

Renewal Enterprise District
Sonoma County, California

Independent Auditor's Reports and
Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

**Renewal Enterprise District
Fiscal Year Ended June 30, 2023**

Table of Contents

	Page
Independent Auditor’s Report	1-3
Basic Financial Statements:	
Governmental Fund Balance Sheet and Statement of Net Position.....	4
Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities.....	5
Notes to the Basic Financial Statements.....	6-10
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – General Fund.....	11
Note to the Budget and Actual Schedule.....	12
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>	13-14

Basic Financial Statements

Renewal Enterprise District
Governmental Fund Balance Sheet and Statement of Net Position
June 30, 2023

	<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			
Cash and investments	\$ 366,863	\$ -	\$ 366,863
Total assets	<u>\$ 366,863</u>	<u>-</u>	<u>366,863</u>
Liabilities			
Accounts payable	\$ 198	-	198
Unearned revenue	125,500	-	125,500
Total liabilities	<u>125,698</u>	<u>-</u>	<u>125,698</u>
Fund balance/net position			
Fund balance			
Restricted	241,165	(241,165)	-
Total fund balance	<u>241,165</u>	<u>(241,165)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 366,863</u>		
Net position			
Restricted		241,165	241,165
Total net position		<u>\$ 241,165</u>	<u>\$ 241,165</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 Fiscal Year Ended June 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u> <u>Governmental Activities</u>
Expenditures/expenses			
Current:			
Services and supplies	\$ 199,803	\$ -	\$ 199,803
Pass-through grants	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total expenditures/expenses	<u>749,803</u>	<u>-</u>	<u>749,803</u>
 Program revenues:			
Operating grants and contributions	728,745	-	728,745
Charges for services	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total program revenues	<u>803,745</u>	<u>-</u>	<u>803,745</u>
Excess of program revenues over expenditures/expenses	<u>53,942</u>	<u>-</u>	<u>53,942</u>
 General revenues:			
Investment income	<u>33,777</u>	<u>-</u>	<u>33,777</u>
Net change in fund balance/net position	87,719	-	87,719
 Fund balance/net position			
Beginning of year	<u>153,446</u>	<u>-</u>	<u>153,446</u>
End of year	<u>\$ 241,165</u>	<u>\$ -</u>	<u>\$ 241,165</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, 2023**

Note A. Summary of Significant Accounting Policies

Reporting Entity

The Renewal Enterprise District (RED) was formed in December 2018 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 the 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.

RED is governed by a Board of Directors, with two directors from each of the founding member local governments. Upon submittal of an application for membership, new members may 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 JPA.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. Investment income is reported as general revenues.

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

Measurement Focus, Basis of Accounting 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, 2023

Note A. Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

RED has no noncurrent 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.

Cash and Investments

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31 and GASB Statement No. 72, RED reports cash and investments at fair value on the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred.

Unearned Revenue

Unearned revenue represents amounts collected before revenue recognition criteria are met.

Net Position

Net position is classified into three components: 1) invested in capital assets, 2) restricted, and 3) unrestricted. These classifications are defined as follows:

- Invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation. RED has no capital assets and therefore this amount was zero at year end.
- Restricted net position – This component of net position consists of net position with limits on its use that are imposed by outside parties or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definitions of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available, unrestricted resources are used only after restricted resources are depleted.

**Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

Note A. Summary of Significant Accounting Policies (continued)

Fund Balance

Governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which RED is bound to honor constraints on how specific amounts can be spent. The fund balance classifications are defined below:

- Non-spendable – Amounts that are not in a spendable form or are to be maintained intact.
- Restricted – Amounts that can be spent only for the specific purpose stipulated by external resource providers or through enabling legislation.
- Committed – Amounts that can be used only for the specific purpose determined by a formal action of the entity's highest level of decision-making authority.
- Assigned – Amounts intended to be used by the government for specific purpose determined either by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned – The residual classification is used for the general fund and includes all amounts not contained in the other classifications. This amount is technically available for any purpose.

In general, when both restricted and unrestricted resources are available, restricted resources are used first. When expenditures are made of unrestricted resources, RED first applies committed, then assigned, and then unassigned resources.

Use of Estimates

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

Note B. Cash and Investments

Investment in the Sonoma County Treasurer's Investment Pool

Cash and investments are comprised of cash pooled with the Sonoma County Treasury Pool (the Treasury Pool), an external investment pool. The Sonoma County Treasurer's office also acts as a disbursing agent for RED. The fair value of RED's investment in this pool is based upon RED's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio).

**Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023**

Note B. Cash and Investments (continued)

Investment in the Sonoma County Treasurer's Investment Pool (continued)

Interest earned on investments pooled with the Treasury Pool is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter. The Treasury Oversight Committee of the Treasury Pool has oversight for all monies deposited into the Treasury Pool.

RED's pooled cash and investments are invested pursuant to investment policy guidelines established by the Sonoma County Treasurer (the Treasurer) and approved by Sonoma County's Board of Supervisors. The objectives of the policy are, in order of priority: safety of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the Treasurer will deposit funds, types of investment instruments as permitted by the California Government Code 53601, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

A copy of the Sonoma County investment policy is available upon request from the Sonoma County Auditor-Controller-Treasurer-Tax Collector at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Due to the highly liquid nature of RED's investment with the Treasury Pool, RED's exposure to interest rate risk is deemed by management to be insignificant.

The weighted average maturity of Treasury Pool investments at June 30, 2023 was 539 days.

Credit Risk

Generally, 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 Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Renewal Enterprise District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

Note B. Cash and Investments (continued)

Concentration of Credit Risk

The investment policy of RED contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments in any one issuer that represent 5% or more of total RED investments.

Fair Value Measurements

RED categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. RED has a recurring fair value measurement for its investment in the Treasury Pool of \$366,863 which is valued using significant other observable inputs (Level 2).

Note C. Unearned Revenue

RED has received advanced funding related to several funding agreements. Revenue is recognized as qualified expenses are incurred. Unearned revenue consisted of \$125,500 received from the East Bay Community Foundation at June 30, 2023.

Note D. Risk Management

RED is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; and natural disasters. RED has coverage for general liability, automobile liability, errors and omissions, and workers compensation. Limits of the general liability and automobile liability coverage are \$1,000,000 per occurrence with \$0 deductible.

Required Supplementary Information

Renewal Enterprise District
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues				
Operating grants and contributions	\$ 333,334	\$ 553,784	\$ 728,745	\$ 174,961
Charges for services	75,000	75,000	75,000	-
Investment income	<u>5,000</u>	<u>6,000</u>	<u>33,777</u>	<u>27,777</u>
Total revenues	<u>413,334</u>	<u>634,784</u>	<u>837,522</u>	<u>202,738</u>
Expenditures				
Current:				
Services and supplies	<u>604,195</u>	<u>844,003</u>	<u>749,803</u>	<u>94,200</u>
Total expenditures	<u>604,195</u>	<u>844,003</u>	<u>749,803</u>	<u>94,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(190,861)</u>	<u>(209,219)</u>	<u>87,719</u>	<u>296,938</u>
Net change in fund balance	(190,861)	(209,219)	87,719	296,938
Fund balance, beginning of year	<u>153,446</u>	<u>153,446</u>	<u>153,446</u>	<u>-</u>
Fund balance, end of year	<u>\$ (37,415)</u>	<u>\$ (55,773)</u>	<u>\$ 241,165</u>	<u>\$ 296,938</u>

See accompanying note to budgetary comparison information.

**Renewal Enterprise District
Note to the Budget and Actual Schedule
For the Fiscal Year Ended June 30, 2023**

Note A. Budgetary Information

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. RED budgetary information was amended during the year by the Board of Directors.

Compliance