

REDWOOD REGION ECONOMIC  
DEVELOPMENT COMMISSION

Audited Financial Statements  
June 30, 2023



**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
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**JUNE 30, 2023**

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## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Redwood Region Economic Development Commission  
Eureka, California

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Redwood Region Economic Development Commission (the "Commission") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

#### **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 and each major fund of the Commission as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with the financial reporting provisions of the Economic Development Administration as described in Note 2.

#### **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 section of our report, 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, 2023, or the changes in its financial position for the year then ended.

#### **Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinions.

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

As described in Note 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 Note 2 and accounting principles generally accepted in the United States of America are presumed to be material.

### **Responsibilities of Management 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, as describe in Note 2, 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 Commission'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.

### **Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Commission'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 Commission'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**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 04 through 13 and budgetary comparison schedules on page 40 through 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2024, 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 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 the Commission'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 the Commission's internal control over financial reporting and compliance.

*Harshmal & Company LLP*

San Diego, California  
February 21, 2024

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**I. INTRODUCTION**

**a. Background**

Redwood Region Economic Development Commission (RREDC) is a Joint Powers Authority formed in 1977. It 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.

Historically, RREDC has not received direct support for its operations. The overwhelming majority of revenue had been derived from the operation of its loan programs, fees for service. However, in this fiscal year 2021 and 2022, RREDC did receive a grant to fund operations from the EDA through the CARES Act in response to the COVID-19 pandemic. This grant was fully expended in fiscal year 2022.

**b. Financial Highlights-FY 2023**

- Total net position on June 30, 2023, was \$11,440,507 an increase of \$50,886 from June 30, 2022.
- Total revenues were \$648,092. Loan interest and fees accounted for \$573,903 or approximately 89% of all revenues. Interest earned on investments totaled \$40,173 or 6%. Other Revenue totaled \$34,016 or 5%.
- Total expenditures for the year, not including net position adjustments, were \$713,900. Salaries and employee benefits were the largest expenditure at \$449,412 or 63% of total expenditures. Contracted services and professional fees was the second highest expenditure at \$54,834 or 8%. The next largest expenditure was Lease principal and interest expenses at \$29,397 or 4%.
- Excess of revenues over expenditures was \$(65,808) or (10)% of revenues.

**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 14 and 15 provide information about the activities of RREDC.

Individual fund financial statements start on page 16. These statements provide more detail on individual fund balances and how dollars were spent in individual programs of RREDC. These statements do not contain Capital assets or depreciation. Capital Assets and Accumulated Depreciation are shown on page 17.

Page 18 shows the revenues and expenditures for the agency, delineated by the four major activities of RREDC.

Page 20 includes the Statement of Fiduciary Net Position (Regulatory Basis) 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, 2023**

**b. RREDC's Individual Funds**

RREDC has four operational funds that form the core of our program. Three of these funds are Revolving Loan Funds (RLF) capitalized by the EDA and the fourth is the RREDC "General Fund". The three RLFs were created by grants from the federal government. The first EDA RLF was created in 1978. During the 2017 fiscal year, the U.S. Economic Development Administration awarded RREDC a grant to create a new revolving loan fund. This fund is noted as "EDA2".

During the 2021 fiscal year, the U.S. Economic Development Administration awarded RREDC a grant to create a new revolving loan fund. This fund is noted as "EDA3." As above, grant funds are drawn at the time of funding of a loan and are shown as fund balance adjustments rather than revenue per the requirements of the EDA.

In addition to funds to create a new loan fund, the EDA also provided direct operational support. This operational support ended in fiscal year 2022.

To continue over time, the revolving loan funds must generate enough revenue through operations to cover all expenditures and loan losses to 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 approximately 95% of total revenue to these RLFs.

These four funds are reported as major funds in the individual fund financial statements. In fiscal year 2022, the EDA "defederalized" the fund created in 1978. This action released the EDA's interest in that fund. As a result, those funds were combined with other discretionary funds and are shown in this report as "RREDC General Fund and EDA Revolving Loan Fund" on page 11. RREDC manages to additional RLFs in which the EDA still has an interest. These funds are labeled "EDA2" and "EDA3".

In addition to these three funds, RREDC will sometimes create additional nonmajor funds to manage grant-sponsored programs. Typically, these grants are managed on behalf of other entities and do not have a significantly impact the organization's overall financial status.

RREDC 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. 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 April 2014, the County of Humboldt signed an agreement with RREDC for participation in the Headwaters Fund. Since the signing 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):

- 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 underwritten in the amount of \$300,000 or less cannot exceed 25% of the total Participant's portfolio, unless with prior consent of Participant.
- If the total loan is greater than \$300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee.



**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
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FOR THE YEAR ENDED JUNE 30, 2023**

- Non-interest late charges arising in connection with the Participation Loan, but only after all interest payments are brought current.
- Origination fees and related charges received by Lender in connection with the Participation Loan.

In fiscal year 2023, the County of Humboldt amended this agreement to remove the service fee arrangements outlined above. The current agreement states:

- Forty percent (40%) of interest collected on the Participating Interest.
- Non-interest late charges arising in connection with the Participation Loan, but only after all interest payments are brought current.
- Origination fees and related charges received by Lender in connection with the Participation Loan, but only after all interest payments are brought current.

RREDC also had fiduciary responsibility for loans made with the participation of the Humboldt Area Foundation and City of Fortuna. These are shown as "Note payable, from other lenders" on the liabilities section of the RREDC Statement of Net Position. While they are shown as a liability, these are "non-recourse" meaning that RREDC is not responsible to reimburse third-party lenders beyond what is collected through loan payments or collateral liquidation.

**II. FINANCIAL PERFORMANCE FOR FISCAL YEAR 2023**

**Net Position**

RREDC's net position increased by \$50,886 from one year ago. Table 1 below compares the current statement of net position to that of the previous year.

**TABLE 1  
Comparative Statement of Net Position**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Cash	\$ 3,037,373	\$ 3,481,047	\$ (443,674)
Notes receivables	9,191,062	8,566,601	624,461
Due from RREDC Headwaters Fund	29,119	2,751	26,368
Other assets	226,299	248,553	(22,254)
Right to use leased assets, net	95,770	-	95,770
Capital assets, net of depreciation	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>12,579,623</u>	<u>12,298,952</u>	<u>280,671</u>
Accounts payable	23,014	23,062	(48)
Other liabilities	87,868	67,901	19,967
Note payable funds from other lenders	928,527	643,062	285,465
Airline recruitment fund	358	175,306	(174,948)
Lease liability	<u>99,349</u>	<u>-</u>	<u>99,349</u>
Total liabilities	<u>1,139,116</u>	<u>909,331</u>	<u>229,785</u>
Net investment in capital assets	(3,579)	-	(3,579)
Restricted for loan servicing	2,847,503	11,025,687	(8,178,184)
Unrestricted	<u>8,596,583</u>	<u>363,934</u>	<u>8,232,649</u>
Total net position	<u>\$ 11,440,507</u>	<u>\$ 11,389,621</u>	<u>\$ 50,886</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Statement of Activities**

Table 2 shows the statement of activities for the year ended June 30, 2023 and compares it to the previous fiscal year.

**TABLE 2**  
**Comparative Statement of Activities**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Revenues:			
Charges for services	\$ 607,919	\$ 829,736	\$ (221,817)
Interest and investment earnings	40,173	17,127	23,046
Total revenues	<u>648,092</u>	<u>846,863</u>	<u>(198,771)</u>
Expenses:			
Loan services	388,184	337,283	50,901
Economic development services	83,609	72,645	10,964
General administration	125,413	108,968	16,445
Total expenses	<u>597,206</u>	<u>518,896</u>	<u>78,310</u>
Change in net position	50,886	327,967	(277,081)
Net position, beginning of year	11,389,621	9,963,154	1,426,467
Net position adjustments	-	1,098,500	(1,098,500)
Net position, end of the year	<u>\$ 11,440,507</u>	<u>\$ 11,389,621</u>	<u>\$ 50,886</u>

**Fund Equity of the Individual Funds**

Table 3 shows the end of year fund balances for each of RREDC's four operational funds.

**TABLE 3**  
**Year End Fund Balance for Operational Funds**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
EDA RLF	\$ 4,893,004	\$ 4,934,641	\$ (41,637)
EDA2 RLF	1,245,138	1,227,433	17,705
EDA3 RLF	4,938,337	4,863,613	74,724
General Fund	397,582	390,777	6,805
Total	<u>\$ 11,474,061</u>	<u>\$ 11,416,464</u>	<u>\$ 57,597</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Revenues for Governmental Funds**

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

**TABLE 4**  
**Agency wide Governmental Funds Revenues**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
Loan interest	\$ 520,167	\$ 518,501	\$ 1,666
Late/service/other fee	203	1,285	(1,082)
Rental income	-	12,378	(12,378)
Loan fees	53,533	32,739	20,794
Investment interest	40,173	17,127	23,046
EDA program support	-	248,975	(248,975)
Other revenue	34,016	46,564	(12,548)
Total	<u>\$ 648,092</u>	<u>\$ 877,569</u>	<u>\$ (229,477)</u>

**Discussion of Budget vs. Actual Revenues and Expenditures**

**RREDC Revolving Loan Funds**

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

Tables 5, 6 and 7 on the following pages show the budget-to-actual revenue and expenditures for the three EDA loan funds.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**TABLE 5  
Budget vs Actual Revenues and Expenditures  
EDA2 Revolving Loan Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Loan interest	\$ 31,500	\$ 32,989	\$ 1,489
Investment interest	500	11,328	10,828
Late/service/other fees	750	-	(750)
Loan fees	8,928	8,604	(324)
Total revenues	<u>41,678</u>	<u>52,921</u>	<u>11,243</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	26,802	25,399	1,403
Rent/Lease principle and interest	2,846	2,941	(95)
Utilities	300	161	139
Insurance	478	455	23
Professional fees	2,050	2,030	20
Credit investigation fees	150	75	75
Contracted services	500	-	500
Repairs and maintenance	100	449	(349)
Postage, copying and printing	125	160	(35)
Supplies	200	241	(41)
Board expenses	180	50	130
Telephone	500	746	(246)
Software	907	1,241	(334)
Professional development	75	115	(40)
Books, publications and subscription	50	53	(3)
Dues	310	425	(115)
Travel	250	182	68
Lease/purchase equipment	708	-	708
Marketing	750	292	458
Special project	1,000	150	850
Miscellaneous	250	51	199
Capital outlay	-	12,341	(12,341)
Total expenditures	<u>38,531</u>	<u>47,557</u>	<u>(9,026)</u>
Excess of revenues over (under) expenditures	<u>3,147</u>	<u>5,364</u>	<u>2,217</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from lease liability	-	12,341	12,341
Total other financing sources (uses)	<u>-</u>	<u>12,341</u>	<u>12,341</u>
Change in fund balance	3,147	17,705	14,558
Fund balance, beginning of the year	<u>1,227,433</u>	<u>1,227,433</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,230,580</u>	<u>\$ 1,245,138</u>	<u>\$ 14,558</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**TABLE 6**  
**Budget vs Actual Revenues and Expenditures**  
**EDA3 Revolving Loan Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Loan interest	\$ 282,625	\$ 284,627	\$ 2,002
Investment interest	5,000	1,101	(3,899)
Late/service/other fees	-	203	203
Loan fees	3,750	6,878	3,128
Total revenues	<u>291,375</u>	<u>292,809</u>	<u>1,434</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	227,856	175,695	52,161
Rent/Lease principle and interest	12,806	13,228	(422)
Utilities	1,350	725	625
Insurance	2,151	2,050	101
Professional fees	9,225	8,693	532
Credit investigation fees	675	-	675
Contracted services	2,250	-	2,250
Repairs and maintenance	450	2,022	(1,572)
Postage, copying and printing	563	648	(85)
Supplies	900	1,086	(186)
Board expenses	810	227	583
Telephone	2,252	3,356	(1,104)
Software purchase and support	4,082	5,480	(1,398)
Professional development	338	-	338
Books, publications and subscription	225	238	(13)
Dues	1,395	1,216	179
Travel	1,125	1,085	40
Marketing	3,375	1,312	2,063
Special project	4,500	675	3,825
Lease/purchase equipment	3,188	-	3,188
Miscellaneous	1,125	349	776
Capital outlay	-	55,532	(55,532)
Total expenditures	<u>280,641</u>	<u>273,617</u>	<u>7,024</u>
Excess of revenues over (under) expenditures	<u>10,734</u>	<u>19,192</u>	<u>8,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from lease liability	-	55,532	55,532
Total other Financing Sources (Uses)	<u>-</u>	<u>55,532</u>	<u>55,532</u>
Change in fund balance	10,734	74,724	63,990
Fund balance, beginning of the year	<u>4,863,613</u>	<u>4,863,613</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 4,874,347</u>	<u>\$ 4,938,337</u>	<u>\$ 63,990</u>

**RREDC General Fund**

The general fund budget is largely made up of revenue from rents, loan fund revenue, 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-through 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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**TABLE 7  
Budget vs Actual Revenues and Expenditures  
RREDC General Fund and EDA Revolving Loan Fund**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Loan interest	\$ 204,750	\$ 202,551	\$ (2,199)
Investment interest	10,000	27,744	17,744
Late/service/other fees	3,000	-	(3,000)
Loan fees	32,287	38,051	5,764
Airline recruitment reimbursement	-	5	5
Other revenue	15,000	34,011	19,011
Total revenue	<u>265,037</u>	<u>302,362</u>	<u>37,325</u>
<b>EXPENDITURES</b>			
Salaries and employee benefits	174,210	248,318	(74,108)
Rent/Lease principle and interest	12,806	13,228	(422)
Utilities	1,350	725	625
Insurance	2,151	2,097	54
Professional fees	9,225	14,211	(4,986)
Credit investigation fees	675	9	666
Contracted services	2,250	29,900	(27,650)
Repairs and maintenance	450	2,021	(1,571)
Postage, copying and printing	563	656	(93)
Supplies	900	1,390	(490)
Board expenses	810	227	583
Telephone	2,252	3,259	(1,007)
Software purchase and support	4,082	6,208	(2,126)
Professional development	338	-	338
Books, publications and subscription	225	238	(13)
Dues	1,395	2,159	(764)
Travel	1,125	947	178
Lease/purchase equipment	3,188	-	3,188
Airline recruitment	-	949	(949)
Marketing expenses	3,375	2,494	881
Special project	-	6,904	(6,904)
Miscellaneous	5,625	1,254	4,371
Capital outlay	-	55,532	(55,532)
Total expenditures	<u>226,995</u>	<u>392,726</u>	<u>(165,731)</u>
Excess of revenues over (under) expenditures	<u>38,042</u>	<u>(90,364)</u>	<u>(128,406)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from lease liability	-	55,532	55,532
Total other financing sources (uses)	<u>-</u>	<u>55,532</u>	<u>55,532</u>
Change in fund balance	38,042	(34,832)	(72,874)
Fund balance, beginning of the year	<u>5,325,418</u>	<u>5,325,418</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 5,363,460</u>	<u>\$ 5,290,586</u>	<u>\$ (72,874)</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Capital Assets and Right-to Use Leased Assets**

Capital assets and Right-to-use leased assets on June 30, 2023, and 2022, were as follows:

**TABLE 8**

**Capital Assets and Right-to Use Leased Assets**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>
<b>Capital assets</b>			
Leasehold improvements	\$ -	\$ 46,595	\$ (46,595)
Office equipment	-	29,963	(29,963)
Accumulated depreciation	-	(76,558)	76,558
Capital assets, net of accumulated depreciation	-	-	-
<b>Right-to use leased assets</b>			
Lease assets	123,405	-	123,405
Accumulated amortization	(27,635)	-	(27,635)
Right-to-use leased assets, net	95,770	-	95,770
Capital assets and right-to-use leased assets, net	<u>\$ 95,770</u>	<u>\$ -</u>	<u>\$ 95,770</u>

**III. RREDC OPERATIONAL RESULT**

**a. 2023 Result**

RREDC continues to meet its challenge of fulfilling its mission of providing reasonably priced higher risk capital to local small businesses and generating enough income to operate and grow its programs.

Agency wide revenues were \$648,092, a decrease of \$198,771 from the previous fiscal year. However, operational revenue increased by \$50,204 from the previous year. The drop in overall revenue was due to the expiration of direct COVID CARES Act support that ended on June 30, 2022. Net position, which is the net equity of the organization, increased from \$11,389,621 to \$11,440,507.

While RREDC prepares budgets for each fund, actual revenues and expenses for each will vary depending on the level of loan activity in each of our three funds (EDA/General, EDA2, and EDA2). RREDC management will allocate loan activity amongst funds according to available cash, risk management, and other factors.

The EDA/General Fund had a decrease in fund balance of \$34,832, which was significantly lower than the budgeted increase of \$38,042. Total revenues to the fund exceeded the amount budgeted by \$37,325, but the fund carried a larger portion of expenses than originally budgeted, most notably "Salaries and Employee Benefits."

EDA 2 had a net increase in fund balance of \$17,705, which exceeded the \$3,147 budgeted.

EDA 3 had a net increase in fund balance \$74,724, which was significantly more than the \$10,734 budgeted. This is primarily due to lower than projected personnel costs, which as noted above were shifted to the EDA1/General Fund.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

The agency wide change in fund balance was \$57,597 compared to a budgeted \$51,923, which represents approximately 9% net margin on revenues of \$648,092 and return on assets of less than 1%. While RREDC is primarily a mission-driven organization and is not charged with maximizing return, it does not receive any direct operating support and does not pursue outside grant funding to support core operations. Therefore, while the organization did exceed projected net revenue for the year, it is the management's opinion that this net income must increase going forward. Therefore, management will be assessing options for increasing gross revenue, which may include modest increases in fees and interest rates for RREDC's loan portfolios.

**b. Factors Affecting Results**

The COVID-19 pandemic and the public health measures taken to combat the spread of the disease created great uncertainty for RREDC and its borrowers in fiscal years 2021 and 2022. However, the operational support provided by the CARES Act grant allowed RREDC greater flexibility in assisting our customers with payment deferrals and other measures to ensure their continued operation. In addition, RREDC did experience significant new lending, which was made possible by the recapitalization funds provided by the CARES Act and local partners. With a few exceptions, the businesses in RREDC's portfolio improved their operations in fiscal year 2023. However, certain businesses in the RREDC portfolio continue to struggle to recover from the covid pandemic and management expects loan losses in FY 2024. However, these losses should represent a relatively small proportion of the overall portfolio.

**IV. FINDINGS AND QUESTIONED COSTS**

Findings and questioned costs are outlined in page 51. This year there were no finding during the year.

**V. 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:

Gregg Foster, Executive Director,  
Redwood Region Economic Development Commission  
520 E Street, Eureka, CA 95501.



## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**STATEMENT OF NET POSITION (REGULATORY BASIS)**  
**JUNE 30, 2023**

**ASSETS**

Cash in County Treasury	\$ 2,551,036
Cash on hand and in banks	486,337
Due from RREDC Headwaters Fund	29,119
Accrued interest receivable	140,557
Prepaid	883
Other deposits	15,184
Capitalized interest receivable from HWF	12,658
Undeposited fund	57,017
Notes receivable - EDA revolving loan funds	8,228,093
Notes receivable - RREDC revolving loan fund	105,057
Notes receivable - Covid-19 bridge loans	857,912
Right to use leased assets, net	95,770
Capital assets, net of accumulated depreciation	<u>-</u>
Total assets	<u>12,579,623</u>

**LIABILITIES**

Accounts payable	23,014
Unearned revenue	21,876
Accrued payroll liabilities	65,992
Note payable - funds from other lenders	928,527
Liabilities payable from restricted assets	
Refundable airline fund deposits	358
Lease liability	
Short term lease liability	26,025
Long term lease liability	<u>73,324</u>
Total liabilities	<u>1,139,116</u>

**NET POSITION**

Net Investment in capital assets	(3,579)
Restricted for EDA revolving loan program	2,847,503
Unrestricted	<u>8,596,583</u>
Total net position	<u>11,440,507</u>
Total liabilities and net position	<u>\$ 12,579,623</u>

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**STATEMENT OF ACTIVITIES (REGULATORY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues, and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Government Activities
<b>Governmental activities:</b>				
Loan services	\$ 388,184	\$ 573,903	\$ -	\$ 185,719
Economic development services	83,609	-	-	(83,609)
General administration	<u>125,413</u>	<u>34,016</u>	<u>-</u>	<u>(91,397)</u>
Total governmental activities	<u>\$ 597,206</u>	<u>\$ 607,919</u>	<u>\$ -</u>	<u>10,713</u>
<b>General revenues:</b>				
Interest and investment earnings				<u>40,173</u>
Total general revenues				<u>40,173</u>
Change in net position				<u>50,886</u>
Net position, beginning of year				<u>11,389,621</u>
Net position, end of year				<u>\$ 11,440,507</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (REGULATORY BASIS)**  
**JUNE 30, 2023**

	General Fund	EDA Revolving Loan Fund	EDA2 Revolving Loan Fund	EDA3 Revolving Loan Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash in County Treasury	\$ 705,443	\$ 1,028,396	\$ 817,197	\$ -	\$ 2,551,036
Cash on hand and in bank	298,461	34,189	107,643	46,044	486,337
Due from RREDC Headwaters Fund	29,119	-	-	-	29,119
Prepaid	-	368	147	368	883
Due from other funds	-	215,507	-	734,315	949,822
Accrued interest receivable	1,679	111,189	10,764	16,925	140,557
Capitalized interest due from Headwaters Fund	-	11,704	954	-	12,658
Other deposits	14,014	1,170	-	-	15,184
Undeposited fund	-	51,869	1,869	3,279	57,017
Notes receivable	105,057	3,516,180	561,843	4,150,070	8,333,150
Note receivable - Covid-19 bridge loan	857,912	-	-	-	857,912
Total assets	<u>2,011,685</u>	<u>4,970,572</u>	<u>1,500,417</u>	<u>4,951,001</u>	<u>13,433,675</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	1,836	19,712	328	1,138	23,014
Unearned revenue	21,876	-	-	-	21,876
Accrued payroll Liabilities	6,231	17,210	1,050	11,526	36,017
Refundable airline fund deposits	358	-	-	-	358
Note payable - Funds from other lenders	887,881	40,646	-	-	928,527
Due to other funds	695,921	-	253,901	-	949,822
Total liabilities	<u>1,614,103</u>	<u>77,568</u>	<u>255,279</u>	<u>12,664</u>	<u>1,959,614</u>
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid	-	368	147	368	883
Notes receivable	105,057	3,516,180	561,843	4,150,070	8,333,150
Note receivable - Covid -19 bridge loan	857,912	-	-	-	857,912
Restricted for:					
Loan servicing	-	1,376,456	683,148	787,899	2,847,503
Unassigned	(565,387)	-	-	-	(565,387)
Total fund balances	<u>397,582</u>	<u>4,893,004</u>	<u>1,245,138</u>	<u>4,938,337</u>	<u>11,474,061</u>
Total liabilities and fund balances	<u>\$ 2,011,685</u>	<u>\$ 4,970,572</u>	<u>\$ 1,500,417</u>	<u>\$ 4,951,001</u>	<u>\$ 13,433,675</u>

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION (REGULATORY BASIS)  
JUNE 30, 2023**

Total governmental fund balance		\$ 11,474,061
Amounts reported for governmental activities in the Statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Right to use leased assets	123,405	
Less: accumulated amortization	(27,635)	95,770
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	(29,975)	
Lease liability	(99,349)	(129,324)
Net position - governmental activities		\$ 11,440,507

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS (REGULATORY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	EDA Revolving Loan Fund	EDA2 Revolving Loan Fund	EDA3 Revolving Loan Fund	Total
<b>REVENUES</b>					
Loan interest	\$ 22,899	\$ 179,652	\$ 32,989	\$ 284,627	\$ 520,167
Investment interest	27	27,717	11,328	1,101	40,173
Late/service/other fees	-	-	-	203	203
Loan fees	57	37,994	8,604	6,878	53,533
Airline recruitment reimbursement	5	-	-	-	5
Other revenue	7,434	26,577	-	-	34,011
Total revenues	<u>30,422</u>	<u>271,940</u>	<u>52,921</u>	<u>292,809</u>	<u>648,092</u>
<b>EXPENDITURES</b>					
Current:					
Salaries and employee benefits	10,730	237,588	25,399	175,695	449,412
Utilities	-	725	161	725	1,611
Insurance	-	2,097	455	2,050	4,602
Professional fees	2,797	11,414	2,030	8,693	24,934
Credit investigation fees	9	-	75	-	84
Contracted services	3,000	26,900	-	-	29,900
Repairs and maintenance	83	1,938	449	2,022	4,492
Postage, copying and printing	71	585	160	648	1,464
Supplies	722	668	241	1,086	2,717
Board expenses	-	227	50	227	504
Marketing expenses	1,417	1,077	292	1,312	4,098
Special project	2,429	4,475	150	675	7,729
Telephone	23	3,236	746	3,356	7,361
Software purchase and support	597	5,611	1,241	5,480	12,929
Professional development	-	-	115	-	115
Books and publications	-	238	53	238	529
Dues	-	2,159	425	1,216	3,800
Travel	603	344	182	1,085	2,214
Airline recruitment	949	-	-	-	949
Miscellaneous	187	1,067	51	349	1,654
Debt service:					
Principal	-	10,825	2,406	10,825	24,056
Interest	-	2,403	535	2,403	5,341
Capital outlay	-	55,532	12,341	55,532	123,405
Total expenditures	<u>23,617</u>	<u>369,109</u>	<u>47,557</u>	<u>273,617</u>	<u>713,900</u>
Excess of revenues over (under) expenditures	<u>6,805</u>	<u>(97,169)</u>	<u>5,364</u>	<u>19,192</u>	<u>(65,808)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from lease liability	-	55,532	12,341	55,532	123,405
Total other financing sources (uses)	-	55,532	12,341	55,532	123,405
Change in fund balance	6,805	(41,637)	17,705	74,724	57,597
Fund balances - beginning of year	390,777	4,934,641	1,227,433	4,863,613	11,416,464
Fund balances - end of year	<u>\$ 397,582</u>	<u>\$ 4,893,004</u>	<u>\$ 1,245,138</u>	<u>\$ 4,938,337</u>	<u>\$ 11,474,061</u>

The accompanying notes are an integral part of these financial statements.



**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES (REGULATORY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2023**

Net changes in fund balances - governmental funds	\$	57,597
<p>Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:</p>		
<p>Accrued vacation expense: In governmental funds, vacation payable is reported as an expenditure when payments are made, except for the matured portion of accrued vacation payable which is recognized on the accrual basis. In the statement of activities, all vacation benefits are recognized on the accrual basis. The difference between accrual basis vacation costs and actual payments made during the year was</p>		
		(3,132)
<p>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:</p>		
Capital Outlay	123,405	
Amortization expense	<u>(27,635)</u>	95,770
<p>In governmental funds, proceeds from lease payable provides current financial resources, while the repayment of the principal of lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease payable and related items were:</p>		
Proceeds from lease issuance	(123,405)	
Lease liability repayment	<u>24,056</u>	<u>(99,349)</u>
Change in net position - governmental activities	\$	<u><u>50,886</u></u>

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
STATEMENT OF FIDUCIARY NET POSITION (REGULATORY BASIS)  
JUNE 30, 2023**

	<u>Custodian Fund</u>
	<u>Headwater Fund</u>
<b>ASSETS</b>	
Cash in County Treasury	\$ 591
Interest receivable	37,059
Notes receivable	<u>2,021,007</u>
Total assets	<u>2,058,657</u>
<b>LIABILITIES</b>	
Accrued interest due to County of Humboldt Headwaters Fund	27,785
Capitalized interest due to EDA Fund	12,658
Due to EDA Fund	29,119
Notes payable to County of Humboldt Headwaters Fund	<u>1,992,960</u>
Total liabilities	<u>2,062,522</u>
<b>NET POSITION</b>	
Unrestricted	<u>(3,865)</u>
Total net position	<u>(3,865)</u>
Total liabilities and net position	<u>\$ 2,058,657</u>

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND (REGULATORY BASIS)**  
**JUNE 30, 2023**

	<u>Custodian Fund</u>
	<u>Headwater Fund</u>
<b>REVENUES</b>	
Loan interest	\$ 31,867
Total revenues	31,867
<b>EXPENSES</b>	
Telephone	97
Salaries and employees benefit	2,179
Loan service fees	31,277
Total expenses	33,553
Change in net position	(1,686)
Net position (deficit), beginning of the year	(2,179)
Net Position (deficit), end of the year	\$ (3,865)

The accompanying notes are an integral part of these financial statements.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND 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.

**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 (EDA) 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 nonmajor funds as follows:

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**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, including the Commission's non-EDA micro-loan program, airport and airline recruitment support, and non-federal grant pass-through activity.

EDA Revolving Loan Fund is used to account for receipts and disbursements of Economic Development Administration revolving loan fund grant monies that were granted to the Commission in 1977 under EDA Award Number 07-19-02074.

EDA2 Revolving Loan Fund is used to account for receipts and disbursements of Economic Development Administration revolving loan fund grant monies that were granted to the Commission in 2017 under EDA Award Number 07-79-07332.

EDA3 Revolving Loan Fund is used to account for receipts and disbursements of Economic Development Administration revolving loan fund grant monies that were granted to the Commission in 2020 under EDA Award Number 07-79-07594.

**Fiduciary Funds:**

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

Headwater fund is part of Custodian 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 non fiduciary activities of the Commission.

The government-wide financial 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 financial 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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**Fund Financial Statements:**

Fund financial statements report detailed information about the Commission.

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 nonmajor 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.

**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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**E. Basis of Accounting - Cont'd**

**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 EDA2 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. During or before March of each year, the Executive Director prepares and submits a budget for the succeeding fiscal year beginning July 1.
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 a significant portion 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 Humboldt County Treasury has no investments in derivatives.

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

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances - Cont'd**

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 historical cost. Donated capital assets are recorded at their estimated acquisition 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 \$2,500 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Leasehold improvements	10
Office furniture and equipment	5

No interest was capitalized or expensed during the year ended June 30, 2023.

4. Unearned Revenue

The Commission recognizes unearned revenue when grant cash receipts precede 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, 2023.

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, 2023.

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 matured portion of the liabilities is recognized in the fund at year-end.

Accumulated sick leave benefits are not recognized as liabilities of the 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.



REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances - Cont'd**

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 position.

8. *Noncurrent Obligations*

In the government-wide financial statements, noncurrent debt and other noncurrent 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, 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.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**G. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Fund Balances - Cont'd**

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

**Restricted** - This component of net position consists of constraints placed on net position use through external constraints 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 net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

**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.

**I. Leases**

Lessee:

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor:

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Commission monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**J. Lease Liabilities**

On July 1, 2021, the Commission adopted GASB 87 - Leases and adopted the changes to conform to the provisions of GASB 87 Implementation Guide. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Commission has lease primarily for office equipments. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the Commission uses its incremental borrowing rate at commencement date to determine the present value of future payments.

**K. New Accounting Pronouncements**

GASB Statement no. 96 - As of July 1, 2022, the Commission adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The implementation of this standard establishes that a SBITA results in a right-to-use subscription IT asset - an intangible asset - and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. There was not a significant effect on the Commission's financial statements as a result of the implementation of the standard.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 2 - DEPARTURES FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

The Commission has modified the basis of accounting for the EDA Revolving Loan Fund, EDA2 Revolving Loan Fund and the EDA3 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 notes receivable directly to the Revolving Loan Fund balance and net position 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) Receipt of EDA Revolving Loan Fund Award Proceeds

Accounting principles generally accepted in the United States of America require that grant awards be recorded as revenue when they are measurable and available. The Commission's practice, in accordance with requirements of the Economic Development Administration, is to credit the receipt of EDA Revolving Loan Fund proceeds directly to fund balance and net position.

**NOTE 3 - CASH AND INVESTMENTS**

Cash at June 30, 2023, consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Statements of net position and Governmental Funds - Balance sheet:			
Cash in banks	\$ 486,237	\$ -	\$ 486,237
Cash on hand	100	-	100
Total cash on hand and in banks	486,337	-	486,337
Pooled cash in County Treasury	2,075,652	475,384	2,551,036
Sub-total	<u>\$ 2,561,989</u>	<u>\$ 475,384</u>	<u>3,037,373</u>
Fiduciary funds:			
Pooled cash in County Treasury			<u>591</u>
Total cash and investment			<u>\$ 3,037,964</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 3 - CASH AND INVESTMENTS - CONT'D**

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation. Cash in banks at June 30, 2023 consisted of the following:

	Reported Amount	Bank Balance
Cash in Banks	\$ 486,237	\$ 486,237
FDIC Coverage	-	250,000
Total	\$ 486,237	\$ 236,237

The bank balance is the balance prior to adjustment for items that had not yet cleared the bank as of June 30, 2023.

The Commission does not have a formal investment policy. 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.

**Fair Value Measurements**

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

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

Level 2 - inputs include:

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

Level 3 - inputs are significant unobservable inputs.

As of June 30, 2023, the Commission held no individual investments. The Commission's fair value measurements were as follows at June 30, 2023:

Investment Type	Fair Value	Level
Pooled Cash in County Treasury	\$ 2,551,627	2

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

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3 - CASH AND INVESTMENTS - CONT'D**

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 58.74 percent federal agencies, 20.51 percent money markets, 2.03 percent municipal bonds, 14.11 percent treasury coupons, 1.34 percent medium term notes, and 1.00 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, 2023, none of the Commission's deposits were exposed to custodial credit risk.

Interest Rate Risk - Investments

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the 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 649 days.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 4 - INTERFUND TRANSACTION**

Interfund Receivables /Payables

Interfund balances at June 30, 2023 consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General fund	\$ -	\$ 695,921
EDA revolving loan fund	215,507	-
EDA2 revolving loan fund	-	253,901
EDA3 revolving loan fund	734,315	-
Total	\$ 949,822	\$ 949,822

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 and loan disbursements are recorded.

**NOTE 5 - NOTES RECEIVABLE**

EDA, EDA2 and EDA3 Revolving Loan Funds: Notes receivable in these funds 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 likely to have higher risk of default than loans made by commercial lending institutions.

General Fund RREDC Micro-loans: Notes receivable in the General 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 Commission's 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.

Under the terms of the agreement with the Humboldt County Headwaters Fund dated May 21, 2010, all principal collections on notes issued pursuant to this agreement, 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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 5 - NOTES RECEIVABLE - CONT'D**

An updated agreement was entered into on April 8, 2014. The terms of the new agreement with the Humboldt County Headwaters Fund provide that for loans less than \$300,000 the Commission receives 35 percent of interest collected on the loan as a service fee. Loans under \$300,000 cannot exceed 25 percent of the total loan portfolio under this new agreement. For loans over \$300,000, the Commission's service fee consists of one percent of the unpaid loan balance.

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.

Covid-19 Bridge Loans Funded by Other Entities: These notes receivable, accounted for in the Commission's General Fund, consist of loans made from funding provided by other governmental and non-profit entities in response to the Covid-19 pandemic. These loans were provided to allow basic business operations while a customer is applying to the U.S. Small Business Administration or other entity for long-term disaster relief.

A notes payable amount equal to the notes receivable balance plus any undisbursed funds received from the other governments and non-profits 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, 2023:

	EDA Revolving Loan Fund	EDA 2 Revolving Loan Fund	EDA 3 Revolving Loan Fund	General Fund		
				RREDC Micro- Loans	Covid-19 Bridge Loans	Headwaters Revolving Loan Fund
Balance, June 30, 2022	\$ 3,220,824	\$ 419,530	\$ 4,329,894	\$ 105,039	\$ 491,314	\$ 2,305,838
Loans disbursed	2,268,163	768,692	413,096	40,247	434,787	888,737
Principal payments received	<u>(1,972,807)</u>	<u>(626,379)</u>	<u>(592,920)</u>	<u>(40,229)</u>	<u>(68,189)</u>	<u>(1,173,568)</u>
Balance, June 30, 2023	<u>\$ 3,516,180</u>	<u>\$ 561,843</u>	<u>\$ 4,150,070</u>	<u>\$ 105,057</u>	<u>\$ 857,912</u>	<u>\$ 2,021,007</u>

**NOTE 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. At June 30, 2023, there were no collection assets.



**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 7 - CAPITAL ASSETS AND RIGHT-TO-USE LEASED ASSETS**

A summary of changes in the capital asset and right-to-use leased asset for the Commission's government activities for the year ended June 30, 2023, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
<b>Capital assets being depreciated</b>				
Improvements	\$ 46,595	\$ -	\$ (46,595)	\$ -
Office Equipment - EDA Funds	10,781	-	(10,781)	-
Office Equipment - General Fund	19,182	-	(19,182)	-
Total capital assets being depreciated	<u>76,558</u>	<u>-</u>	<u>(76,558)</u>	<u>-</u>
Less: accumulated depreciation for	<u>(76,558)</u>	<u>-</u>	<u>76,558</u>	<u>-</u>
Total accumulated depreciation	<u>(76,558)</u>	<u>-</u>	<u>76,558</u>	<u>-</u>
Governmental activities capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Right-to-use leased assets, being amortized:</b>				
Leased assets	<u>-</u>	<u>123,405</u>	<u>-</u>	<u>123,405</u>
Total right-to-use leased assets, being amortized	<u>-</u>	<u>123,405</u>	<u>-</u>	<u>123,405</u>
Less: accumulated amortization	<u>-</u>	<u>(27,635)</u>	<u>-</u>	<u>(27,635)</u>
Total right-to-use leased assets, net	<u>-</u>	<u>95,770</u>	<u>-</u>	<u>95,770</u>
Governmental activities capital assets and right-to-use leased assets, net	<u>\$ -</u>	<u>\$ 95,770</u>	<u>\$ -</u>	<u>\$ 95,770</u>

**NOTE 8 - NOTES PAYABLE - FUNDS FROM OTHER LENDERS**

Notes payable for funds from other lenders consist of amounts provided to the Commission for the Covid-19 bridge loan program implemented by RREDC to allow basic business operation while a customer is applying to the U.S. Small Business Administration or other entity for long-term disaster relief related to the Covid-19 pandemic. The other lenders consist of other governmental and non-profit entities. The June 30, 2023 balance consisted of the following amounts:

<u>Fund provided by</u>	<u>Amount</u>
Humboldt Area Foundation	<u>\$ 928,527</u>
Total due to third-party lenders	<u>\$ 928,527</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 - LEASE LIABILITY**

For the year ended June 30, 2023, the financial statements include the adoption of Government Accounting Standards Board (GASB) Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about a government's leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Commission's lease liability for the year ended consisted of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Repayments</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Lease liability	\$ -	\$ 123,405	\$ 24,056	\$ 99,349	\$ 26,025
Total	<u>\$ -</u>	<u>\$ 123,405</u>	<u>\$ 24,056</u>	<u>\$ 99,349</u>	<u>\$ 26,025</u>

The following is a schedule of future minimum annual lease rentals under the lease installment contract as of June 30, 2023:

<u>Years ending June 30:</u>	<u>Base rent</u>	<u>Interest</u>	<u>Total amount</u>
2024	\$ 26,025	\$ 4,128	\$ 30,153
2025	28,115	2,816	30,931
2026	30,333	1,401	31,734
2027	<u>14,876</u>	<u>144</u>	<u>15,020</u>
Total	<u>\$ 99,349</u>	<u>\$ 8,489</u>	<u>\$ 107,838</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - EXCESS OF EXPENDITURE OVER APPROPRIATIONS:**

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

	General and Revolving Loan Fund	EDA 2 Fund	EDA 3 Fund
Salaries and employee benefits	\$ 74,108	\$ -	\$ -
Rent/Lease principle and interest	422	95	422
Professional fees	4,986	-	-
Contracted services	27,650	-	-
Repairs and maintenance	1,571	349	1,572
Postage, copying and printing	93	35	85
Supplies	490	41	186
Telephone	1,007	246	1,104
Software purchase and support	2,126	334	1,398
Professional development	-	40	-
Books, publications and subscriptions	13	3	13
Dues	764	115	-
Airline recruitment	949	-	-
Special project	6,904	-	-
Capital outlay	55,532	12,341	55,532
Total expenditures	<u>\$ 176,615</u>	<u>\$ 13,599</u>	<u>\$ 60,312</u>

**NOTE 11 - EMPLOYEE RETIREMENT PLAN**

The Commission maintains a defined contribution retirement plan for the benefit of its employees under the provisions of Internal Revenue Code Section 457(b). The plan is administered through an independent insurance company. 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, 2023, the Commission's total matching contribution was \$15,012.

There are no assets accumulated in a trust that meets the criteria described in paragraph 4 of GASB 73, *Accounting and financial reporting for Pensions and Related Assets*.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 12 - REFUNDABLE AIRLINE FUND DEPOSITS**

The Commission is the lead agency in efforts to support and develop new air service to Humboldt County. The Commission has successfully recruited new service to Los Angeles and Denver International Airports. In order to begin service, the airlines require a minimum revenue guarantee fund, to be billed by the airline in the event that initial revenues for the airlines' new flights falls below required levels. The funds consist of contributions obtained from community business organizations, individuals, and local governments. The funds are maintained in separate restricted bank accounts, and the funds are reported in the Commission's financial statements as a liability for refundable airline fund deposits. The balance and activity in the accounts for the year ended June 30, 2023, were as follows:

Balance, June 30, 2022	\$	175,306
Additions:		
Contributions to fund		-
Reductions:		
Required transfer to airline		<u>(174,948)</u>
Balance, June 30, 2023	\$	<u><u>358</u></u>

**NOTE 13 - 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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**A. 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.

**B. Pooled Cash in County Treasurer**

A large portion of the Commission's cash is held in pooled cash accounts in the County of Humboldt Treasury. The County of Humboldt Auditor-Controller's Office has not finalized its accounting or closed the books for the fiscal year ended June 30, 2023. Therefore, the Commission has not been able to complete the final reconciliation between the Commission's June 30, 2023 cash balances and the County of Humboldt's final cash balances. The Commission has taken steps to reconcile the June 30, 2023 cash balances reported in the Commission's financial statements to the most recent information available from the Humboldt County Auditor-Controller's Office. However, since the Auditor-Controller's Office has not closed the books for the years ended June 30, 2023, it is possible that the County could make adjustments to prior cash balances subsequent to the issuance of the Commission's June 30, 2023 audited financial statements. If any subsequent changes are made to the cash balances by the Auditor-Controller's Office, those changes will be reconciled and adjusted in either the County of Humboldt's records or the Commission's records as necessary, in the year ending June 30, 2023. The Commission does not anticipate any material changes to its June 30, 2023 reported cash balances.

**NOTE 15 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 21, 2024, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGETED AND ACTUAL**  
**GENERAL FUND AND EDA REVOLVING LOAN FUND (REGULATORY BASIS)**  
**JUNE 30, 2023**

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<b>REVENUES</b>				
Loan interest	\$ 204,750	\$ 204,750	\$ 202,551	\$ (2,199)
Investment interest	10,000	10,000	27,744	17,744
Late/service/other fees	3,000	3,000	-	(3,000)
Loan fees	32,287	32,287	38,051	5,764
Airline recruitment reimbursement	-	-	5	5
Other revenue	15,000	15,000	34,011	19,011
Total revenues	<u>265,037</u>	<u>265,037</u>	<u>302,362</u>	<u>37,325</u>
<b>EXPENDITURES</b>				
Salaries and employee benefits	174,210	174,210	248,318	(74,108)
Rent/Lease principle and interest	12,806	12,806	13,228	(422)
Utilities	1,350	1,350	725	625
Insurance	2,151	2,151	2,097	54
Professional fees	9,225	9,225	14,211	(4,986)
Credit investigation fees	675	675	9	666
Contracted services	2,250	2,250	29,900	(27,650)
Repairs and maintenance	450	450	2,021	(1,571)
Postage, copying and printing	563	563	656	(93)
Supplies	900	900	1,390	(490)
Board expenses	810	810	227	583
Telephone	2,252	2,252	3,259	(1,007)
Software purchase and support	4,082	4,082	6,208	(2,126)
Professional development	338	338	-	338
Books, publications and subscriptions	225	225	238	(13)
Dues	1,395	1,395	2,159	(764)
Travel	1,125	1,125	947	178
Lease/purchase equipment	3,188	3,188	-	3,188
Airline recruitment	-	-	949	(949)
Marketing expenses	3,375	3,375	2,494	881
Special project	-	-	6,904	(6,904)
Miscellaneous	5,625	5,625	1,254	4,371
Capital outlay	-	-	55,532	(55,532)
Total expenditures	<u>226,995</u>	<u>226,995</u>	<u>392,726</u>	<u>(165,731)</u>
Excess of revenue over (under) expenditures	<u>38,042</u>	<u>38,042</u>	<u>(90,364)</u>	<u>(128,406)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from lease liability	-	-	55,532	55,532
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>55,532</u>	<u>55,532</u>
Change in fund balance	38,042	38,042	(34,832)	(72,874)
Fund balance, beginning of the year	<u>5,325,418</u>	<u>5,325,418</u>	<u>5,325,418</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 5,363,460</u>	<u>\$ 5,363,460</u>	<u>\$ 5,290,586</u>	<u>\$ (72,874)</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGETED AND ACTUAL**  
**EDA 2 REVOLVING LOAN FUND (REGULATORY BASIS)**  
**JUNE 30, 2023**

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<b>REVENUES</b>				
Loan interest	\$ 31,500	\$ 31,500	\$ 32,989	\$ 1,489
Investment interest	500	500	11,328	10,828
Late/service/other fees	750	750	-	(750)
Loan fees	<u>8,928</u>	<u>8,928</u>	<u>8,604</u>	<u>(324)</u>
Total revenues	<u>41,678</u>	<u>41,678</u>	<u>52,921</u>	<u>11,243</u>
<b>EXPENDITURES</b>				
Salaries and employee benefits	26,802	26,802	25,399	1,403
Rent/Lease principle and interest	2,846	2,846	2,941	(95)
Utilities	300	300	161	139
Insurance	478	478	455	23
Professional fees	2,050	2,050	2,030	20
Credit investigation fees	150	150	75	75
Contracted services	500	500	-	500
Repairs and maintenance	100	100	449	(349)
Postage, copying and printing	125	125	160	(35)
Supplies	200	200	241	(41)
Board expenses	180	180	50	130
Telephone	500	500	746	(246)
Software purchase and support	907	907	1,241	(334)
Professional development	75	75	115	(40)
Books, publications and subscriptions	50	50	53	(3)
Dues	310	310	425	(115)
Travel	250	250	182	68
Lease/purchase equipment	708	708	-	708
Marketing	750	750	292	458
Special project	1,000	1,000	150	850
Miscellaneous	250	250	51	199
Capital outlay	<u>-</u>	<u>-</u>	<u>12,341</u>	<u>(12,341)</u>
Total expenditures	<u>38,531</u>	<u>38,531</u>	<u>47,557</u>	<u>(9,026)</u>
Excess of revenue over (under) expenditures	<u>3,147</u>	<u>3,147</u>	<u>5,364</u>	<u>2,217</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from lease liability	<u>-</u>	<u>-</u>	<u>12,341</u>	<u>12,341</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,341</u>	<u>12,341</u>
Change in fund balance	3,147	3,147	17,705	14,558
Fund balance, beginning of the year	<u>1,227,433</u>	<u>1,227,433</u>	<u>1,227,433</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 1,230,580</u>	<u>\$ 1,230,580</u>	<u>\$ 1,245,138</u>	<u>\$ 14,558</u>



**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGETED AND ACTUAL**  
**EDA 3 REVOLVING LOAN FUND (REGULATORY BASIS)**  
**JUNE 30, 2023**

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<b>REVENUES</b>				
Loan interest	\$ 282,625	\$ 282,625	\$ 284,627	\$ 2,002
Investment interest	5,000	5,000	1,101	(3,899)
Late/service/other fees	-	-	203	203
Loan fees	3,750	3,750	6,878	3,128
Total revenues	<u>291,375</u>	<u>291,375</u>	<u>292,809</u>	<u>1,434</u>
<b>EXPENDITURES</b>				
Salaries and employee benefits	227,856	227,856	175,695	52,161
Rent/Lease principle and interest	12,806	12,806	13,228	(422)
Utilities	1,350	1,350	725	625
Insurance	2,151	2,151	2,050	101
Professional fees	9,225	9,225	8,693	532
Credit investigation fees	675	675	-	675
Contracted services	2,250	2,250	-	2,250
Repairs and maintenance	450	450	2,022	(1,572)
Postage, copying and printing	563	563	648	(85)
Supplies	900	900	1,086	(186)
Board expenses	810	810	227	583
Telephone	2,252	2,252	3,356	(1,104)
Software purchase and support	4,082	4,082	5,480	(1,398)
Professional development	338	338	-	338
Books, publications and subscriptions	225	225	238	(13)
Dues	1,395	1,395	1,216	179
Travel	1,125	1,125	1,085	40
Marketing	3,375	3,375	1,312	2,063
Special project	4,500	4,500	675	3,825
Lease/purchase equipment	3,188	3,188	-	3,188
Miscellaneous	1,125	1,125	349	776
Capital outlay	-	-	55,532	(55,532)
Total expenditures	<u>280,641</u>	<u>280,641</u>	<u>273,617</u>	<u>7,024</u>
Excess of revenue over (under) expenditures	<u>10,734</u>	<u>10,734</u>	<u>19,192</u>	<u>8,458</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from lease liability	-	-	55,532	55,532
Total other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>55,532</u>	<u>55,532</u>
Change in fund balance	10,734	10,734	74,724	63,990
Fund balance, beginning of the year	<u>4,863,613</u>	<u>4,863,613</u>	<u>4,863,613</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 4,874,347</u>	<u>\$ 4,874,347</u>	<u>\$ 4,938,337</u>	<u>\$ 63,990</u>

## **SUPPLEMENTARY INFORMATION**

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
ORGANIZATION  
June 30, 2023**

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 Arcata	Kimberley White / Alex Stillman
City of Blue Lake	Angela Shull / Christopher Edgar
City of Eureka	G. Mario Fernandez / Scott Bauer
City of Ferndale	Leonard Lund / Phillip Ostler
City of Fortuna	Kyle Conley / Mike Losey
City of Rio Dell	Amanda Carter / Julie Woodall
City of Trinidad	Steven Ladwig / Cheryl Kelly
County of Humboldt	Natalie Arroyo / Mike Wilson
Humboldt Bay Harbor, Recreation & Conservation District	Greg Dale / Stephen Kullman
Humboldt Bay Municipal Water District	Neal Latt / David Lindberg
Humboldt Community Services District	Heidi Benzonelli / Julie Ryan
Manila Community Services District	Danielle Muniz / Meghan Ryan
McKinleyville Community Services District	James Biteman / Dennis Mayo
Redway Community Services District	Michael McKaskle
Redwoods Community College District	Danny Kelley
Willow Creek Community Services District	Riley Morrison / Shannon Hughes

Note: RREDC member Agencies Hoopa Valley Tribe and Orleans Community Services District and Orick Community Services District do not currently have representatives appointed to the board.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant or Project Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Commerce</b>			
Economic Development Administration (EDA) Cluster: Economic Adjustment Assistance Program	11.307	07-19-02074	\$ 4,913,685
Economic Development Administration (EDA) Cluster: Economic Adjustment Assistance Program	11.307	07-79-07332	1,426,597
Economic Development Administration (EDA) Cluster: Economic Adjustment Assistance Program	11.307	07-79-07594	<u>4,423,687</u>
Total Economic Development Administration Economic Development Cluster			<u>10,763,969</u>
Total U.S. Department of Commerce			<u>10,763,969</u>
Total Expenditures of Federal Awards			<u><u>\$ 10,763,969</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  
FOR THE YEAR ENDED JUNE 30, 2023**

**NOTE 1 - BASIC OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Commission and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The Commission did not use the ten percent de minimis indirect cost rate.

**NOTE 2 - SUB RECIPIENTS**

No federal awards were provided to subrecipients.

**NOTE 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 July 2023, Compliance Supplement, as follows:

	<u>EDA Revolving Loan Fund</u>	<u>EDA2 Revolving Loan Fund</u>	<u>EDA3 Revolving Loan Fund</u>
Balance of Revolving loan Fund (RLF) loans outstanding as June 30, 2023	\$ 3,516,180	\$ 561,843	\$ 4,150,070
Cash and investment balance in RLF at June 30, 2023	1,028,396	817,197	-
Administrative expenses paid out of RLF income during the year ended June 30, 2023	<u>369,109</u>	<u>47,557</u>	<u>273,617</u>
Total	4,913,685	1,426,597	4,423,687
Multiply: Federal share of the RLF	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
Total Federal Expenditures	<u><u>\$ 4,913,685</u></u>	<u><u>\$ 1,426,597</u></u>	<u><u>\$ 4,423,687</u></u>

## COMPLIANCE SECTION

**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***

To the Board of Commissioners  
Redwood Region Economic Development Commission  
Eureka, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Redwood Region Economic Development Commission, (the "Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated February 21, 2024.

In our report we issued an adverse opinion because the Commission prepared the financial statements on the basis of the financial reporting provisions of the Economic Development Administration, which is a 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 and accounting principles generally accepted in the United States of America are presumed to be material. However, our report also stated that the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund of the Commission as of June 30, 2023, and the respective regulatory basis changes in financial position thereof for the year then ended, on the basis of accounting described in Note 2.

**Report on 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) as a basis for designing 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 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. 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 or significant deficiencies may exist that were not identified.

### **Report on 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 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harshmal & Company LLP*

San Diego, California  
February 21, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REPORTING  
REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners  
Redwood Region Economic Development Commission  
Eureka, California

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

**Opinion on Each Major Federal Program**

We have audited Redwood Region Economic Development Commission's (the "Commission") compliance with the types of compliance requirements identified as subject to audit in the *OMB 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, 2023. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

**Basis for Opinion on Each Major Federal Program**

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Commission's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Harshmal & Company LLP*

San Diego, California  
February 21, 2024

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:

Generally accepted accounting principles basis of accounting	Adverse
Regulatory basis of accounting	Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?

No

**Identification of major programs:**

<i>Assistance Listing Number (ALN)</i>	<i>Name of Federal Program or Cluster</i>
11.307	Economic Development Administration (EDA) Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

**SECTION II - AUDIT FINDINGS IN RELATION TO FINANCIAL STATEMENTS**

There were no findings related to the financial statements for the fiscal year ended June 30, 2023.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings and questioned costs related to federal awards for the fiscal year ended June 30, 2023.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2023**

There were no audit finding for the year ended June 30, 2022.