

Renewal Enterprise District
Sonoma County, California

Independent Auditor's Reports and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2019

**Renewal Enterprise District
For the Fiscal Year Ended June 30, 2019**

Table of Contents

	Page
Independent Auditor’s Report	1-2
Basic Financial Statements:	
Governmental Fund Balance Sheet and Statement of Net Position.....	3
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities.....	4
Notes to the Basic Financial Statements.....	5-8
Compliance:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	9-10



Independent Auditor's Report

Board of Directors
Renewal Enterprise District
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental-type fund of the Renewal Enterprise District ("RED"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise RED's basic financial statements as listed in the foregoing table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental-type fund of RED as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2020, on our consideration of RED's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RED's internal control over financial reporting or on compliance. Those reports are integral parts of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Presente & Brink LLP".

Santa Rosa, California
June 12, 2020

**Renewal Enterprise District
Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2019**

	<u>General Fund</u>		<u>Governmental</u>
	<u>Governmental</u>		<u>Activities</u>
	<u>Fund Balance</u>	<u>Adjustments</u>	<u>Statement of</u>
	<u>Sheet</u>		<u>Net Position</u>
Assets			
Due from other governments	\$ 315,052	\$ -	\$ 315,052
Total assets	<u>\$ 315,052</u>	<u>-</u>	<u>315,052</u>
Liabilities			
Due to other governments	\$ 6,520	-	6,520
Unearned revenue	298,012	-	298,012
Total liabilities	<u>304,532</u>	<u>-</u>	<u>304,532</u>
Fund Balance/Net Position			
Fund Balance			
Restricted	10,520	(10,520)	-
Total fund balance	<u>10,520</u>	<u>(10,520)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 315,052</u>	<u>(10,520)</u>	
Net Position			
Restricted		10,520	10,520
Total net position		<u>\$ 10,520</u>	<u>\$ 10,520</u>

The notes to the basic financial statements are an integral part of these statements.

Renewal Enterprise District
Statement of Revenues, Expenditures, and Changes in Fund Balance /
Statement of Activities
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u> <u>Governmental Activities</u>
Expenditures/Expenses	\$ -	\$ -	\$ -
Revenues:			
Program revenues:			
Restricted investment income	10,520	-	10,520
Net change in fund balance/net position	10,520	-	10,520
Fund balance/Net Position			
June 30, 2018	-	-	-
June 30, 2019	<u>\$ 10,520</u>	<u>\$ -</u>	<u>\$ 10,520</u>

The notes to the basic financial statements are an integral part of these statements.

**Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note A. Summary of Significant Accounting Policies

Reporting Entity

The Renewal Enterprise District (RED) was formed in January 2019 by a joint exercise of powers agreement (JPA) between the City of Santa Rosa and County of Sonoma.

RED was established to work across jurisdictions to market and attract developers, blend private financing and public funds, leverage state and federal grant funds, and facilitate creation of housing that meets established public policy goals for increased density, access to transit, protection of open space and community separators; improved energy efficiency, climate resilience, and affordability; and to advance and ensure equitable access to housing.

The goals of this joint effort include:

- Achieving Sonoma County’s fire recovery rebuild goals and meeting current and previously unmet regional housing needs
- Honoring community separators and urban growth boundaries, and implementing existing and in-progress General Plans and Specific Plans
- Incentivizing higher density, infill, and transit-oriented housing in Priority Development Areas, Transit Priority Areas, Designated Opportunity Zones, and Employment Investment Areas
- Promoting zero net energy development and advancing climate resiliency at the regional, neighborhood, and homeowner scale
- Ensuring affordability and equity in housing development
- Improving opportunities for area employers to recruit and retain a skilled workforce
- Ensuring transparency and accountability regarding achievement of housing goals

The formation of RED did not shift any land use approval authority to RED. It is anticipated that RED eventually may attract and pool financing tools to help further an aggressive housing production agenda.

RED is governed by a Board of Directors, with two Directors from each of the founding member local governments. After two years from the formation of RED, upon submittal of an application for membership, new members will be admitted to RED so long as: 1) the new member is an incorporated city or town located within the jurisdictional boundaries of the County of Sonoma; and 2) the new member agrees to the terms of the joint exercise of powers agreement.

Start-up funding for RED was provided by a grant awarded to the Sonoma County Transportation Authority (SCTA) on August 29, 2018 from the William and Flora Hewlett Foundation. SCTA was named the fiscal agent for RED during the start-up phase. As fiscal agent, SCTA retained decision-making authority over RED financial transactions during the year ending June 30, 2019.

**Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019**

Note A. Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

During the fiscal year ending June 30, 2019, RED's primary activities centered on initial startup and capacity building of the organization.

Government-wide and Fund Financial Statements

Because SCTA was named as recipient on the Hewlett grant and SCTA had decision making authority over RED expenditures, RED revenues and expenses related to the grant are included in the June 30, 2019 SCTA audited financial statements instead of this report. The SCTA audited financial statements may be found here: [SCTA Audited Financial Statements FY 2018-2019](#).

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Program revenues include restricted investment income derived from cash held by SCTA on behalf of RED. All other direct expenses and direct revenues related to the start-up phase of RED are reported on page 11 of the SCTA audited financial statements.

RED governmental fund revenues, expenditures, and changes in fund balance are reported in a separate column of the SCTA statement of revenues, expenditures, and changes in fund balances on page 14 of the SCTA audited financial statements.

RED is engaged in a single program and has chosen to present a combined government-wide and fund balance sheet with a reconciliation of the individual line items in a separate column.

Measurement focus and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered available when they are collectible within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, RED considers revenues available if they are collected within 365 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note A. Summary of Significant Accounting Policies (continued)

Measurement focus and Financial Statement Presentation (continued)

RED has no non-current assets or liabilities. Accordingly, net position and fund balance are equal at year end. Additionally, the change in net position on the statement of activities is equal to the change in fund balance.

Due from other governments

Due from other governments represents cash and investments held by SCTA on behalf of RED.

Unearned revenue

Unearned revenue represents amounts collected by SCTA on behalf of RED before revenue recognition criteria are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note B. Due from other governments

As of June 30, 2019, SCTA, in its role of fiscal agent, held \$315,052 in pooled cash and investments on behalf of RED. This balance represents unexpended grant funds and investment earnings.

Note C. Unearned Revenue

As of June 30, 2019, RED has \$298,012 in unearned revenue. The \$298,012 represents the remaining balance of the initial \$500,000 draw from the start-up grant. Revenue will be recognized as qualifying expenditures are incurred.

Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note D. Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which RED operates. While it is unknown how long these conditions will last and what the complete financial effect will be to RED, the outbreak has not had a material adverse impact to RED's operations to date. However, the future impact of the outbreak is highly uncertain and cannot be predicted. Accordingly, there is no assurance that the outbreak will not have a material adverse impact on in the future.



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Board of Directors
Renewal Enterprise District
Santa Rosa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the governmental-type fund of the Renewal Enterprise District ("RED"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise RED's basic financial statements, and have issued our report thereon dated June 12, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of RED'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 may exist that have not been identified.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
*Government Auditing Standards*** (continued)

Independent Auditor's Report (continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RED's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RED's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Resenti & Brinku LLP

Santa Rosa, California
June 12, 2020