

REDWOOD REGION ECONOMIC
DEVELOPMENT COMMISSION
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2024



REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
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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, 2024, 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, 2024, 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, 2024, 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 audit opinions.

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

As described in Note 2, the financial statements are prepared by the Commission, on the basis of financial reporting provisions of the Economic Development Administration under Title IX of the Public Works and Economic Development Act, 1965, as amended, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirement of the Economic Development Administration. 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 and pervasive.

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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 4 through 13 and budgetary comparison schedules on page 39 through 41 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 Commission 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 March 24, 2025, 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
March 24, 2025

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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, and fees for service.

b. Financial Highlights-FY 2024

- Total net position on June 30, 2024, was \$11,531,702 an increase of \$91,195 from June 30, 2023.
- Total revenues were \$739,549. Loan interest and fees accounted for \$663,520, or approximately 90% of all revenues. Interest earned on investments totaled \$52,978, or 7%. Other revenue totaled \$17,051 or 2%.
- Total expenditures for the year, not including net position adjustments, were \$638,864. Salaries and employee benefits were the largest expenditure at \$472,818, or 74% of total expenditures. Contracted services, Special projects, Loan write-off, and professional fees were the second highest expenditure at \$88,290 or 14%. The next largest expenditure was the lease principal and interest expenses at \$30,152 or 5%.
- Excess of revenues over expenditures was \$100,685 or 14% 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 details 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 three 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 loan is transferred to the County of Humboldt.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

b. RREDC's Individual Funds

RREDC has three operational funds that form the core of our program. Three of these funds are Revolving Loan Funds (RLF) capitalized by the EDA and the third is 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 were 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.

To continue over time, the revolving loan funds must generate enough revenue through operations to cover all expenditures loan losses and return excess revenues to the fund. Operations are centered on the making of loans to small businesses unable to obtain credit through traditional lenders. Loan interest and fees account for approximately 90% of the total revenue of these RLFs.

These three 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 two 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 significant impact on 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 allowed 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 has 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 is 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, with the prior consent of the Participant.
- If the total loan is greater than \$300,000, one percent (1%) will be collected on the unpaid balance as a Service Fee.
- Non-interest late charges arise in connection with the Participation Loan, but only after all interest payments are brought current.
- Origination fees and related charges are received by the Lender in connection with the Participation Loan.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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 the Lender in connection with the Participation Loan, but only after all interest payments are brought current.

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

II. FINANCIAL PERFORMANCE FOR FISCAL YEAR 2024

Net Position

RREDC's net position increased by \$91,195 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, 2024</u>	<u>June 30, 2023</u>	<u>Net Change</u>	<u>Percentage Change</u>
Cash	\$ 2,243,995	\$ 3,037,373	\$ (793,378)	(26.12)%
Notes receivable	9,940,285	9,191,062	749,223	8.15%
Accounts receivable	6,222	-	6,222	100%
Due from RREDC Headwaters Fund	964	29,119	(28,155)	(96.69)%
Other assets	177,042	226,299	(49,257)	(21.77)%
Right to use leased assets, net	<u>68,135</u>	<u>95,770</u>	<u>(27,635)</u>	<u>(28.86)%</u>
Total assets	<u>12,436,643</u>	<u>12,579,623</u>	<u>(142,980)</u>	<u>(1.14)%</u>
Accounts payable	8,801	23,014	(14,213)	(61.76)%
Other liabilities	82,037	87,868	(5,831)	(6.64)%
Note payable funds from other lenders	740,779	928,527	(187,748)	(20.22)%
Airline recruitment fund	-	358	(358)	(100.00)%
Lease liability	<u>73,324</u>	<u>99,349</u>	<u>(26,025)</u>	<u>(26.20)%</u>
Total liabilities	<u>904,941</u>	<u>1,139,116</u>	<u>(234,175)</u>	<u>(20.56)%</u>
Net investment in capital assets	(5,189)	(3,579)	(1,610)	44.98%
Restricted for loan servicing	1,980,779	2,847,503	(866,724)	(30.44)%
Unrestricted	<u>9,556,112</u>	<u>8,596,583</u>	<u>959,529</u>	<u>11.16%</u>
Total net position	<u>\$ 11,531,702</u>	<u>\$ 11,440,507</u>	<u>\$ 91,195</u>	<u>0.80%</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Statement of Activities

Table 2 shows the statement of activities for the year ended June 30, 2024, and compares it to the previous fiscal year.

**TABLE 2
Comparative Statement of Activities**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Net Change</u>	<u>Percentage Change</u>
Revenues:				
Charges for services	\$ 669,520	\$ 607,919	\$ 61,601	10.13%
Other revenue	17,051	-	17,051	100.00%
Interest and investment earnings	<u>52,978</u>	<u>40,173</u>	<u>12,805</u>	<u>31.87%</u>
Total revenues	<u>739,549</u>	<u>648,092</u>	<u>91,457</u>	<u>14.11%</u>
Expenses:				
Loan services	421,430	388,184	33,246	8.56%
Economic development services	90,770	83,609	7,161	8.56%
General administration	<u>136,154</u>	<u>125,413</u>	<u>10,741</u>	<u>8.56%</u>
Total expenses	<u>648,354</u>	<u>597,206</u>	<u>51,148</u>	<u>8.56%</u>
Change in net position	91,195	50,886	40,309	79.21%
Net position, beginning of year	<u>11,440,507</u>	<u>11,389,621</u>	<u>50,886</u>	<u>0.45%</u>
Net position, end of year	<u>\$ 11,531,702</u>	<u>\$ 11,440,507</u>	<u>\$ 91,195</u>	<u>0.80%</u>

Fund Equity of the Individual Funds

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

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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Net Change</u>	<u>Percentage Change</u>
General Fund and EDA RLF	\$ 5,242,517	\$ 5,290,586	\$ (48,069)	(0.91)%
EDA2 RLF	1,305,322	1,245,138	60,184	4.83%
EDA3 RLF	<u>5,026,907</u>	<u>4,938,337</u>	<u>88,570</u>	<u>1.79%</u>
Total	<u>\$ 11,574,746</u>	<u>\$ 11,474,061</u>	<u>\$ 100,685</u>	<u>0.88%</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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, 2024</u>	<u>June 30, 2023</u>	<u>Net Change</u>	<u>Percentage Change</u>
Loan interest	\$ 631,252	\$ 520,167	\$ 111,085	21.36%
Late/service/other fee	831	203	628	309.36%
Loan fees	31,437	53,533	(22,096)	(41.28)%
Investment interest	52,978	40,173	12,805	31.87%
Support services	6,000	-	6,000	100.00%
Other revenue	<u>17,051</u>	<u>34,016</u>	<u>(16,965)</u>	<u>(49.87)%</u>
Total	<u>\$ 739,549</u>	<u>\$ 648,092</u>	<u>\$ 91,457</u>	<u>14.11%</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 General and EDA loan funds.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Loan interest	\$ 46,996	\$ 89,063	\$ 42,067
Investment interest	1,000	11,412	10,412
Loan fees	6,250	122	(6,128)
Total revenues	<u>54,246</u>	<u>100,597</u>	<u>46,351</u>
EXPENDITURES			
Salaries and employee benefits	35,271	29,543	5,728
Rent/lease principle, and interest	2,917	3,016	(99)
Utilities	180	175	5
Insurance	499	487	12
Professional fees	2,110	2,073	37
Credit investigation fees	30	-	30
Contracted services	60	-	60
Repairs and maintenance	450	534	(84)
Postage, copying, and printing	65	172	(107)
Supplies	250	212	38
Board expenditure	200	64	136
Telephone	762	750	12
Software purchase and support	876	1,410	(534)
Professional development	100	-	100
Books, publications, and subscription	50	27	23
Dues	400	439	(39)
Travel	275	484	(209)
Equipment expenditure	692	173	519
Marketing expenditure	500	333	167
Special project	1,000	-	1,000
Miscellaneous	100	521	(421)
Capital outlay	1,000	-	1,000
Total expenditures	<u>47,787</u>	<u>40,413</u>	<u>7,374</u>
Excess of revenues over (under) expenditures	<u>6,459</u>	<u>60,184</u>	<u>53,725</u>
Change in fund balances	6,459	60,184	53,725
Fund balances, beginning of year	<u>1,245,138</u>	<u>1,245,138</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,251,597</u>	<u>\$ 1,305,322</u>	<u>\$ 53,725</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Loan interest	\$ 282,744	\$ 294,880	\$ 12,136
Investment interest	3,000	8,429	5,429
Late/service/other fees	-	831	831
Loan fees	<u>12,500</u>	<u>11,433</u>	<u>(1,067)</u>
Total revenues	<u>298,244</u>	<u>315,573</u>	<u>17,329</u>
EXPENDITURES			
Salaries and employee benefits	221,076	184,107	36,969
Rent/lease principle, and interest	13,127	13,568	(441)
Utilities	810	790	20
Insurance	2,245	2,191	54
Professional fees	9,495	9,160	335
Credit investigation fees	135	-	135
Contracted services	270	-	270
Repairs and maintenance	2,025	2,402	(377)
Postage, copying, and printing	293	730	(437)
Supplies	1,125	860	265
Board expenditure	900	287	613
Telephone	3,429	3,378	51
Software purchase and support	3,940	3,621	319
Professional development	450	-	450
Books, publications, and subscription	225	121	104
Dues	1,800	1,579	221
Travel	1,238	1,883	(645)
Marketing expenditure	2,250	1,503	747
Special project	4,500	-	4,500
Equipment expenditure	3,114	777	2,337
Miscellaneous	450	46	404
Capital outlay	<u>4,500</u>	<u>-</u>	<u>4,500</u>
Total expenditures	<u>277,397</u>	<u>227,003</u>	<u>50,394</u>
Excess of revenues over (under) expenditures	<u>20,847</u>	<u>88,570</u>	<u>67,723</u>
Change in fund balances	20,847	88,570	67,723
Fund balances, beginning of year	<u>4,938,337</u>	<u>4,938,337</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,959,184</u>	<u>\$ 5,026,907</u>	<u>\$ 67,723</u>

RREDC General Fund and EDA Revolving Loan Fund

The general fund budget is largely made up of revenue from loan interest, investment interest, support services, and other revenue 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 (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

**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>
REVENUES			
Loan interest	\$ 228,549	\$ 247,309	\$ 18,760
Investment interest	1,500	33,137	31,637
Loan fees	13,125	19,882	6,757
Support services	-	6,000	6,000
Other revenue	25,000	17,051	(7,949)
	<u>268,174</u>	<u>323,379</u>	<u>55,205</u>
Total revenue			
EXPENDITURES			
Salaries and employee benefits	202,222	259,168	(56,946)
Rent/lease principle, and interest	13,127	13,568	(441)
Utilities	810	790	20
Insurance	2,245	2,191	54
Professional fees	9,495	11,930	(2,435)
Credit investigation fees	135	36	99
Contracted services	270	5,378	(5,108)
Repairs and maintenance	2,025	2,402	(377)
Postage, copying, and printing	293	751	(458)
Supplies	1,125	978	147
Board expenditure	900	665	235
Telephone	3,429	3,378	51
Software purchase and support	3,940	2,006	1,934
Professional development	450	-	450
Books, publications, and subscription	225	121	104
Dues	1,800	1,663	137
Travel	1,238	2,189	(951)
Equipment expenditure	3,114	777	2,337
Loan write-off expenditure	-	36,909	(36,909)
Marketing expenditure	2,250	3,009	(759)
Special project	4,500	22,840	(18,340)
Miscellaneous	450	699	(249)
Capital outlay	4,500	-	4,500
	<u>258,543</u>	<u>371,448</u>	<u>(112,905)</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>9,631</u>	<u>(48,069)</u>	<u>(57,700)</u>
Change in fund balances	9,631	(48,069)	(57,700)
Fund balances, beginning of year	<u>5,290,586</u>	<u>5,290,586</u>	<u>-</u>
Fund balances, end of year	<u>\$ 5,300,217</u>	<u>\$ 5,242,517</u>	<u>\$ (57,700)</u>

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

Right-to-Use Leased Assets

Right-to-use leased assets on June 30, 2024, and 2023, were as follows:

TABLE 8

Right-to-use Leased Assets

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>	<u>Percentage Change</u>
Right-to-use leased assets				
Lease assets	\$ 123,405	\$ 123,405	\$ -	-
Less: accumulated amortization	<u>(55,270)</u>	<u>(27,635)</u>	<u>(27,635)</u>	<u>100%</u>
Right-to-use leased assets, net	<u>\$ 68,135</u>	<u>\$ 95,770</u>	<u>\$ (27,635)</u>	<u>100%</u>

III. RREDC OPERATIONAL RESULT

a. 2024 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 \$739,549, an increase of \$91,457 from the previous fiscal year. Net position, which is the net equity of the organization, increased from \$11,440,507 to \$11,531,702.

While RREDC prepares budgets for each fund, actual revenues and expenditures 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 experienced a decrease in fund balance of \$48,069, which was significantly lower than the budgeted increase of \$9,631. Total revenues for the fund exceeded the budgeted amount by \$55,205; however, The decrease was primarily due to loan write-off expenditure.

EDA 2 had a net increase in fund balance of \$60,184, exceeding the budgeted amount of \$6,459.

EDA 3 had a net increase in fund balance of \$88,570, significantly surpassing the budgeted \$20,847. This increase was primarily due to lower-than-projected personnel costs, which, as noted above, were shifted to the EDA1/General Fund.

The agency-wide change in fund balance was \$100,685 compared to a budgeted \$36,937, which represents approximately a 14% net margin on revenues of \$739,549 and a 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 the 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.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2024**

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 the RREDC's portfolio improved their operations in fiscal year 2024. However, certain businesses in RREDC portfolio continue to struggle to recover from the Covid-19 pandemic, and management expects loan losses in FY 2025. However, these losses should represent a relatively small proportion of the overall portfolio.

IV. FINDINGS AND QUESTIONED COSTS

Findings and questioned costs are outlined on page 50. This year, there were no findings during the year.

V. REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of RREDC's finances for interested 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, 2024

ASSETS

Cash in County Treasury	\$ 1,703,406
Cash on hand and in banks	540,589
Accounts receivable	6,222
Due from RREDC Headwaters Fund	964
Accrued interest receivable	170,395
Prepaid	858
Other deposits	5,789
Notes receivable - EDA2 and EDA3 revolving loan funds	5,404,566
Notes receivable - RREDC and EDA1 revolving loan fund	3,801,709
Notes receivable - Third Party Loans - Humboldt Area Foundation	681,585
Notes receivable - Covid-19 bridge loans	52,425
Right-to-use leased assets, net	<u>68,135</u>
Total assets	<u>12,436,643</u>

LIABILITIES

Accounts payable	8,801
Unearned revenue	12,448
Accrued payroll liabilities	31,734
Accrued vacation	37,855
Note payable - funds from other lenders	740,779
Lease liability	<u>73,324</u>
Total liabilities	<u>904,941</u>

NET POSITION

Net Investment in capital assets	(5,189)
Restricted for EDA revolving loan program	1,980,779
Unrestricted	<u>9,556,112</u>
Total net position	<u>11,531,702</u>
Total liabilities and net position	<u><u>\$ 12,436,643</u></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, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenues, and Changes in Net Position Government Activities</u>
Governmental activities:			
Loan services	\$ 421,430	\$ 663,520	\$ 242,090
Economic development services	90,770	-	(90,770)
General administration	<u>136,154</u>	<u>6,000</u>	<u>(130,154)</u>
Total governmental activities	<u>\$ 648,354</u>	<u>\$ 669,520</u>	<u>21,166</u>
General revenues:			
Interest and investment earnings			52,978
Other revenue			<u>17,051</u>
Total general revenues			<u>70,029</u>
Change in net position			91,195
Net position, beginning of year			<u>11,440,507</u>
Net position, end of year			<u>\$ 11,531,702</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, 2024**

	General Fund and EDA Revolving Loan Fund	EDA2 Revolving Loan Fund	EDA3 Revolving Loan Fund	Total Governmental Funds
ASSETS				
Cash in County Treasury	\$ 936,496	\$ 252,763	\$ 514,147	\$ 1,703,406
Cash on hand and in bank	403,070	77,190	60,329	540,589
Accounts receivable	6,222	-	-	6,222
Due from RREDC Headwaters Fund	964	-	-	964
Prepaid	386	86	386	858
Due from other funds	12,353	-	209,443	221,796
Accrued interest receivable	121,623	15,702	33,070	170,395
Capitalized interest due from Headwaters Fund	11,704	954	-	12,658
Other deposits	5,789	-	-	5,789
Notes receivable	3,801,709	1,183,408	4,221,158	9,206,275
Notes receivable - Third Party Loans - Humboldt Area Foundation	681,585	-	-	681,585
Note receivable - Covid-19 bridge loan	52,425	-	-	52,425
	<u>6,034,326</u>	<u>1,530,103</u>	<u>5,038,533</u>	<u>12,602,962</u>
Total assets				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	6,266	484	2,051	8,801
Unearned revenue	12,448	-	-	12,448
Accrued payroll liabilities	20,612	1,547	9,575	31,734
Capitalized interest due to EDA Fund	11,704	954	-	12,658
Note payable - Funds from other lenders	740,779	-	-	740,779
Due to other funds	-	221,796	-	221,796
	<u>791,809</u>	<u>224,781</u>	<u>11,626</u>	<u>1,028,216</u>
Total liabilities				
FUND BALANCES				
Nonspendable:				
Prepaid	386	86	386	858
Notes receivable	3,801,709	1,183,408	4,221,158	9,206,275
Notes receivable - Third Party Loans - Humboldt Area Foundation	681,585	-	-	681,585
Note receivable - Covid -19 bridge loan	52,425	-	-	52,425
Restricted for:				
Loan servicing	1,053,588	121,828	805,363	1,980,779
Unassigned	<u>(347,176)</u>	<u>-</u>	<u>-</u>	<u>(347,176)</u>
Total fund balances	<u>5,242,517</u>	<u>1,305,322</u>	<u>5,026,907</u>	<u>11,574,746</u>
Total liabilities and fund balances	<u>\$ 6,034,326</u>	<u>\$ 1,530,103</u>	<u>\$ 5,038,533</u>	<u>\$ 12,602,962</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, 2024**

Total governmental fund balance		\$ 11,574,746
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	<u>(55,270)</u>	68,135
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued vacation	(37,855)	
Lease liability	<u>(73,324)</u>	<u>(111,179)</u>
Net position - governmental activities		<u><u>\$ 11,531,702</u></u>

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, 2024

	General Fund and EDA Revolving Loan Fund	EDA2 Revolving Loan Fund	EDA3 Revolving Loan Fund	Total
REVENUES				
Loan interest	\$ 247,309	\$ 89,063	\$ 294,880	\$ 631,252
Investment interest	33,137	11,412	8,429	52,978
Late/service/other fees	-	-	831	831
Loan fees	19,882	122	11,433	31,437
Support services	6,000	-	-	6,000
Other revenue	17,051	-	-	17,051
	<u>323,379</u>	<u>100,597</u>	<u>315,573</u>	<u>739,549</u>
Total revenues				
EXPENDITURES				
Current:				
Salaries and employee benefits	259,168	29,543	184,107	472,818
Utilities	790	175	790	1,755
Insurance	2,191	487	2,191	4,869
Equipment expenditure	777	173	777	1,727
Professional fees	11,930	2,073	9,160	23,163
Credit investigation fees	36	-	-	36
Contracted services	5,378	-	-	5,378
Repairs and maintenance	2,402	534	2,402	5,338
Postage, copying, and printing	751	172	730	1,653
Supplies	978	212	860	2,050
Board expenditure	665	64	287	1,016
Marketing expenditure	3,009	333	1,503	4,845
Special project	22,840	-	-	22,840
Telephone	3,378	750	3,378	7,506
Software purchase and support	2,006	1,410	3,621	7,037
Books, publications, and subscriptions	121	27	121	269
Dues	1,663	439	1,579	3,681
Travel	2,189	484	1,883	4,556
Loan write-off expenditure	36,909	-	-	36,909
Miscellaneous	699	521	46	1,266
Debt service:				
Principal	11,711	2,603	11,711	26,025
Interest	1,857	413	1,857	4,127
	<u>371,448</u>	<u>40,413</u>	<u>227,003</u>	<u>638,864</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(48,069)</u>	<u>60,184</u>	<u>88,570</u>	<u>100,685</u>
Change in fund balance	(48,069)	60,184	88,570	100,685
Fund balances, beginning of year	<u>5,290,586</u>	<u>1,245,138</u>	<u>4,938,337</u>	<u>11,474,061</u>
Fund balances, end of year	<u>\$ 5,242,517</u>	<u>\$ 1,305,322</u>	<u>\$ 5,026,907</u>	<u>\$ 11,574,746</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, 2024**

Net changes in fund balances - governmental funds	\$	100,685
<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>		
		(7,880)
<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 expenses. The difference between capital outlay expenditures and depreciation expense for the period is:</p>		
Amortization expense		(27,635)
<p>In governmental funds, proceeds from lease payable provide current financial resources, during the repayment of the principal of the lease payable consumes the current financial resources of governmental funds. Neither transaction has any effect the net position. The amount is the net effect of these differences in the treatment of lease payable and related items were:</p>		
Lease liability repayment		<u>26,025</u>
Change in net position - governmental activities	\$	<u><u>91,195</u></u>

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

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
STATEMENT OF NET POSITION - FIDUCIARY FUND (REGULATORY BASIS)
JUNE 30, 2024

	Custodian Fund
	Headwater Fund
ASSETS	
Interest receivable	\$ 32,886
Notes receivable	2,333,283
Total assets	2,366,169
LIABILITIES	
Accounts payable	11,694
Accrued interest due to County of Humboldt Headwaters Fund	32,886
Due to General Fund	964
Notes payable to County of Humboldt Headwaters Fund	2,320,625
Total liabilities	\$ 2,366,169

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, 2024

	Custodian Fund
	Headwater Fund
ADDITIONS	
Loan interest	\$ 41,697
Investment interest	4
Late/service/other fees	506
Total additions	42,207
DEDUCTIONS	
Loan service fees	38,342
Total deductions	38,342
Change in net position	3,865
Net position, beginning of year	(3,865)
Net position , end of year	\$ -

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

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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. The organization has a fiscal dependency 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 Commission's accounts 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 on 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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.

Government-wide financial statements are prepared with a focus on economic resource measurement. 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 that 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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

The 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 on an 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 EDA2 Revolving Loan Fund and the EDA3 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 a cost that 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 that relates to interest rate risk.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 expenses 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 the assets' lives are not capitalized. A capitalization threshold of \$5,000 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 years
Office furniture and equipment	5 years

No asset was capitalized or expensed during the year ended June 30, 2024.

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, 2024.

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, 2024.

6. Accrued Vacation

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. For the year ended June 30, 2024, the Commission's total accrued vacation was \$37,855.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 government-wide financial statements, noncurrent debt and other noncurrent obligations are reported as liabilities in net position statements. In the fund financial statements, governmental funds report the face amount of the debt issued, premiums, or discounts 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 formal action of the Commission's Governing Board. The Commission's Governing Board is the highest level of decision making authority in 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 is 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 a 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 leased 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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

I. Leases - 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 prices 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 the 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 are 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

Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Commission has a lease primarily for office equipment. 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 the commencement date to determine the present value of future payments.

K. New Accounting Pronouncements

The Commission has adopted all current statements of the Governmental Accounting Standards Board (GASB) that are applicable. As of June 30, 2024, the Commission implemented the following new standards issued by GASB:

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024. This Statement amends GASB Statement No. 62 to enhance accounting and financial reporting requirements for accounting changes and error corrections.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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

L. Future Changes in Accounting Standards

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. This Statement amends the existing requirements related to Compensated Absences by updating the recognition and measurement guidance.

GASB has issued Statement No. 102, *Certain Risk Disclosures*, effective for the year ending June 30, 2025. This Statement's objective is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*, effective for the year ending June 30, 2026. This Statement's objective is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assisting a government's accountability. Additionally, the statements also address certain application issues.

GASB has issued Statement No. 104, *New Capital Asset Disclosures*, effective for the year ending June 30, 2026, which requires capital assets held for sale, intangible assets, lease assets, and subscription assets to be broken out separately in note disclosure.

The Commission will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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 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 receivables to be reported at their face value, which is less than 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 the requirements of the Economic Development Administration, is to credit or charge these gains or losses to the 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.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of June 30, 2024, consisted of the following:

	<u>Total</u>
Statements of net position and Governmental Funds - Balance sheet:	
Cash in banks	\$ 540,489
Cash on hand	100
Total cash on hand and in banks	540,589
Pooled cash in County Treasury	1,703,406
Total cash and investments	\$ 2,243,995

As of June 30, 2024, the carrying amount of the Commission's cash deposits was \$540,489, and the bank balances was \$540,976, of which \$500,000 was covered by the Federal Deposit Insurance Corporation, and \$40,976 was uninsured at year end. The difference between the bank balance and the carrying amount represents outstanding checks.

The bank balance is the balance prior to adjustment for items that had not yet cleared the bank as of June 30, 2024.

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.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONT'D

As of June 30, 2024, the Commission held no individual investments. The Commission's fair value measurements were as follows as of June 30, 2024:

Investment Type	Fair Value
Pooled Cash in County Treasury	\$ <u>1,703,406</u>

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

As of June 30, 2024, the Commission's investments in the Humboldt County Treasury Investment Pools are uncategorized.

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 62.77 percent federal agencies, 16.89 percent treasury coupons, 9.14 percent money markets, 6.06 percent medium-term notes, and 3.93 percent miscellaneous Coupons. The S & P credit ratings for these investments include AAA 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 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 which have a value of 150 percent of the secured public deposits. As of June 30, 2024, 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 774 days.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 - INTERFUND TRANSACTION

Interfund Receivables / Payables

Interfund balances as of June 30, 2024, consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General fund and EDA revolving loan fund	\$ 12,353	\$ -
EDA2 revolving loan fund	-	221,796
EDA3 revolving loan fund	209,443	-
Total	\$ 221,796	\$ 221,796

Interfund receivables and payables are generated due to the 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 a 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 a 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 a 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 another entity for long-term disaster relief.

A notes payable amount equal to the notes receivable balance plus any undisbursed funds received from 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, 2024:

	<u>General Fund</u>					
	<u>EDA</u>	<u>EDA 2</u>	<u>EDA 3</u>	<u>RREDC</u>	<u>Covid-19</u>	<u>Headwaters</u>
	<u>Revolving</u>	<u>Revolving</u>	<u>Revolving</u>	<u>Micro-</u>	<u>Bridge Loans</u>	<u>Revolving</u>
	<u>Loan Fund</u>	<u>Loan Fund</u>	<u>Loan Fund</u>	<u>Loans</u>	<u>and Third Party</u>	<u>Loan Fund</u>
					<u>Loans - HAF</u>	
Balance, June 30, 2023	\$ 3,516,180	\$ 561,843	\$4,150,070	\$ 105,057	\$ 873,300	\$ 2,005,619
Loans disbursed	1,141,024	638,000	409,800	462	48,585	1,222,374
Principal payments received	<u>(871,242)</u>	<u>(16,435)</u>	<u>(338,712)</u>	<u>(89,772)</u>	<u>(187,875)</u>	<u>(894,710)</u>
Balance, June 30, 2024	<u>\$ 3,785,962</u>	<u>\$1,183,408</u>	<u>\$4,221,158</u>	<u>\$ 15,747</u>	<u>\$ 734,010</u>	<u>\$ 2,333,283</u>

NOTE 6 - COLLECTION ASSETS

Collection assets are notes receivable that have become delinquent and are in various stages of collection. 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, the property on which the Commission has foreclosed to collect on the note, which is included in the collection assets account. Additional costs, including attorney's fees, are capitalized in the collection assets account. As of June 30, 2024, there were no collection assets.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 - RIGHT-TO-USE LEASED ASSETS

A summary of changes in the right-to-use leased assets for the Commission's government activities for the year ended June 30, 2024, is as follows:

	Beginning Balance	Addition	Ending Balance
<u>Governmental activities:</u>			
Right-to-use leased assets, being amortized:			
Leased assets	\$ 123,405	\$ -	\$ 123,405
Less: accumulated amortization	(27,635)	(27,635)	(55,270)
Total right-to-use leased assets, net	\$ 95,770	\$ (27,635)	\$ 68,135

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 operations 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. As of June 30, 2024, the balance consisted of the following amounts:

Fund provided by	Amount
Humboldt Area Foundation	\$ 740,779
Total due to third-party lenders	\$ 740,779

NOTE 9 - LEASE LIABILITY

As per the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, the primary objective of this statement is to enhance the relevance and consistency of information regarding a government's leasing activities. This statement establishes a single model for lease accounting based on the principle that leases represent 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, while 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:

	Beginning Balance	Repayments	Ending Balance	Due within one year
<u>Governmental activities:</u>				
Lease liability	\$ 99,349	\$ (26,025)	\$ 73,324	\$ 28,115
Total	\$ 99,349	\$ (26,025)	\$ 73,324	\$ 28,115

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 9 - LEASE LIABILITY - CONT'D

The following is a schedule of future minimum annual lease rentals under the lease installment contract as of June 30, 2024:

Years ending June 30:	Base rent	Interest	Total amount
2025	\$ 28,115	\$ 2,816	\$ 30,931
2026	30,333	1,401	31,734
2027	14,876	144	15,020
Total	<u>\$ 73,324</u>	<u>\$ 4,361</u>	<u>\$ 77,685</u>

NOTE 10 - EXCESSES OF EXPENDITURES OVER APPROPRIATIONS

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

	General and EDA Revolving Loan Fund	EDA 2 Fund	EDA 3 Fund
Salaries and employee benefits	\$ 56,946	\$ -	\$ -
Rent/lease principle, and interest	441	99	441
Professional fees	2,435	-	-
Contracted services	5,108	-	-
Repairs and maintenance	377	84	377
Postage, copying, and printing	458	107	437
Software purchase and support	-	534	-
Dues	-	39	-
Travel	951	209	645
Loan write-off expenditure	36,909	-	-
Marketing expenditure	759	-	-
Special project	18,340	-	-
Miscellaneous	249	421	-
Total	<u>\$ 122,973</u>	<u>\$ 1,493</u>	<u>\$ 1,900</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, 2024, the Commission's total matching contribution was \$16,142.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 services 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 fall below the 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, 2024, were as follows:

Balance, June 30, 2023	\$	358
Additions:		
Interest income		5
Reductions:		
Required transfer to airline		<u>(363)</u>
Balance, June 30, 2024	\$	<u><u>-</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.

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 ending June 30, 2024. Therefore, the Commission has not been able to complete the final reconciliation between the Commission's June 30, 2024, cash balances and the County of Humboldt's final cash balances. The Commission has taken steps to reconcile the June 30, 2024, 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, 2024, it is possible that the County could make adjustments to prior cash balances subsequent to the issuance of the Commission's June 30, 2024, 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, 2024. The Commission does not anticipate any material changes to its reported cash balances on June 30, 2024.

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2025, when 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 BALANCES - BUDGETED AND ACTUAL
GENERAL FUND AND EDA REVOLVING LOAN FUND (REGULATORY BASIS)
JUNE 30, 2024

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<u>REVENUES</u>				
Loan interest	\$ 228,549	\$ 228,549	\$ 247,309	\$ 18,760
Investment interest	1,500	1,500	33,137	31,637
Loan fees	13,125	13,125	19,882	6,757
Support services	-	-	6,000	6,000
Other revenue	25,000	25,000	17,051	(7,949)
Total revenues	<u>268,174</u>	<u>268,174</u>	<u>323,379</u>	<u>55,205</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	202,222	202,222	259,168	(56,946)
Rent/lease principle, and interest	13,127	13,127	13,568	(441)
Utilities	810	810	790	20
Insurance	2,245	2,245	2,191	54
Professional fees	9,495	9,495	11,930	(2,435)
Credit investigation fees	135	135	36	99
Contracted services	270	270	5,378	(5,108)
Repairs and maintenance	2,025	2,025	2,402	(377)
Postage, copying, and printing	293	293	751	(458)
Supplies	1,125	1,125	978	147
Board expenditure	900	900	665	235
Telephone	3,429	3,429	3,378	51
Software purchase and support	3,940	3,940	2,006	1,934
Professional development	450	450	-	450
Books, publications, and subscriptions	225	225	121	104
Dues	1,800	1,800	1,663	137
Travel	1,238	1,238	2,189	(951)
Equipment expenditure	3,114	3,114	777	2,337
Loan write-off expenditure	-	-	36,909	(36,909)
Marketing expenditure	2,250	2,250	3,009	(759)
Special project	4,500	4,500	22,840	(18,340)
Miscellaneous	450	450	699	(249)
Capital outlay	4,500	4,500	-	4,500
Total expenditures	<u>258,543</u>	<u>258,543</u>	<u>371,448</u>	<u>(112,905)</u>
Excess of revenue over (under) expenditures	<u>9,631</u>	<u>9,631</u>	<u>(48,069)</u>	<u>(57,700)</u>
Change in fund balance	9,631	9,631	(48,069)	(57,700)
Fund balance, beginning of year	<u>5,290,586</u>	<u>5,290,586</u>	<u>5,290,586</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,300,217</u>	<u>\$ 5,300,217</u>	<u>\$ 5,242,517</u>	<u>\$ (57,700)</u>

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETED AND ACTUAL
EDA 2 REVOLVING LOAN FUND (REGULATORY BASIS)
JUNE 30, 2024

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<u>REVENUES</u>				
Loan interest	\$ 46,996	\$ 46,996	\$ 89,063	\$ 42,067
Investment interest	1,000	1,000	11,412	10,412
Loan fees	6,250	6,250	122	(6,128)
Total revenues	<u>54,246</u>	<u>54,246</u>	<u>100,597</u>	<u>46,351</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	35,271	35,271	29,543	5,728
Rent/lease principle, and interest	2,917	2,917	3,016	(99)
Utilities	180	180	175	5
Insurance	499	499	487	12
Professional fees	2,110	2,110	2,073	37
Credit investigation fees	30	30	-	30
Contracted services	60	60	-	60
Repairs and maintenance	450	450	534	(84)
Postage, copying, and printing	65	65	172	(107)
Supplies	250	250	212	38
Board expenditure	200	200	64	136
Telephone	762	762	750	12
Software purchase and support	876	876	1,410	(534)
Professional development	100	100	-	100
Books, publications, and subscriptions	50	50	27	23
Dues	400	400	439	(39)
Travel	275	275	484	(209)
Equipment expenditure	692	692	173	519
Marketing expenditure	500	500	333	167
Special project	1,000	1,000	-	1,000
Miscellaneous	100	100	521	(421)
Capital outlay	1,000	1,000	-	1,000
Total expenditures	<u>47,787</u>	<u>47,787</u>	<u>40,413</u>	<u>7,374</u>
Excess of revenue over (under) expenditures	<u>6,459</u>	<u>6,459</u>	<u>60,184</u>	<u>53,725</u>
Change in fund balance	6,459	6,459	60,184	53,725
Fund balance, beginning of year	<u>1,245,138</u>	<u>1,245,138</u>	<u>1,245,138</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,251,597</u>	<u>\$ 1,251,597</u>	<u>\$ 1,305,322</u>	<u>\$ 53,725</u>

REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETED AND ACTUAL
EDA 3 REVOLVING LOAN FUND (REGULATORY BASIS)
JUNE 30, 2024

	Original	Final	Actual	Variance With Final Budget- Favorable (Unfavorable)
<u>REVENUES</u>				
Loan interest	\$ 282,744	\$ 282,744	\$ 294,880	\$ 12,136
Investment interest	3,000	3,000	8,429	5,429
Late/service/other fees	-	-	831	831
Loan fees	12,500	12,500	11,433	(1,067)
Total revenues	<u>298,244</u>	<u>298,244</u>	<u>315,573</u>	<u>17,329</u>
<u>EXPENDITURES</u>				
Salaries and employee benefits	221,076	221,076	184,107	36,969
Rent/lease principle, and interest	13,127	13,127	13,568	(441)
Utilities	810	810	790	20
Insurance	2,245	2,245	2,191	54
Professional fees	9,495	9,495	9,160	335
Credit investigation fees	135	135	-	135
Contracted services	270	270	-	270
Repairs and maintenance	2,025	2,025	2,402	(377)
Postage, copying, and printing	293	293	730	(437)
Supplies	1,125	1,125	860	265
Board expenditure	900	900	287	613
Telephone	3,429	3,429	3,378	51
Software purchase and support	3,940	3,940	3,621	319
Professional development	450	450	-	450
Books, publications, and subscriptions	225	225	121	104
Dues	1,800	1,800	1,579	221
Travel	1,238	1,238	1,883	(645)
Marketing expenditure	2,250	2,250	1,503	747
Special project	4,500	4,500	-	4,500
Equipment expenditure	3,114	3,114	777	2,337
Miscellaneous	450	450	46	404
Capital outlay	4,500	4,500	-	4,500
Total expenditures	<u>277,397</u>	<u>277,397</u>	<u>227,003</u>	<u>50,394</u>
Excess of revenue over (under) expenditures	<u>20,847</u>	<u>20,847</u>	<u>88,570</u>	<u>67,723</u>
Change in fund balance	20,847	20,847	88,570	67,723
Fund balance, beginning of year	<u>4,938,337</u>	<u>4,938,337</u>	<u>4,938,337</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,959,184</u>	<u>\$ 4,959,184</u>	<u>\$ 5,026,907</u>	<u>\$ 67,723</u>

SUPPLEMENTARY INFORMATION

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
ORGANIZATION
JUNE 30, 2024**

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>
City 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	Jim 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.

ADMINISTRATION

Gregg Foster
Executive Director

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Grant or Project Number	Federal Expenditures
U.S. Department of Commerce			
Economic Development Administration (EDA) Cluster:			
Economic Adjustment Assistance Program	11.307	07-19-02074	\$ 4,768,301
Economic Adjustment Assistance Program	11.307	07-79-07332	1,476,584
Economic Adjustment Assistance Program	11.307	07-79-07594	<u>4,962,308</u>
Total Economic Development Administration (EDA) Cluster			<u>11,207,193</u>
Total U.S. Department of Commerce			<u>11,207,193</u>
Total Expenditures of Federal Awards			<u>\$ 11,207,193</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

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 - SUBRECIPIENTS

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 2024, 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 of June 30, 2024	\$ 3,785,962	\$ 1,183,408	\$ 4,221,158
Cash and investment balance in RLF as of June 30, 2024	672,046	252,763	514,147
Administrative expenses paid out of RLF income during the year ended June 30, 2024	<u>310,293</u>	<u>40,413</u>	<u>227,003</u>
Total	<u>4,768,301</u>	<u>1,476,584</u>	<u>4,962,308</u>
Multiply: Federal share of the RLF	<u>100%</u>	<u>100%</u>	<u>100%</u>
Total Federal Expenditures	<u><u>\$ 4,768,301</u></u>	<u><u>\$ 1,476,584</u></u>	<u><u>\$ 4,962,308</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, 2024, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 24, 2025.

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, 2024, 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

San Diego, California
March 24, 2025

**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, 2024. 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, 2024.

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
March 24, 2025

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

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 federal programs

<i>Assistance Listing Number (ALN)</i>	<i>Name of Major 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, 2024**

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, 2024.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

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, 2024.

**REDWOOD REGION ECONOMIC DEVELOPMENT COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024**

There were no audit finding for the year ended June 30, 2023.