posted directly to the fund balance and net position in accordance with Commission and EDA accounting policies:

JR Stephens	<u>\$ 11,068</u>
Total	<u>\$ 11,068</u>

12. Commitments and Contingencies

A. Operating Lease

The Commission entered into a ten-year noncancellable operating lease for office space on May 3, 2001. The terms of the lease call for monthly payments beginning May 2001 in the amount of \$3,008, with annual rate adjustments based on the Consumer Price Index, and an option for an extended term of five additional years. The Commission approved the extended five-year option commencing on May 1, 2011. The monthly payment as of June 30, 2015 was \$3,781.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
For The Year Ended June 30, 2015

Future minimum payments required under this lease are as follows:

Year Ending June 30

2016	<u>\$ 37,813</u>
Total	<u>\$ 37,813</u>

The Commission will receive a total of \$48,500 in the future for non-cancelable subleases.

B. Federal Grants

The Commission received federal funds in prior years for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
GENERAL FUND

For The Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		With Final Budget - Favorable (Unfavorable)
<u>REVENUES</u>				
Investment interest	\$ 1,013	\$ 1,013	\$ 1,126	\$ 113
Loan service fee - Headwaters Fund	51,665	51,665	36,031	(15,634)
Loan fees			10,506	10,506
Rental income	54,149	54,149	48,879	(5,270)
Airline recruitment reimbursement			12,221	12,221
Other revenue	1,100	1,100	15,335	14,235
Total Revenues	<u>107,927</u>	<u>107,927</u>	<u>124,098</u>	<u>16,171</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	31,480	31,480	14,508	16,972
Rent	15,769	15,769	13,808	1,961
Utilities	12,000	12,000	9,578	2,422
Insurance	4,000	4,000	5,385	(1,385)
Janitorial	8,400	8,400	7,786	614
Professional fees	5,960	5,960	5,210	750
Contracted services			13,949	(13,949)
Repairs and maintenance	4,000	4,000	2,996	1,004
Postage, copying and printing	3,250	3,250	23	3,227
Supplies	350	350	341	9
Community education	5,000	5,000	1,445	3,555
Telephone			69	(69)
Dues			50	(50)
Travel	1,500	1,500		1,500
Airline recruitment			29,903	(29,903)
Miscellaneous			244	(244)
Total Expenditures	<u>91,709</u>	<u>91,709</u>	<u>105,295</u>	<u>(13,586)</u>
Excess of Revenues Over (Under) Expenditures	<u>16,218</u>	<u>16,218</u>	<u>18,803</u>	<u>2,585</u>
Other financing sources (uses):				
Transfers out			(462)	(462)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(462)</u>	<u>(462)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>16,218</u>	<u>16,218</u>	<u>18,341</u>	<u>2,123</u>
Fund Balance, July 1, 2014	<u>117,822</u>	<u>117,822</u>	<u>117,822</u>	<u>-</u>
Fund Balance, June 30, 2015	<u>\$ 134,040</u>	<u>\$ 134,040</u>	<u>\$ 136,163</u>	<u>\$ 2,123</u>

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
EDA REVOLVING LOAN FUND

For The Year Ended June 30, 2015

	Budget		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Loan interest	\$ 270,000	\$ 270,000	\$ 314,757	\$ 44,757
Investment interest	1,800	1,800	3,198	1,398
Late/service/other fees	10,000	10,000	5,383	(4,617)
Loan service fee - Headwaters Fund	46,250	46,250	35,160	(11,090)
Loan fees	10,000	10,000	6,881	(3,119)
Miscellaneous fees			690	690
Total Revenues	<u>338,050</u>	<u>338,050</u>	<u>366,069</u>	<u>28,019</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	172,968	172,968	114,393	58,575
Rent	33,482	33,482	32,568	914
Professional fees	52,390	52,390	49,559	2,831
Credit investigation fees	1,000	1,000		1,000
Contracted services	6,000	6,000		6,000
Repairs and maintenance	500	500		500
Postage, copying and printing	4,000	4,000	3,920	80
Supplies	2,500	2,500	5,433	(2,933)
Community education	4,500	4,500	3,355	1,145
Telephone	8,000	8,000	6,296	1,704
Software	6,500	6,500	5,715	785
Professional development	2,000	2,000	192	1,808
Books, publications, subscriptions	1,000	1,000	243	757
Recruitment			3,175	(3,175)
Dues	2,500	2,500	2,100	400
Travel	2,250	2,250		2,250
Lease/purchase equipment	2,500	2,500	525	1,975
Capital outlay			2,971	(2,971)
Miscellaneous	1,000	1,000	918	82
Total Expenditures	<u>303,090</u>	<u>303,090</u>	<u>231,363</u>	<u>71,727</u>
Excess of Revenues Over (Under) Expenditures	<u>34,960</u>	<u>34,960</u>	<u>134,706</u>	<u>99,746</u>
Other financing sources (uses):				
Transfers in			462	462
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>462</u>	<u>462</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>34,960</u>	<u>34,960</u>	<u>135,168</u>	<u>100,208</u>
Fund Balance, July 1, 2014	4,429,358	4,429,358	4,429,358	-
Fund Balance Adjustment			(11,068)	(11,068)
Fund Balance, June 30, 2015	<u>\$ 4,464,318</u>	<u>\$ 4,464,318</u>	<u>\$ 4,553,458</u>	<u>\$ 89,140</u>

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE - BUDGET AND ACTUAL  
RREDC REVOLVING LOAN FUND

For The Year Ended June 30, 2015

	Budget		Actual	Variance With Final Budget - Favorable (Unfavorable)
	Original	Final		
<u>REVENUES</u>				
Loan interest	\$ 38,665	\$ 38,665	\$ 3,320	\$ (35,345)
Investment interest			732	732
Late/service/other fees			632	632
Loan fees	300	300	1,000	700
Total Revenues	<u>38,965</u>	<u>38,965</u>	<u>5,684</u>	<u>(33,281)</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits			340	(340)
Miscellaneous			185	(185)
Total Expenditures	<u>-</u>	<u>-</u>	<u>525</u>	<u>(525)</u>
Other financing sources (uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	38,965	38,965	5,159	(33,806)
Fund Balance, July 1, 2014	<u>172,877</u>	<u>172,877</u>	<u>172,877</u>	<u>-</u>
Fund Balance, June 30, 2015	<u>\$ 211,842</u>	<u>\$ 211,842</u>	<u>\$ 178,036</u>	<u>\$ (33,806)</u>

**SUPPLEMENTARY INFORMATION**

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

ORGANIZATION

June 30, 2015

The member agencies, their respective appointed board members, and the Commission's executive director were as follows:

MEMBER AGENCIES AND GOVERNING BOARD

<u>Agency Name</u>	<u>Board Member</u>
County of Humboldt	Virginia Bass
Humboldt Bay Harbor, Recreation, and Conservation District	Mike Wilson
Humboldt Bay Municipal Water District	Bruce Rupp
McKinleyville Community Services District	Dennis Mayo
Humboldt Community Services District	David Tyson
City of Eureka	Linda Atkins
City of Arcata	Mark Wheatley
City of Fortuna	Sue Long
City of Ferndale	Ken Mierzwa
City of Blue Lake	John Sawatzky
City of Rio Dell	Frank Wilson
City of Trinidad	Julie Fulkerson
Willow Creek Community Services District	Mike Davis
Manila Community Services District	John Woolley
Orick Community Services District	Nancy Koke
Redway Community Services District	Michael McKaskle
Redwoods Community College District	No Representative Appointed
Hoop Valley Tribe	No Representative Appointed
Orleans Community Services District	No Representative Appointed

ADMINISTRATION

Virginia Fisher  
Interim Executive Director

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2015

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant or Project Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
<b>U.S. Department of Commerce:</b>			
Economic Development Administration Economic Adjustment Assistance Program	11.307	07-19-02074	<u>\$ 4,564,964</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,564,964</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Redwood Region Economic Development Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. Subrecipients

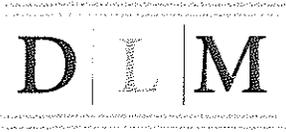
No federal awards were provided to subrecipients.

3. Computation of Federal Expenditures

Federal expenditures for the Economic Adjustment Assistance Program were calculated in accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* June 2015 Compliance Supplement, as follows:

Balance of Revolving Loan Fund (RLF) loans outstanding at June 30, 2015	\$ 3,926,130
Cash and investment balance in RLF at June 30, 2015	396,003
Administrative expenses paid out of RLF income during the year ended June 30, 2015	231,363
Unpaid principal of loans written off during the year ended June 30, 2015	<u>11,468</u>
Total	4,564,964
Multiply: Federal share of the RLF	<u>100%</u>
Total Federal Expenditures	<u><u>\$ 4,564,964</u></u>

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



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

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

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

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

Board of Commissioners  
Redwood Region Economic Development Commission  
520 E Street  
Eureka, California 95501

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redwood Region Economic Development Commission (the "Commission") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 5, 2016. In our report our opinion was modified because the Commission prepares the financial statements on a regulatory basis of accounting which is other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Commission'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.

*David L. Moonie + Co.*

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

January 5, 2016

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



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

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

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors  
Redwood Region Economic Development Commission  
520 E Street  
Eureka, California 95501

**Report on Compliance for Each Major Federal Program**

We have audited Redwood Region Economic Development Commission's (the "Commission") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2015. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Audit Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*David L. Monie + Co.*

CERTIFIED PUBLIC ACCOUNTANTS

Eureka, California

January 5, 2016

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified not considered  
to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified not considered  
to be material weaknesses? No

Type of auditor's report issued on compliance for  
major programs: Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with Circular A-133,  
Section .510(a) No

Identification of major programs:

CFDA Numbers

11.307

Name of Federal Program or Cluster

Economic Adjustment Assistance Program

Dollar threshold used to distinguish between  
Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

June 30, 2015

Section II – Financial Statement Findings

No audit findings in the current fiscal year.

Section III – Federal Compliance Findings

No audit findings in the current fiscal year.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2015

There were no audit findings for the year ended June 30, 2014.