

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

*******Wednesday, December 20, 2017 *******
****** 10:00 A.M. ******

Hood River Library Meeting Room
501 State Street
Hood River, Oregon

| <u>Topic</u> | <u>Time</u> | <u>Item</u> |
|--|--------------------|--------------------|
| Call to Order, Conflict of Interest Disclosures Introductions | 5 minutes | Information |
| November 15, 2017 Minutes | 5 minutes | Approval |
| Financial Report | 5 minutes | Acceptance |
| Loan Modification Request <i>Full Circle, LLC</i> | 5 minutes | Information |

Executive Session per ORS 192.660 (f) (Exempt Documents)

Regular Session Reconvened

| | | |
|---|------------|-------------|
| Loan Actions | 10 minutes | Decision |
| Funded Loans Report and Updates <i>Staff Report on Disaster Loan Program Actions</i> | 5 minutes | Information |
| Pilot and Disaster Program (extending eligibility time) | 10 minutes | Decision |
| RLF Policy Review | 30 minutes | Discussion |
| Other New Business, Good of the Order | | |
| Adjournment | | |

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services or assistance please contact Carmen Frost at (541) 296-2266 at least 48 hours before the meeting so arrangements for appropriate accommodations can be made.

Executive Session Protocol
Oregon Investment Board

After discussion agenda items are presented in open session by OIB staff, the OIB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the Oregon Investment Board to order"

OIB Chair asks all non-staff and non OIB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the OIB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. OIB Chair requests a brief presentation from OIB staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the OIB Chair asks if there are any questions for the loan applicant or OIB staff.
3. Following questions and discussion by the OIB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. OIB Chair asks OIB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons in to Executive Session for the next discussion item.
5. Additional discussion between the OIB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.

At the end of discussion, the OIB chair will close the Executive Session. The OIB moves back to open session. At this point, the OIB Chair can ask for a motion of the decision items in open session. Open session is when the OIB can make decisions on agenda items.

**COLUMBIA RIVER GORGE NATIONAL SCENIC AREA
OREGON INVESTMENT BOARD**

Wednesday, November 15, 2017
Bridgeside Restaurant
699 NW Wanapa Street
Cascade Locks, OR 97014

ATTENDANCE:

OIB Members: OIB Members: Jack Miller, John Kasberger, Kristine Mier, Rick Leibowitz, Jill Amery (teleconference)

Staff: Amanda Hoey, Eric Nerdin, Sherry Wickert, Siri Olson

Absent: Tammy Miller, John Southgate

Guests: Carolyn Meece (Business Oregon), Lauri Light and Steve Light, 15 Mile Ventures, LLC
dba Freebridge Brewing

CALL TO ORDER:

Jack Miller called the meeting to order at 10:00 am. A quorum was present.

CONFLICT OF INTEREST POLICY AND INTRODUCTIONS:

Jack Miller requested that any Board member disclose any conflict of interests for any of the topics to be reviewed today. Rick Leibowitz stated he is abstaining from 15 Mile Ventures LLC, Good Medicine Enterprises, LLC; and Romul's West, LLC due to conflicts of interest.

A round table of introductions took place.

MINUTES

Rick Leibowitz moved approve the minutes from October 18, 2017 as presented. John Kasberger seconded the motion. Motion passed unanimously.

FINANCIAL REPORT:

Sherry Wickert presented the financial report for the period ending October 2017 highlighting that loans disbursed in October was for \$499.80 and expenses for Professional Services was \$7,843.75 which included MCEDD services and legal fees. There is \$1,137,293.80 available to grant/loan.

Motion to accept the October financials was made by Rick Leibowitz. Kristine Mier seconded the motion. Motion carried unanimously.

Discussion: Rick Leibowitz thanked Sherry Wickert for her service, as this is the last meeting she will attend before her retirement.

Amanda Hoey presented the quarterly loan projections. Sherry Wickert discussed the challenges with the OIB Interest Revenue if additional loans are not approved. She highlighted the potential impact to staffing. She noted that OIB only pays MCEDD the actual amount if total accumulated income is less than contracted amount.

Discussion: Carolyn Meece asked if the interest and fees earned in comparison to the staffing contract was based on a monthly or annual calculation. Staff noted that changes in the amount would be based on the annual accumulated totals.

Amanda Hoey explained the projection is based on the assumption that clients will be making their payments on schedule and the projection does not include clients that are in litigation.

LOAN REQUEST:

Eric Nerdin presented a loan request for 15 Mile Ventures, LLC dba Freebridge Brewing.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 10:10 a.m. for 15 Mile Venture, LLC.

Regular Session reconvened at 10:20 a.m.

LOAN ACTION: 15 MILE VENTURES, LLC dba FREEBRIDGE BREWING

Kristine Mier moved to approve the loan request for 15 Mile Ventures, LLC dba Freebridge Brewing as recommended by staff. John Kasberger seconded the motion. Motion carried with four in favor and one abstention (Leibowitz).

- Loan Amount: \$30,000 (estimated)
- Interest Rate: 4.0% for first 12 months; then 7.75% for remaining 24 months
- Loan Term: 36 months
- Loan Fee: \$450
- Conditions and Collateral: as listed in the staff report.

LOAN REQUEST:

Eric Nerdin presented a loan modification request for Full Circle, LLC dba Rivertap and Abide Craft Distillers, LLC dba Camp 1805. He also presented a loan request for Romul's West LLC and Good Medicine Enterprises, LLC.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 10:24 a.m. for Full Circle, LLC, Abide Craft Distillers, LLC, Romul's West LLC and Good Medicine Enterprises, LLC.

Regular Session reconvened at 11:42 a.m.

LOAN ACTION: FULL CIRCLE, LLC dba RIVER TAP PUB AND RESTUARANT

Rick Leibowitz moved to table the loan modification request for Full Circle, LLC until the next meeting and directed staff to follow-up with client to gather additional information regarding current employment and relationship to other business entities. Kristine Mier seconded the motion. Motion passed unanimously.

LOAN ACTION: ABIDE CRAFT DISTILLERS, LLC DBA CAMP 1805

John Kasberger moved to approve the loan modification for Abide Craft Distillers, LLC dba Camp 1805 as to release a vehicle and real estate located in White Salmon, Washington, with conditions as recommended by staff. Kristine Mier seconded the motion. Motion carried with four in favor and one abstention (Leibowitz).

LOAN ACTION: GOOD MEDICINE ENTERPRISES, LLC

Kristine Mier moved to approve the loan request as recommended by staff with the exception of a modification to a 7% interest rate. John Kasberger seconded the motion.

Discussion: John Kasberger stated that the change in the loan interest rate was due to the available collateral to secure the loan and other strengths of the clients. Sherry Wickert asked to clarify if this was a regular loan or one funded under the pilot program. The board noted that it was a regular loan.

Motion carried with four in favor and one abstention (Leibowitz).

- Loan Amount: \$31,500
- Interest Rate: 7.0% (fixed interest rate)
- Loan Term: 102 months
- Loan Fee: \$475
- Conditions and Collateral: as listed in the staff report.

LOAN ACTION: ROMULS WEST, LLC

John Kasberger moved to approve the loan request as recommended by staff with the noted correction to the write-up related to the collateral position. Kristine Mier seconded the motion. Motion carried with four in favor and one abstention (Leibowitz).

- Loan Amount: \$40,000
- Interest Rate: 4.0% for first 12 months and then 7.75% for remaining 24 months
- Loan Term: 36 months
- Loan Fee: \$600
- Conditions and Collateral: as listed in the staff report, with the noted correction to the write-up related to the collateral position.

EXECUTIVE SESSION:

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 11:47 a.m. for Funded Loans Report.

Regular Session reconvened at 11:52 a.m.

STAFF REPORTS OF LOAN ACTIONS ON DISASTER PROGRAM

Eric Nerdin stated he has been working with two additional clients for the Disaster Loan Program.

OTHER NEW BUSINESS:

John Kasberger requested to review the terms of the OIB Revolving Fund plan at a future meeting. The Board also requested to review at the next meeting if there is a need to extend the timeframe for the pilot program and disaster relief program.

ADJOURNMENT: The meeting was adjourned at 11:53.

Respectfully submitted by Siri Olson, Finance Manager

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

November 30, 2017

To the Board of Directors
Mid-Columbia Economic Development District

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Mid-Columbia Economic Development District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and *The Uniform Guidance*, as well as certain information related to the planned scope and timing of our audit. We communicated such information to you in our letter on May 25, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Mid-Columbia Economic Development District, are described in Note 1 to the financial statements. No new accounting principles were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for doubtful accounts. This allowance is calculated based on a percentage of outstanding loan balances at year end. We evaluated the key factors and assumptions used to develop the allowance calculation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statement but is not RSI. Such information 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.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Mid-Columbia Economic Development District and is not intended to be and should not be used by anyone other than these specified parties.

Lewis, Poe, Moeller, Gunderson & Roberts, LLC

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT



For the Year Ended June 30, 2017

Mid-Columbia Economic Development District
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INTRODUCTORY SECTION

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MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
District Officials

Administrative Office: 515 East Second Street
 The Dalles, OR 97058

Executive Director: Amanda Hoey

BOARD OF DIRECTORS

| <u>Member</u> | <u>Constituency</u> | <u>Representation</u> |
|-----------------------------------|---------------------------------|------------------------------|
| Jan Brending, Chairman | Cities of Klickitat County | County Government |
| Ken Bailey, Vice Chairman | Agriculture | Private Sector |
| Bill Schmitt, Secretary/Treasurer | Washington Ports | Port Government |
| Mary Kramer | Education | Private Sector |
| Bob Benton | Hood River County | County Government |
| Bob Hamlin | Skamania County | County Government |
| Rod Runyon | Wasco County | County Government |
| Carol Mackenzie | Cities of Sherman County | County Government |
| Gabriel Muro | Latino Social Service Agencies | Private Sector |
| Tom Furey | High Tec | Private Sector |
| Joeinne Caldwell | Oregon Ports | Port Government |
| Sue Knapp | Cities of Wasco County | City Government |
| Dana Peck | Washington Chambers of Commerce | Chambers |
| Rex Johnston | Klickitat County | County Government |
| Eric Proffitt | Workforce | Private Sector |
| Mark Zanniller | Cities of Hood River County | City Government |
| Tonya Brumley | Oregon Chambers of Commerce | Chambers |
| Robert Kimmes | Healthcare | Private Sector |
| Stephanie Hoppe | Business | Private, Non-Profit |
| Paul Hendricks | Cities of Skamania County | City Government |
| Judge Gary Thompson | Sherman County Commissioner | County Government |

All board members can be contacted at: 515 East Second Street
 The Dalles, OR 97058

Registered Agent: Amanda Hoey

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FINANCIAL SECTION

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

Independent Auditors' Report

Board of Directors
Mid-Columbia Economic Development District
515 East Second Street
The Dalles, OR 97058

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mid-Columbia Economic Development District, as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 estimated 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Mid-Columbia Economic Development District, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the budgetary comparison information on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the management discussion and analysis 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 management discussion and analysis information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and was derived from, and, relate directly to, the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mid-Columbia Economic Development District's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory section 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.

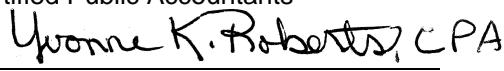
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016, on our consideration of Mid-Columbia Economic Development District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Mid-Columbia Economic Development District's internal control over financial reporting on compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 30, 2017, on our consideration of Mid-Columbia Economic Development District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By 
Yvonne Roberts, CPA

Owner/Member

November 30, 2017
La Grande, Oregon

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Management's Discussion and Analysis

As management of Mid-Columbia Economic Development District, located in The Dalles, Oregon, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of MCEDD for the fiscal year ending June 30, 2017.

FINANCIAL HIGHLIGHTS

- The fund balance at June 30, 2017 was \$4,850,765, which was an increase of \$155,524 restricted for recapitalization and a decrease of \$56,024 for unrestricted and Special Revenue Funds.
- Liabilities decreased by \$56,724, from the prior year primarily due to principal payments made on the five IRP Loans.

OVERVIEW OF MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Mid-Columbia Economic Development District (the District) is governed by a twenty-one member Board of Directors. As required by generally accepted accounting principles in the United States of America, all activities of the District have been included in these financial statements.

There are various governmental agencies and special service districts which provide services within the five-county area served by the District. However, Mid-Columbia Economic Development District is not financially accountable for any of these entities and accordingly their financial information is not included in the general purpose financial statements.

The District was organized to assist the counties of Wasco, Hood River, and Sherman in Oregon, and Klickitat and Skamania in Washington in obtaining and coordinating grants and loans for economic development and other related projects.

The District has a sub-grant agreement with the U.S. Department of Commerce to administer Economic Development Administration (EDA) Title IX Grants. The purpose of the grants is to provide funds through revolving loan funds to assist eligible recipients with projects to create new jobs pursuant with the Economic Development Act of 1965.

The District operates another revolving loan fund through a loan from the U.S. Department of Agriculture (USDA) Rural Development's Intermediary Relending Program (IRP). This fund was established with the proceeds of a \$1,000,000 low-interest loan from USDA. The USDA IRP fund was recapitalized in 2004 with an additional loan of \$600,000 matched by grants from Oregon Economic and Community Development, Mount Hood Economic Alliance, National Scenic Area Oregon Investment Board, and the Lower John Day Partnership. In 2007, the fund was recapitalized with an additional

\$750,000 loan with \$112,500 match provided by the National Scenic Area Oregon Investment Board, Mount Hood Economic Alliance, and MCEDD funds.

In FY 2012, additional USDA IRP funds were approved to loan to MCEDD in the amounts of \$200,000 for the Sherman County IRP with \$50,000 match provided by Sherman County and \$310,000 for the USDA-WA IRP fund.

Additional loan funds were established in 2004 with grants from USDA Rural Development. A Rural Business Enterprise Grant (RBEG) for \$100,000 was received from USDA-Washington State and an RBEG for \$259,000 was received from USDA-Oregon to establish a Small and Emerging Loan Fund. During FY 2011, MCEDD also obtained additional grant funds of \$99,000 from USDA Rural Development. MCEDD further accessed \$95,481 in Community Development Block Grant to establish a loan fund for Klickitat County businesses.

OVERVIEW OF THE FINANCIAL STATEMENTS

Mid-Columbia Economic Development District's financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements and fund financial statements. The basic financial statements include the District-wide financial statements and notes to the financial statements.

- The District-wide financial statements provide information about the District's overall financial position and result of operations. They provide readers with a broad overview of MCEDD's finances, in a manner similar to the private sector business. These statements are presented on the accrual basis and consist of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Fund Net Assets and the Statement of Cash Flows.
- The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the District-wide statements.

Fund Accounting

The accounts of the District are organized based on funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

The District has the following funds:

Governmental Fund Type:

Special Revenue Funds – These funds (Grants, Contracted Services, and Local Contributions) account for specific revenues from federal grants and contributions from member counties and other municipalities that are designated to finance particular functions or activities and the undesignated local fund balance.

Proprietary Fund Types:

Enterprise Funds – These funds account for the issuance, collection, and administrative expenses associated with the revolving loans and intermediary relending programs.

Component Unit:

Component unit funds include Columbia River Gorge National Scenic Act Funds, which are administered by MCEDD for the State of Oregon.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

**AN OVERVIEW OF THE DISTRICT-WIDE FINANCIAL POSITION
AND OPERATIONS**

| Mid-Columbia Statement of Net Assets | Economic | Development | District |
|--|----------|------------------|------------------|
| Current Assets | | <u>2017</u> | <u>2016</u> |
| Loans Receivable, net of allowance for Uncollectibles | | \$4,922,565 | \$3,719,847 |
| Total Assets | | <u>2,019,469</u> | <u>3,179,411</u> |
| | | 6,942,034 | 6,899,258 |
| Current Liabilities | | 212,990 | 164,602 |
| Non-Current Liabilities | | <u>1,878,279</u> | <u>1,983,391</u> |
| Total Liabilities | | 2,091,269 | 2,147,993 |
| Net Assets: | | | |
| Restricted for Recapitalization | | 4,430,304 | 4,274,780 |
| Unrestricted (Includes Special Revenue Funds) | | <u>420,461</u> | <u>476,485</u> |
| Total Net Asset | | \$4,850,765 | \$4,751,265 |

Assets

- Mid-Columbia Economic Development District's Total Assets increased from the prior year's balance by \$42,776. The overall increase was due to a combination of Proprietary Funds and Government Funds. Proprietary Funds increased by \$73,764 while Governmental Funds had a total loss of \$30,988 due to Special Projects and coverage of several loan funds that also had a loss.

Liabilities

Total liabilities for MCEDD decreased \$56,724, due to principal payments made on long-term liabilities. MCEDD's current liabilities primarily was higher for 2017 due to funds held in escrow for an IRP loan of \$47,315.

| Mid-Columbia Statement of Revenues, Expenses and Changes in Net Assets | Economic Development | District |
|---|-------------------------|--------------------|
| | <u>2017</u> | <u>2016</u> |
| Revenues: | | |
| Federal | \$ 185,015 | \$ 198,011 |
| State | 31,768 | 24,085 |
| Local | 129,462 | 75,925 |
| Loan Interest Income | 234,963 | 263,136 |
| Other | <u>399,611</u> | <u>598,160</u> |
| Total Revenues | 980,819 | 1,159,317 |
| Expenses: | | |
| Salaries & Fringe Benefits | 529,654 | 519,252 |
| Consulting and Professional Services | 111,648 | 145,528 |
| Travel and Conferences | 9,761 | 17,236 |
| Supplies | 14,650 | 20,702 |
| Other | 222,670 | 231,263 |
| Bad Debt Expense | (25,382) | (18,712) |
| Interest Expense | <u>20,301</u> | <u>21,287</u> |
| Total Expenses | 883,302 | 936,556 |
| Other Income: | | |
| Interest on Investments | 1,983 | 1,905 |
| Increase/Decrease in Net Assets | 99,500 | 224,666 |
| Net Assets (Fund Balance) - July 1 | 4,751,265 | 4,526,599 |
| Net Assets (Fund Balance) - June 30 | \$4,850,765 | \$4,751,265 |

ANALYSIS OF OPERATIONS

Revenue:

The total revenue for FY17 is down from the prior year by \$178,498. This is primarily due to Other Revenue income, which is down by \$198,549. This category is mainly comprised of Contract Reimbursement income for Fee-for-Service projects. For this year, several Fee-for-Service special projects' billings for services did not occur in FY17, but instead will be billed in FY18. This accounted for the decrease in overall revenue.

Expenses:

Overall expenses decreased by \$53,254 in FY17. Both Government and Loan Funds had decreases in expenses for this year. Loan Funds had a decrease due to a reduction in the allocation for bad debt expense of \$25,382, which is based on 8% of the loan fund balance. Government expenses had a reduction of \$28,274 from the prior year, which was also reflected in the lower revenue for the Fee-for-Service projects.

BUDGET ANALYSIS

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual All Funds had some notable differences between the budget and actual for FY17. The actual total revenue was higher by \$286,849. The major difference in revenue was due to loan fund revenue, which was affected by two factors. Principal repayments received for the fiscal year was higher than anticipated by \$312,010 and the estimated beginning loan funds available for relending were higher by \$138,639. The remainder of the variance had a negative effect lessening the overall increase.

The large variation in expenditures was primarily due to the lack on new loans issued but budgeted. This also affected the available ending loan balance significantly. Additionally, due to the change of the schedule for the IRP-WA loan repayment, from an annual to a semi-annual payment had an over expenditure of \$3,725. In the future, the budget will be developed including the two payments, which include both interest and principal.

ADDITIONAL COMMENTS

The District has no significant capital assets.

As discussed earlier in the overview of the agency-wide financial position and operations, MCEDD has five outstanding loans with USDA Rural Development's Intermediary Relending Program.

There are no planned facilities or services these loans will affect.

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BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

MID COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Statement of Net Position

June 30, 2017

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|---------------------|-----------------------------|
| | Governmental Activities | Business-Type Activities | Total | National Scenic Act Fund |
| | | | | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 321,503 | \$ 3,609,578 | \$ 3,931,081 | \$ 1,412,446 |
| Accounts receivable | 76,915 | - | 76,915 | 145 |
| Prepaid expenses | 10,110 | | 10,110 | - |
| Accrued interest receivable | - | 15,343 | 15,343 | 7,106 |
| Notes receivable, net (current) | | 858,289 | 858,289 | 464,567 |
| Due from other funds | 30,827 | - | 30,827 | - |
| Total current assets | <u>439,355</u> | <u>4,483,210</u> | <u>4,922,565</u> | <u>1,884,264</u> |
| Other noncurrent assets: | | | | |
| Restricted cash | - | 96,031 | 96,031 | - |
| Notes receivable | - | 1,923,438 | 1,923,438 | 961,487 |
| Total other noncurrent assets | <u>-</u> | <u>2,019,469</u> | <u>2,019,469</u> | <u>961,487</u> |
| Total assets | <u>439,355</u> | <u>6,502,679</u> | <u>6,942,034</u> | <u>2,845,751</u> |
| Deferred outflows of resources | | | | |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 14,077 | 145 | 14,222 | - |
| Accrued interest payable | | 5,569 | 5,569 | - |
| Unearned revenue | 21,535 | - | 21,535 | - |
| Funds held in escrow | - | 47,315 | 47,315 | - |
| Due to other funds | - | 22,407 | 22,407 | 8,417 |
| Current Portion of long-term obligations | | 101,942 | 101,942 | - |
| Total current liabilities | <u>35,612</u> | <u>177,378</u> | <u>212,990</u> | <u>8,417</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences | 23,825 | - | 23,825 | - |
| Notes payable | - | 1,854,454 | 1,854,454 | - |
| Total noncurrent liabilities | <u>23,825</u> | <u>1,854,454</u> | <u>1,878,279</u> | <u>-</u> |
| Total liabilities | <u>59,437</u> | <u>2,031,832</u> | <u>2,091,269</u> | <u>8,417</u> |
| Deferred inflows of resources | | | | |
| Net Position | | | | |
| Restricted | | | | |
| Recapitalization | - | 4,430,304 | 4,430,304 | 2,837,334 |
| Specific economic development projects | - | - | - | - |
| 96,946 | | | 96,946 | - |
| Unrestricted | 282,972 | 40,543 | 323,515 | - |
| Total net position | <u>\$ 379,918</u> | <u>\$ 4,470,847</u> | <u>\$ 4,850,765</u> | <u>\$ 2,837,334</u> |

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2017

| Functions/Programs | Program Revenues | | | |
|--------------------------------|-------------------------|-----------------------------|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| Economic development | \$ 759,627 | \$ 380,249 | \$ 346,245 | \$ - |
| Business-type activities: | | | | |
| Economic development | 103,374 | - | 254,479 | - |
| Interest on long term debt | 20,301 | - | - | - |
| Total business-type activities | <u>123,675</u> | <u>-</u> | <u>254,479</u> | <u>-</u> |
| Total primary government | <u>\$ 883,302</u> | <u>\$ 380,249</u> | <u>\$ 600,724</u> | <u>\$ -</u> |
| Component Unit | | | | |
| National Scenic Act Fund | <u>\$ 108,053</u> | <u>\$ 123,988</u> | | |
| | | | General revenues: | |
| | | | Interest income | |
| | | | Transfers in(out) | |
| | | | Change in net position | |
| | | | Net position - beginning | |
| | | | Net position - ending | |

**Net (Expense) Revenue and
Changes in Net Position**

| Governmental Activities | Business-Type Activities | Total | Component Unit |
|--------------------------------|---------------------------------|---------------------|---------------------------------|
| | | | National Scenic Act Fund |
| \$ (33,133) | \$ - | \$ (33,133) | \$ - |
| - | 151,105 | 151,105 | - |
| | (20,301) | (20,301) | - |
| - | 130,804 | 130,804 | - |
| (33,133) | 130,804 | 97,671 | - |
| | | | 15,935 |
| - | 1,829 | 1,829 | 639 |
| (6,688) | 6,688 | - | - |
| (39,821) | 139,321 | 99,500 | 16,574 |
| 419,739 | 4,331,526 | 4,751,265 | 2,820,760 |
| \$ 379,918 | \$ 4,470,847 | \$ 4,850,765 | \$ 2,837,334 |

(The accompanying notes are an integral part of these financial statements)

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FUND FINANCIAL STATEMENTS

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

| | General Fund | Planning Grant | Special Projects Fund | Other Governmental Fund | Total Governmental Funds |
|--|--------------------------|---------------------------|--------------------------------------|--|---|
| Assets and Deferred Outflows of Resources | | | | | |
| Cash and investments | \$ 239,193 | \$ - | \$ - | \$ 82,310 | \$ 321,503 |
| Accounts receivable | 76,915 | - | - | - | 76,915 |
| Prepaid expenses | 4,824 | - | - | 5,286 | 10,110 |
| Due from other funds | 30,827 | - | 26,836 | - | 57,663 |
| Total assets | <u>351,759</u> | <u>-</u> | <u>26,836</u> | <u>87,596</u> | <u>466,191</u> |
| Deferred outflows of resources | - | - | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 351,759</u> | <u>\$ -</u> | <u>\$ 26,836</u> | <u>\$ 87,596</u> | <u>\$ 466,191</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 11,572 | \$ - | \$ - | \$ 2,505 | \$ 14,077 |
| Unearned revenue | 5,300 | - | - | 16,235 | 21,535 |
| Due to other funds | 26,836 | - | - | - | 26,836 |
| Total liabilities | <u>43,708</u> | <u>-</u> | <u>-</u> | <u>18,740</u> | <u>62,448</u> |
| Deferred inflows of resources | - | - | - | - | - |
| Fund balances: | | | | | |
| Nonspendable | 4,824 | - | - | 5,286 | 10,110 |
| Restricted | - | - | 33,376 | 63,570 | 96,946 |
| Unassigned | 303,227 | - | (6,540) | - | 296,687 |
| Total fund balances | <u>308,051</u> | <u>-</u> | <u>26,836</u> | <u>68,856</u> | <u>403,743</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 351,759</u> | <u>\$ -</u> | <u>\$ 26,836</u> | <u>\$ 87,596</u> | <u>\$ 466,191</u> |

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances - governmental funds \$ 403,743

Amounts reported for governmental *activities* in the statement of net position are different because:

Accrued personal time is not reported in the funds. (23,825)

Total net position - governmental activities \$ 379,918

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | General Fund | Planning Grant Fund | Special Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|------------------------------------|--------------------------------------|---|---|
| Revenues | | | | | |
| Intergovernmental revenues | | | | | |
| Federal sources | \$ - | \$ 77,591 | \$ 107,424 | \$ - | \$ 185,015 |
| State grants | - | - | 31,768 | - | 31,768 |
| Other local sources | - | 42,557 | 13,132 | 73,773 | 129,462 |
| Misc sources | 663 | - | 354,056 | 25,530 | 380,249 |
| Total revenues | <u>663</u> | <u>120,148</u> | <u>506,380</u> | <u>99,303</u> | <u>726,494</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Economic development | 7,802 | 120,148 | 549,905 | 81,045 | 758,900 |
| Excess of revenues over (under) expenditures | (7,139) | - | (43,525) | 18,258 | (32,406) |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | (6,688) | - | - | - | (6,688) |
| Net change in fund balances | (13,827) | - | (43,525) | 18,258 | (39,094) |
| Fund balances, beginning | 321,878 | - | 70,361 | 50,598 | 442,837 |
| Fund balances, ending | <u>\$ 308,051</u> | <u>\$ -</u> | <u>\$ 26,836</u> | <u>\$ 68,856</u> | <u>\$ 403,743</u> |

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds \$ (39,094)

Amounts reported for governmental *activities* in the statement of activities are different because:

Governmental funds do not report accrued personal time off pay as expenditures. In the statement of activities this is reported as an expense. The change in accrued compensated absences results this difference.

(727)

Change in net position of governmental activities \$ (39,821)

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

| | <u>Revolving Loan Fund</u> | <u>RLF Housing Fund</u> | <u>Intermediary Relending Program</u> |
|---------------------------------------|--------------------------------|---------------------------------|---|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 210,558 | \$ 2,000,082 | \$ 731,852 |
| Accrued interest receivable | 2,813 | - | 8,764 |
| Notes receivable, net (current) | 74,136 | - | 581,992 |
| Total current assets | <u>287,507</u> | <u>2,000,082</u> | <u>1,322,608</u> |
| Noncurrent assets: | | | |
| Restricted cash | - | - | 96,031 |
| Notes receivable | <u>384,196</u> | <u>-</u> | <u>1,072,633</u> |
| Total assets | <u>671,703</u> | <u>2,000,082</u> | <u>2,491,272</u> |
| Deferred outflows of resources | | | |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | - | - | 145 |
| Accrued interest payable | - | - | 4,010 |
| Funds held in escrow | - | - | 47,315 |
| Interfund loan payable | 3,528 | 82 | 11,213 |
| Loans payable - current portion | - | - | 85,019 |
| Total current liabilities | <u>3,528</u> | <u>82</u> | <u>147,702</u> |
| Loans payable | - | - | 1,388,936 |
| Total liabilities | <u>3,528</u> | <u>82</u> | <u>1,536,638</u> |
| Deferred inflows of resources | | | |
| Net Position | | | |
| Restricted for recapitalization | 668,175 | 2,000,000 | 929,444 |
| Unrestricted | - | - | 25,190 |
| Total net position | <u>\$ 668,175</u> | <u>\$ 2,000,000</u> | <u>\$ 954,634</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2017

| | IRP Washington | Other Proprietary Funds | Total Proprietary Funds |
|---------------------------------------|---------------------------|--|--|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 78,320 | \$ 588,766 | \$ 3,609,578 |
| Accrued interest receivable | 2,319 | 1,447 | 15,343 |
| Notes receivable, net (current) | 19,196 | 182,965 | 858,289 |
| Total current assets | <u>99,835</u> | <u>773,178</u> | <u>4,483,210</u> |
| Noncurrent assets: | | | |
| Restricted cash | | - | 96,031 |
| Notes receivable | <u>210,347</u> | <u>256,262</u> | <u>1,923,438</u> |
| Total assets | <u>310,182</u> | <u>1,029,440</u> | <u>6,502,679</u> |
| Deferred outflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | - | - | 145 |
| Accrued interest payable | 235 | 1,324 | 5,569 |
| Accounts payable | - | - | 47,315 |
| Interfund loan payable | 3,657 | 3,927 | 22,407 |
| Loans payable - current portion | <u>10,299</u> | <u>6,624</u> | <u>101,942</u> |
| Total current liabilities | <u>14,191</u> | <u>11,875</u> | <u>177,233</u> |
| Loans payable | <u>285,469</u> | <u>180,049</u> | <u>1,854,454</u> |
| Total liabilities | <u>299,660</u> | <u>191,924</u> | <u>2,031,687</u> |
| Deferred inflows of resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position | | | |
| Restricted for recapitalization | - | 832,685 | 4,430,304 |
| Unrestricted | <u>10,522</u> | <u>4,831</u> | <u>40,543</u> |
| Total net position | <u>\$ 10,522</u> | <u>\$ 837,516</u> | <u>\$ 4,470,847</u> |

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Revolving Loan Fund | RLF Housing Fund | Intermediary Relending Program |
|--|--------------------------------|---------------------------------|---|
| Operating Revenues | | | |
| Loan fees | \$ 3,455 | \$ - | \$ 11,333 |
| Loan interest | 40,096 | - | 134,897 |
| Total operating revenues | <u>43,551</u> | <u>-</u> | <u>146,230</u> |
| Operating Expenses | | | |
| Salary and fringe benefits | 12,187 | 3,943 | 26,205 |
| Consulting and professional services | 1,179 | 43 | 2,688 |
| Travel and conference | 60 | 10 | 16 |
| Supplies | - | | 275 |
| Interest expense | - | | 15,406 |
| Insurance | 409 | - | - |
| Bad debt expense | (6,035) | - | (12,413) |
| Indirect expenses | <u>9,122</u> | <u>686</u> | <u>28,099</u> |
| Total operating expenses | <u>16,922</u> | <u>4,682</u> | <u>60,276</u> |
| Operating income (loss) | 26,629 | (4,682) | 85,954 |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | <u>94</u> | <u>999</u> | <u>493</u> |
| Income (loss) before transfers | 26,723 | (3,683) | 86,447 |
| Transfers In (out) | | | |
| Change in net position | 26,723 | (712) | 86,447 |
| Net position - beginning | <u>641,452</u> | <u>2,000,712</u> | <u>868,187</u> |
| Net position - ending | <u>\$ 668,175</u> | <u>\$ 2,000,000</u> | <u>\$ 954,634</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | IRP Washington | Other Proprietary Funds | Total Proprietary Funds |
|--|-------------------|-------------------------------|-------------------------------|
| Operating Revenues | | | |
| Loan fees | \$ 1,786 | \$ 2,942 | \$ 19,516 |
| Loan interest | 19,326 | 40,644 | 234,963 |
| Total operating revenues | <u>21,112</u> | <u>43,586</u> | <u>254,479</u> |
| Operating Expenses | | | |
| Salary and fringe benefits | 2,810 | 24,014 | 69,159 |
| Consulting and professional services | 816 | 1,058 | 5,784 |
| Travel and conference | - | - | 86 |
| Supplies | 25 | 29 | 329 |
| Interest expense | 3,009 | 1,886 | 20,301 |
| Insurance | - | - | 409 |
| Bad debt expense | 175 | (7,109) | (25,382) |
| Indirect expenses | <u>3,878</u> | <u>11,204</u> | <u>52,989</u> |
| Total operating expenses | <u>10,713</u> | <u>31,082</u> | <u>123,675</u> |
| Operating income (loss) | 10,399 | 12,504 | 130,804 |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | <u>11</u> | <u>232</u> | <u>1,829</u> |
| Income (loss) before transfers | 10,410 | 12,736 | 132,633 |
| Transfers In (out) | | | |
| Change in net position | 10,410 | 16,453 | 139,321 |
| Net position - beginning | <u>112</u> | <u>821,063</u> | <u>4,331,526</u> |
| Net position - ending | <u>\$ 10,522</u> | <u>\$ 837,516</u> | <u>\$ 4,470,847</u> |

(The accompanying notes are an integral part of these financial statements)

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Revolving Loan Fund | RLF Housing | Intermediary Relending Program |
|--|--------------------------------|------------------------|---|
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 45,020 | \$ - | \$ 149,255 |
| Payments to employees | (12,187) | (4,629) | (26,205) |
| Payments to suppliers | (4,735) | (53) | (34,040) |
| Net cash provided (used) by operating activities | <u>28,098</u> | <u>(4,682)</u> | <u>89,010</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Due to/from other funds | (2,651) | 6 | (5,310) |
| Payments on loans payable | - | | (84,177) |
| Loans made | (30,000) | | (232,948) |
| Funds transferred | | 2,971 | - |
| Increase in funds held in escrow | | | 47,315 |
| Change in allowance | (6,035) | | (12,404) |
| Proceeds from repayment of loans | 130,582 | | 439,837 |
| Net cash provided (used) by noncapital activities | <u>91,896</u> | <u>2,977</u> | <u>152,313</u> |
| Cash Flows from Investing Activities | | | |
| Interest and dividends | <u>94</u> | <u>999</u> | <u>493</u> |
| Net increase in cash and cash equivalents | 120,088 | (706) | 241,816 |
| Beginning cash and investments | <u>90,470</u> | <u>2,000,788</u> | <u>490,036</u> |
| Ending cash and investments | <u>\$ 210,558</u> | <u>\$ 2,000,082</u> | <u>\$ 731,852</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities | | | |
| Operating income (loss) | \$ 26,629 | \$ (4,682) | \$ 85,954 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accrued int receivable | 1,469 | | 3,025 |
| Increase (decrease) in payables | | | 31 |
| Net cash provided (used) by operating activities | <u>\$ 28,098</u> | <u>\$ (4,682)</u> | <u>\$ 89,010</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | IRP Washington | Other Enterprise Funds | Total Enterprise Funds |
|--|---------------------------|---------------------------------------|---------------------------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 23,661 | \$ 44,792 | \$ 262,728 |
| Payments to employees | (2,810) | (24,014) | (69,845) |
| Payments to suppliers | (8,302) | (7,339) | (54,469) |
| Net cash provided (used) by operating activities | 12,549 | 13,439 | 138,414 |
| Cash Flows from Noncapital Financing Activities | | | |
| Due to/from other funds | (3,251) | (2,290) | (13,496) |
| Payments on loans payable | (14,138) | (6,515) | (104,830) |
| Loans made | (54,400) | (17,000) | (334,348) |
| Funds transferred | | - | 2,971 |
| Increase in funds held in escrow | | | 47,315 |
| Change in allowance | (175) | (1,700) | (20,314) |
| Proceeds from repayment of loans | 51,485 | 135,512 | 757,416 |
| Net cash provided (used) by noncapital activities | (20,479) | 108,007 | 334,714 |
| Cash Flows from Investing Activities | | | |
| Interest and dividends | 11 | 232 | 1,829 |
| Net increase in cash and cash equivalents | (7,919) | 121,678 | 474,957 |
| Beginning cash and investments | 86,239 | 467,088 | 3,134,621 |
| Ending cash and investments | \$ 78,320 | \$ 588,766 | \$ 3,609,578 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities | | | |
| Operating income (loss) | \$ 10,399 | \$ 12,504 | \$ 130,804 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | |
| Change in assets and liabilities: | | | |
| (Increase) decrease in accrued int receivable | 2,549 | 1,206 | 8,249 |
| Increase (decrease) in payables | (399) | (271) | (639) |
| Net cash provided (used) by operating activities | \$ 12,549 | \$ 13,439 | \$ 138,414 |

(The accompanying notes are an integral part of these financial statements)

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**NOTES TO BASIC FINANCIAL
STATEMENTS**

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Mid-Columbia Economic Development District (the District) is a municipal corporation governed by a twenty one member Board of Directors. As required by generally accepted accounting principles in the United States of America, all activities of the District have been included in these financial statements.

The District was organized to assist the counties of Wasco, Hood River, and Sherman in Oregon, and Klickitat and Skamania in Washington, in obtaining and coordinating grants and loans for economic development and other related projects.

Discretely Presented Component Unit

The National Scenic Act Fund is responsible for administering funds received from the U.S. Department of Agriculture under the National Scenic Act Fund. It is governed by the Oregon Investment Board which is financially accountable for the Fund because it approves the Fund's budget and must approve all loans and debt issuances. Separate financial statements for the component unit are not issued. Resource flows between the District and National Scenic Act Fund consist of management fees of \$92,205 paid to the District and are reported as external transactions.

Basis of Presentation, Basis of Accounting

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) 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.

Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions.

The District reports the following major governmental funds:

General Fund - This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Planning Fund -This fund accounts for grants from federal agencies and contributions from local member counties and municipalities that are designated for planning and coordinating regional development strategies.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Special Projects Fund -This fund accounts for the revenues and expenses of various economic development projects in which the District is involved.

The District reports the following major enterprise funds:

Revolving Loan Fund, Revolving Loan Housing Fund, Intermediary Relending Program Fund and Intermediary Relending Program - Washington - These funds account for the issuance, collection and administrative expenses associated with the lending of funds for economic development.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds 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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net resources available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Financial Position

Deposits

The cash balances of substantially all funds are held in FDIC insured bank accounts.

Investments for the District are reported at fair value.

Cash and Cash Equivalents

The government's cash and cash equivalents include cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund loan receivables/payables". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Grants and other receivables from other government agencies are generally expected to be collectible and, therefore an allowance for uncollectable is not considered necessary or recorded.

Notes receivable in Loan Funds are reported net of an allowance for uncollectible.

All accounts receivable are expected to be collected within one year.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Long Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business type activities, or proprietary fund type Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District doesn't have any items that qualify for reporting in this category.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated compensatory time and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Under the District's policy for compensated absences, all personal time off (PTO) is accrued in the government-wide financial statements at encumbered amount (75% of maximum of 195 hours).

Unearned Revenue

Payments of grants and contracts received in advance of expenditures are recorded as unearned revenue.

Net Position/Fund Balance Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets - 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 improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Fund Financial Statements

In the governmental funds the difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. The constraints are defined as follows:

Nonspendable - Resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Restricted - Constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - Reported when the Board passes an ordinance that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Board approves which resources should be "reserved" during the adoption of the annual budget. The Executive Director used that information to determine whether those resources should be classified as assigned or unassigned for presentation in the District's annual financial report.

Unassigned - The residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

For purposes of fund balance classification, expenditures are to be spent from the restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The District has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Fund balances by classification for the year ended June 30, 2017 were as follows:

| | <u>General Fund</u> | <u>Special Projects Fund</u> | <u>Non Major Funds</u> | <u>Total Governmental Funds</u> |
|------------------------------|--------------------------|------------------------------|-------------------------|---------------------------------|
| <u>Fund balances:</u> | | | | |
| Nonspendable: | \$ 4,824 | \$ - | \$ 5,286 | \$ 10,110 |
| Restricted: | | | | |
| Special Projects | | 33,376 | - | 33,376 |
| Economic Development | - | - | 63,570 | 63,570 |
| Unassigned | <u>303,227</u> | <u>(6,540)</u> | - | <u>296,687</u> |
| Total fund balances | <u>\$ 308,051</u> | <u>\$ 26,836</u> | <u>\$ 68,856</u> | <u>\$ 403,743</u> |

Cost Allocation Plan

The District has a formal plan to allocate costs across funds based on the direct salary charges. Charges are made directly to funds when they can be assigned. All other costs are grouped into cost allocation pools for overall administration. Allocations are made for the District as a whole, which are calculated each month. These allocated indirect expenses are included in direct expenses on the Statement of Activities.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

General Administrative Expenses

Expenses which are not directly the result of one or more District programs (i.e. Audit, Insurance, Bookkeeping, etc.) are compiled monthly and charged out to all funds as described in the cost allocation plan description above. These expenses are reported as Indirect Expenses in each fund. The total of all Indirect Expenses for the year are detailed in a separate "Statement of Revenues, Expenditures, and Changes in Fund Balance."

Accounting 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Allowance for Uncollectible accounts has been subject to estimation.

Note 2 - Compliance and Accountability

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

Violation: The District did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2017 as follows:

| Fund | Over Expenditure |
|--|------------------|
| Revolving loan fund: IRP payments (principle & interest) | \$ 3,725 |

Note 3 - Deposits and Investments

Deposits and Investments are comprised of the following at June 30, 2017:

| | <u>Carrying Value</u> | <u>Fair Value</u> |
|-------------------------|-----------------------|---------------------|
| Demand Deposits | | |
| District Funds | \$ 3,931,081 | \$ 3,931,081 |
| Component Unit | 1,412,446 | 1,412,446 |
| Certificates of Deposit | | |
| District Funds | 96,031 | 96,031 |
| Total | <u>\$ 5,439,558</u> | <u>\$ 5,439,558</u> |

Deposits and investments are reflected in the government-wide Statement of Net Position as follows:

| | |
|----------------------|---------------------|
| Cash and investments | \$ 3,931,081 |
| Component Unit | 1,412,446 |
| Restricted cash | 96,031 |
| | <u>\$ 5,439,558</u> |

The District maintains a cash management pool for its cash and cash equivalents in which each fund participates. Interest earnings are distributed monthly.

Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$5,362,508 at June 30, 2017. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Custodial Credit Risk - Deposits

Custodial credit risk on deposits is the risk that in an event of a bank failure, the District's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

All accounts are fully insured by FDIC up to \$250,000.

Investments

The purpose of the District's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The District has delegated investment responsibilities to management, who is primarily responsible for implementing the investment policy.

Credit Risk - Investments

State statutes authorize the District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The District has no formal investment policy that further restricts its investment choices.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Concentration Risk

The District does not have a formal policy that places a limit on the amount that they may be invested in any one investment.

Interest Rate Risk

The District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Note 4 - Loans Receivable

As of June 30, 2017, loans receivable were primarily comprised of:

| | Enterprise Funds | Component Unit |
|--------------------------------------|----------------------------|----------------------------|
| Oregon Investment Board Loan Fund | \$ - | \$ 1,471,054 |
| EDA Revolving Loan Fund | 487,587 | - |
| Intermediary Relending Programs | 2,163,106 | - |
| Rural Development Grant Programs | 241,078 | - |
| CDBG Microenterprise Loans | 30,462 | - |
| MCEDD Regional Strategies Loan Fund | <u>37,051</u> | - |
| Loans Receivable before Allowance | 2,959,284 | 1,471,054 |
| Less Allowance for Doubtful Accounts | <u>(177,557)</u> | <u>(45,000)</u> |
| Net Notes Receivable | <u>\$ 2,781,727</u> | <u>\$ 1,426,054</u> |

Loans receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. The Corporation's policy is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectable due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

The balance of loans receivable that serve as collateral for borrowings at June 30, 2017 was \$ 2,959,284

The following tables present informative data by class of financing receivable regarding their age and interest accrual status at June 30, 2017:

| June 30, 2017 | Past Due | | | | | Status of Interest Accruals | | | |
|------------------|------------------|--------------|--------------|-----------|----------------|-----------------------------|-----------------------|--------------------|----------|
| | Current | 30-59 days | 60-89 days | > 90 days | Total Past Due | Total Financing Receivable | Financing Receivables | | |
| | | | | | | | Total | Past Due > 90 days | |
| EDA Revolving | 482,302 | 3,409 | 1,876 | 0 | 5,285 | 487,587 | - | - | 0 |
| IRP Loan Fund | 1,754,275 | 3,281 | 2,683 | 0 | 5,964 | 1,760,239 | - | - | 0 |
| IRP - Sherman | 158,672 | 0 | 0 | 0 | 0 | 158,672 | - | - | 0 |
| IRP - Washington | 244,195 | 0 | 0 | 0 | 0 | 244,195 | - | - | 0 |
| MCEDD Regional | 37,051 | 0 | 0 | 0 | 0 | 37,051 | - | - | 0 |
| RBEG | 238,146 | 1,591 | 1,341 | 0 | 2,932 | 241,078 | - | - | 0 |
| CDBG Klickitat | 30,462 | 0 | 0 | 0 | 0 | 30,462 | - | - | 0 |
| Total | 2,945,103 | 8,281 | 5,900 | 0 | 14,181 | 2,959,284 | 0 | 0 | 0 |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Future contractual maturities of loans receivable are as follows:

| | Enterprise Funds | Component Unit | Total |
|------------|----------------------------|----------------------------|----------------------------|
| 2017-2018 | \$ 858,829 | \$ 464,567 | \$ 1,323,396 |
| 2018-2019 | 378,209 | 165,108 | 543,317 |
| 2019-2020 | 725,937 | 151,489 | 877,426 |
| 2020-2021 | 423,320 | 186,922 | 610,242 |
| 2021-2022 | 141,857 | 111,055 | 252,912 |
| Thereafter | <u>431,132</u> | <u>391,913</u> | <u>823,045</u> |
| Total | <u><u>\$ 2,959,284</u></u> | <u><u>\$ 1,471,054</u></u> | <u><u>\$ 4,430,338</u></u> |

Note 5 - Interfund Receivables and Payables

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

| <u>Fund</u> | <u>Receivables</u> | <u>Payables</u> |
|----------------------|-------------------------|-------------------------|
| Governmental Funds: | | |
| General Fund | \$ 30,827 | \$ - |
| Proprietary Funds: | | |
| Revolving Loan Fund | - | 3,528 |
| Housing RLF | - | 82 |
| IRP Fund | - | 11,213 |
| Rural Business Ent | - | 2,266 |
| IRP Washington | - | 3,658 |
| Regional Strategies | - | 348 |
| CDBG Miro | - | 342 |
| IRP Sherman | - | 973 |
| Component Unit | | |
| National Scenic Fund | <u>-</u> | <u>8,417</u> |
| | <u><u>\$ 30,827</u></u> | <u><u>\$ 30,827</u></u> |

Interfund transfers were set up for reimbursement purposes for loan fund accounts.

Note 6 - Capital Lease Payable

The District entered into an operating lease agreement with Chrisman & Chase rentals for building rent as of July 1, 2013. The lease term includes a base rent of \$12,300 annually to be paid monthly starting at \$1,025 a month for the first fiscal year and then an annual 3% increase each year based on the prior year.

The District entered into a lease agreement with Pitney Bowes for office equipment as of January 20, 2015. The lease term is for 51 months with an annual payment of \$396.

The District entered into a lease agreement with Xerox for office equipment as of November 1, 2014. The lease term is for 60 months with monthly payments of \$224.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Minimum future lease payments are as follows:

| Year Ending June 30, | |
|---------------------------------|-----------|
| 2018 | \$ 16,928 |
| 2019 | 17,277 |
| 2020 | 15,583 |
| 2021 | 15,127 |
| 2022 | 15,581 |
| Thereafter | 16,049 |
| Total payments | \$ 96,545 |

Note 7 - Long-Term Debt

The following is a summary of long-term debt owed MCEDD:

| | <u>Current Portion</u> | <u>Total</u> |
|---|------------------------|--------------|
| <i><u>Intermediary Relending Loan #1</u></i> | | |
| The District entered into an agreement with the USDA Rural Development Department in June, 1999 to borrow \$1,000,000 for a term of 30 years. These funds are to be used for the Intermediary Relending Program (IRP) which is included in proprietary funds. The loan accrues interest at the fixed rate of 1% per annum from the date funds are advanced. Interest payments only are required for the first three years, after which principal and interest will be due in 27 equal amortized installments beginning in June, 2003 with any remaining balance due and payable 30 years from the date of the note. The loan is secured by MCEDD's portfolio of investments derived from the proceeds of this loan award, which is included in the notes receivable classification and has a carrying value of \$2,959,284 at June 30, 2017, of which, \$2,163,106 relate directly to the Intermediary Relending Program. | \$ 37,675 | \$ 477,503 |
| <i><u>Intermediary Relending Loan #2</u></i> | | |
| The District entered into an agreement with the USDA Rural Development Department in June, 2004 to borrow \$600,000 for a term of 30 years. These funds are to be used for the Intermediary Relending Program (IRP) which is included in proprietary funds. The loan accrues interest at the fixed rate of 1% per annum from the date funds are advanced. Interest payments only are required for the first three years, after which principal and interest will be due in 27 equal amortized installments beginning in June, 2008 with any remaining balance due and payable 30 years from the date of the note. The loan is secured by MCEDD's portfolio of investments derived from the proceeds of this loan award, which is included in the notes receivable classification and has a carrying value of \$2,959,284 at June 30, 2017, of which, \$2,163,106 relate directly to the Intermediary Relending Program. | 21,508 | 396,225 |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Intermediary Relending Loan #3

The District entered into an agreement with the USDA Rural Development Department in November, 2007 to borrow \$750,000 for a term of 30 years. These funds are to be used for the Intermediary Relending Program (IRP) which is included in proprietary funds. The loan accrues interest at the fixed rate of 1% per annum from the date funds are advanced. Interest payments only are required for the first three years, after which principal and interest will be due in 27 equal amortized installments beginning in November, 2011 with any remaining balance due and payable 30 years from the date of the note. The loan is secured by MCEDD's portfolio of investments derived from the proceeds of this loan award, which is included in the notes receivable classification and has a carrying value of \$2,959,284 at June 30, 2017, of which, \$2,163,106 relate directly to the Intermediary Relending Program.

25,836 600,227

Intermediary Relending Loan #4

The District entered into an agreement with the USDA Rural Development Department in June, 2012 to borrow \$310,000 for a term of 30 years. These funds are to be used for the Intermediary Relending Program (IRP) which is included in proprietary funds. The loan accrues interest at the fixed rate of 1% per annum from the date funds are advanced. Interest payments only are required for the first three years, after which principal and interest will be due in 27 equal amortized installments beginning in August, 2016 with any remaining balance due and payable 30 years from the date of the note. The loan is secured by MCEDD's portfolio of investments derived from the proceeds of this loan award, which is included in the notes receivable classification and has a carrying value of \$2,959,284 at June 30, 2017, of which, \$2,163,106 relate directly to the Intermediary Relending Program.

10,299 295,768

Intermediary Relending Loan #5

The District drew \$200,000 against another IRP loan initially designated for loans in Sherman County, Oregon. These funds are to be used for the Intermediary Relending Program (IRP) which is included in proprietary funds. The loan accrues interest at the fixed rate of 1% per annum from the date funds are advanced. Interest payments only are required for the first three years, after which principal and interest will be due in 27 equal amortized installments with any remaining balance due and payable 30 years from the date of the note. The loan is secured by MCEDD's portfolio of investments derived from the proceeds of this loan award, which is included in the notes receivable classification and has a carrying value of \$2,959,284 at June 30, 2017, of which, \$2,163,106 relate directly to the Intermediary Relending Program.

| | |
|------------------|--------------------|
| <hr/> 6,624 | <hr/> 186,673 |
| <hr/> \$ 101,942 | <hr/> \$ 1,956,396 |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

The aggregate maturities of long-term borrowings for each of the next five years is:

| Intermediary Relending Loan #1 | | | |
|---------------------------------------|--------------------------|-------------------------|--------------------------|
| Year ended June 30, | Principal | Interest | Total Requirements |
| 2018 | 37,675 | 4,775 | 42,450 |
| 2019 | 38,052 | 4,398 | 42,450 |
| 2020 | 38,432 | 4,018 | 42,450 |
| 2021 | 38,817 | 3,633 | 42,450 |
| 2022 | 39,205 | 3,245 | 42,450 |
| 2023-27 | 201,983 | 10,267 | 212,250 |
| 2028-32 | <u>83,339</u> | <u>1,251</u> | <u>84,590</u> |
| | <u><u>\$ 477,503</u></u> | <u><u>\$ 31,587</u></u> | <u><u>\$ 509,090</u></u> |

| Intermediary Relending Loan #2 | | | |
|---------------------------------------|--------------------------|-------------------------|--------------------------|
| Year ended June 30, | Principal | Interest | Total Requirements |
| 2018 | 21,508 | 3,962 | 25,470 |
| 2019 | 21,723 | 3,747 | 25,470 |
| 2020 | 21,940 | 3,530 | 25,470 |
| 2021 | 22,159 | 3,311 | 25,470 |
| 2022 | 22,381 | 3,089 | 25,470 |
| 2023-27 | 115,307 | 12,043 | 127,350 |
| 2028-32 | 121,190 | 6,160 | 127,350 |
| 2033-37 | <u>50,017</u> | <u>751</u> | <u>50,768</u> |
| | <u><u>\$ 396,225</u></u> | <u><u>\$ 36,593</u></u> | <u><u>\$ 432,818</u></u> |

| Intermediary Relending Loan #3 | | | |
|---------------------------------------|--------------------------|-------------------------|--------------------------|
| Year ended June 30, | Principal | Interest | Total Requirements |
| 2018 | 25,836 | 6,002 | 31,838 |
| 2019 | 26,094 | 5,744 | 31,838 |
| 2020 | 26,355 | 5,483 | 31,838 |
| 2021 | 26,619 | 5,219 | 31,838 |
| 2022 | 26,885 | 4,953 | 31,838 |
| 2023-27 | 138,511 | 20,679 | 159,190 |
| 2028-32 | 145,576 | 13,614 | 159,190 |
| 2033-37 | <u>153,002</u> | <u>6,188</u> | <u>159,190</u> |
| 2038-42 | <u>31,349</u> | <u>314</u> | <u>31,663</u> |
| | <u><u>\$ 600,227</u></u> | <u><u>\$ 68,196</u></u> | <u><u>\$ 668,423</u></u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Intermediary Relending Loan #4

| Year ended June 30, | Principal | Interest | Total Requirements |
|------------------------|-------------------|------------------|-----------------------|
| 2018 | 10,299 | 2,932 | 13,231 |
| 2019 | 10,302 | 2,830 | 13,132 |
| 2020 | 10,405 | 2,727 | 13,132 |
| 2021 | 10,509 | 2,622 | 13,131 |
| 2022 | 10,615 | 2,517 | 13,132 |
| 2023-27 | 54,690 | 10,968 | 65,658 |
| 2028-32 | 57,487 | 8,171 | 65,658 |
| 2033-37 | 60,427 | 5,231 | 65,658 |
| 2038-42 | 63,517 | 2,141 | 65,658 |
| 2043 | 7,517 | 43 | 7,560 |
| | \$ 295,768 | \$ 40,182 | \$ 335,950 |

Intermediary Relending Loan #5

| Year ended June 30, | Principal | Interest | Total Requirements |
|------------------------|-------------------|------------------|-----------------------|
| 2018 | 6,624 | 1,866 | 8,490 |
| 2019 | 6,690 | 1,800 | 8,490 |
| 2020 | 6,756 | 1,734 | 8,490 |
| 2021 | 6,824 | 1,666 | 8,490 |
| 2022 | 6,892 | 1,598 | 8,490 |
| 2023-27 | 35,509 | 6,941 | 42,450 |
| 2028-32 | 37,320 | 5,130 | 42,450 |
| 2033-37 | 39,224 | 3,226 | 42,450 |
| 2038-42 | 40,834 | 1,226 | 42,060 |
| | \$ 186,673 | \$ 25,187 | \$ 211,860 |

Long-Term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2017 are as follows:

| | Payable at July 1, 2016 | Additions | Deletions | Payable at June 30, 2017 | Due within one year |
|---------|----------------------------|-------------|---------------------|-----------------------------|------------------------|
| Loan #1 | \$ 514,805 | \$ - | \$ (37,302) | \$ 477,503 | \$ 37,675 |
| Loan #2 | 417,520 | - | (21,295) | 396,225 | 21,508 |
| Loan #3 | 625,807 | - | (25,580) | 600,227 | 25,836 |
| Loan #4 | 309,906 | - | (14,138) | 295,768 | 10,299 |
| Loan #5 | 193,188 | - | (6,515) | 186,673 | 6,624 |
| Total | \$ 2,061,226 | \$ - | \$ (104,830) | \$ 1,956,396 | \$ 101,942 |

Note 8 - Grants

In the normal course of operations, the District received grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions of the grant. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

Notes to Basic Financial Statements

Note 9 - Retirement Plan:

The District participates in a Section 457(b) defined contribution plan administered by Nationwide Retirement Solutions that provides retirement benefits to eligible employees. Plan members are allowed to make voluntary contributions to the plan. The District contributes 8 3/4% of the annual covered payroll of plan participants. During the fiscal year 8 participants were covered by the plan. Total contributions for the year ended June 30, 2017 were \$40,221 by the District and \$ 28,475 by employees.

Note 10 - Internal Transfers

Internal transfers for the fiscal year ended June 30, 2017 consist of the following:

| Fund | Transfers In | Transfers Out |
|---------------------------|--------------|---------------|
| Governmental Funds: | | |
| General Fund | \$ 6,688 | \$ - |
| RLF Housing | | 2,971 |
| Rural Business Enterprise | | 3,510 |
| CDBG Micro Enterprise | | 207 |
| Total Transfers | \$ 6,688 | \$ 6,688 |

Transfers are primarily used to move cash to finance various expenditures accounted for in other funds in accordance with budgetary authorizations.

Note 11 - Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance, subject to customary deductibles and total coverage limits recommended by the District's insurance agent of record. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The District is exposed to risk of loss through uncollectible loans. The risk of loan loss is managed through obtaining adequate collateral securing the loans and/or life insurance on the borrower.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual
All Funds
For the Fiscal Year Ended June 30, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-------------------------------------|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| | | | | |
| Revenues | | | | |
| Federal | \$ 193,769 | \$ 193,769 | \$ 185,016 | \$ (8,753) |
| State | 60,068 | 60,068 | 31,768 | (28,300) |
| Local match | 23,000 | 23,000 | 30,800 | 7,800 |
| Contract reimbursements | 388,870 | 388,870 | 351,675 | (37,195) |
| Local dues | 45,530 | 45,530 | 45,529 | (1) |
| Loan interest | 405,012 | 405,012 | 348,015 | (56,997) |
| Invested fund interest | 2,260 | 2,260 | 2,621 | 361 |
| Principal repayments | 787,125 | 787,125 | 1,099,135 | 312,010 |
| Loan funds available to loan | 4,685,365 | 4,685,365 | 4,824,004 | 138,639 |
| Loan fees | 57,824 | 57,824 | 30,450 | (27,374) |
| In-kind | 63,923 | 63,923 | 31,124 | (32,799) |
| Other | 31,800 | 31,800 | 51,258 | 19,458 |
| Total revenues | <u>6,744,546</u> | <u>6,744,546</u> | <u>7,031,395</u> | <u>286,849</u> |
| Expenditures | | | | |
| Personnel costs | 649,208 | 649,208 | 622,698 | 26,510 |
| Materials and services | 501,904 | 501,904 | 344,265 | 157,639 |
| Grants disbursed | 25,000 | 25,000 | 10,000 | 15,000 |
| Revolving loan fund: | | | | |
| New loans issues | 3,350,000 | 3,350,000 | 358,848 | 2,991,152 |
| IRP payments (principle & interest) | 121,406 | 121,406 | 125,131 | (3,725) |
| Bad debt expense | | - | (25,384) | 25,384 |
| Total expenditures | <u>4,647,518</u> | <u>4,647,518</u> | <u>1,435,558</u> | <u>3,211,960</u> |
| Net change in fund balance | 2,097,028 | 2,097,028 | 5,595,837 | 3,498,809 |
| Carryover Balance - July 1, 2016 | 387,666 | 387,666 | | 387,666 |
| Ending available to be loaned | <u>(2,147,495)</u> | <u>(2,147,495)</u> | | <u>(2,147,495)</u> |
| Carryover Balance - July 1, 2017 | <u>\$ 337,199</u> | <u>\$ 337,199</u> | <u>\$ 5,595,837</u> | <u>\$ 5,258,638</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Required Supplementary Information

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for all funds. Budgets are adopted on a modified-accrual basis for governmental fund types, consistent with generally accepted government accounting principles. The combined, combining and individual statements are presented with MCEDD budgets.

Mid-Columbia Economic Development District is subject to Budget Law (ORS 294.900 to 294.930) as a Council of Governments (COG). The District has annually adopted a budget as required. These COG budget laws do not require the District to appropriate funds and allow the District to over expend budgeted amounts and to spend unappropriated ending fund balances. The COG budget rules are designed to allow for public comment on the annual budget.

The District does not budget by individual fund but for all funds in total. Therefore, a budget is not adopted for the general fund or for major special revenue funds because it is not legally required. The accompanying schedule of revenues, expenditures and changes in fund balances - budget and actual includes all governmental and proprietary funds and the component unit reported in the basic financial statements.

Reconciliation to GAAP Basis

Following is the reconciliation of revenues over expenditures under the budgetary basis to GAAP basis.

| | |
|---|--------------------------|
| Revenues Over Expenditures - Budget basis | \$ 5,595,837 |
| Add: | |
| New loans issued | 358,848 |
| Principal payments on IRP loan | 84,528 |
| Less: | |
| Principal payments on loans receivable | (1,099,135) |
| Beginning loans funds available | <u>(4,824,004)</u> |
| Change in net position - GAAP Basis | |
| Primary government | 99,500 |
| Component unit | <u>16,574</u> |
| GAAP Basis | <u><u>\$ 116,074</u></u> |
| Change in Net Position: | |
| Governmental activities | \$ (39,821) |
| Business type activities | 139,321 |
| Component unit | <u>16,574</u> |
| | <u><u>\$ 116,074</u></u> |

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SUPPLEMENTARY INFORMATION

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

| | AWEA Agency Fund | Oregon Connx Fund | RBEG John Day Fund |
|--|---------------------------------|----------------------------------|-----------------------------------|
| Assets and Deferred Outflows of Resources | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 30,471 | \$ 26,069 | \$ 14,293 |
| Prepaid expenses | 257 | - | 5,029 |
| Total assets | <u>30,728</u> | <u>26,069</u> | <u>19,322</u> |
| Deferred outflows of resources | - | - | - |
| Total assets and deferred outflows of resources | <u>\$ 30,728</u> | <u>\$ 26,069</u> | <u>\$ 19,322</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 2,070 | \$ 35 | \$ 400 |
| Unearned revenue | | 9,235 | 7,000 |
| Total liabilities | <u>2,070</u> | <u>9,270</u> | <u>7,400</u> |
| Deferred inflows of resources | - | - | - |
| Fund Balances: | | | |
| Nonspendable | 257 | - | 5,029 |
| Restricted for: | | | |
| Economic development projects | 28,401 | 16,799 | 6,893 |
| Total fund balances | <u>\$ 28,658</u> | <u>\$ 16,799</u> | <u>\$ 11,922</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 30,728</u> | <u>\$ 26,069</u> | <u>\$ 19,322</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017

| | AWEA Agency Fund | Oregon Connx Fund | RBEG John Day Fund |
|------------------------------|---------------------------------|----------------------------------|-----------------------------------|
| Operating Revenues | | | |
| Local | \$ 33,000 | \$ 19,133 | \$ 16,000 |
| Miscellaneous income | 4,000 | 10,530 | 6,000 |
| Total operating revenues | <u>37,000</u> | <u>29,663</u> | <u>22,000</u> |
| Operating Expenses | | | |
| Current: | | | |
| Professional services | 23,730 | 7,840 | 1,950 |
| Supplies | - | 2,293 | - |
| Other materials and services | 500 | 667 | 2,035 |
| Communications | 103 | 755 | 18,610 |
| Event services | | 18,943 | |
| Total operating expenses | <u>24,333</u> | <u>30,498</u> | <u>22,595</u> |
| Change in net position | 12,667 | (835) | (595) |
| Net position - beginning | <u>15,991</u> | <u>17,634</u> | <u>12,517</u> |
| Net position - ending | <u>\$ 28,658</u> | <u>\$ 16,799</u> | <u>\$ 11,922</u> |

| Arts Cluster Fund | Travel Oregon Funds | TFFF Grant Fund | Total |
|----------------------------------|------------------------------------|--------------------------------|------------------|
| \$ - | \$ 4,000 | \$ 1,640 | \$ 73,773 |
| - | - | 5,000 | 25,530 |
| - | <u>4,000</u> | <u>6,640</u> | <u>99,303</u> |
| | | | |
| 33 | 1,000 | 2,400 | 36,953 |
| - | - | 12 | 2,305 |
| 6 | - | - | 3,208 |
| 48 | 120 | | 19,636 |
| | | | 18,943 |
| <u>87</u> | <u>1,120</u> | <u>2,412</u> | <u>81,045</u> |
| | | | |
| (87) | 2,880 | 4,228 | 18,258 |
| <u>456</u> | <u>4,000</u> | <u>-</u> | <u>50,598</u> |
| | | | |
| \$ 369 | \$ 6,880 | \$ 4,228 | \$ 68,856 |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2017

| | Rural Business Enterprise Grant | Regional Strategies Fund | CDBG Micro Enterprise | IRP Sherman Fund | Total |
|---------------------------------------|--|--------------------------------|-----------------------------|------------------------|-------------------|
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 282,604 | \$ 133,665 | \$ 76,375 | \$ 96,122 | \$ 588,766 |
| Accrued interest receivable | 752 | 80 | 87 | 528 | 1,447 |
| Loans receivable - current portion | 146,589 | 3,062 | 9,847 | 23,467 | 182,965 |
| Total current assets | 429,945 | 136,807 | 86,309 | 120,117 | 773,178 |
| Noncurrent Assets: | | | | | |
| Loans receivable - net of allowance | 80,024 | 31,766 | 18,787 | 125,685 | 256,262 |
| Total assets: | 509,969 | 168,573 | 105,096 | 245,802 | 1,029,440 |
| Deferred Outflows of Resources | | | | | |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accrued interest payable | - | - | - | 1,324 | 1,324 |
| Due to other funds | 2,265 | 348 | 342 | 972 | 3,927 |
| Loans payable - current portion | - | - | - | 6,624 | 6,624 |
| Total current liabilities | 2,265 | 348 | 342 | 8,920 | 11,875 |
| Noncurrent liabilities: | | | | | |
| Loan payable | - | - | - | 180,049 | 180,049 |
| Total liabilities: | 2,265 | 348 | 342 | 188,969 | 191,924 |
| Deferred Inflows of Resources | | | | | |
| Net Position | | | | | |
| Restricted for recapitalization | 507,704 | 166,419 | 104,754 | 53,808 | 832,685 |
| Unrestricted | - | 1,806 | - | 3,025 | 4,831 |
| Total net position | <u>\$ 507,704</u> | <u>\$ 168,225</u> | <u>\$ 104,754</u> | <u>\$ 56,833</u> | <u>\$ 837,516</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Rural Business Enterprise Grant | Regional Strategies Fund | CDBG Micro enterprise | IRP Sherman Fund | Total |
|--|--|--------------------------------|-----------------------------|-------------------------|--------------------------|
| Operating Revenues | | | | | |
| Loan fees | \$ 2,495 | \$ 108 | \$ 129 | \$ 210 | \$ 2,942 |
| Loan interest | 20,238 | 3,717 | 3,549 | 13,140 | 40,644 |
| Total operating revenues | <u>22,733</u> | <u>3,825</u> | <u>3,678</u> | <u>13,350</u> | <u>43,586</u> |
| Operating Expenses | | | | | |
| Salaries and fringe benefits | 14,531 | 4,086 | 2,766 | 2,631 | 24,014 |
| Consulting and professional services | 731 | 59 | 75 | 193 | 1,058 |
| Bad debt expense | (4,120) | (553) | (1,159) | (1,277) | (7,109) |
| Supplies | - | - | - | 29 | 29 |
| Interest expense | - | - | - | 1,886 | 1,886 |
| Indirect expenses | 6,194 | 1,333 | 1,076 | 2,601 | 11,204 |
| Total operating expenses | <u>17,336</u> | <u>4,925</u> | <u>2,758</u> | <u>6,063</u> | <u>31,082</u> |
| Operating income/(loss) | 5,397 | (1,100) | 920 | 7,287 | 12,504 |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest income | 125 | 63 | 32 | 12 | 232 |
| Income (loss) before transfers | 5,522 | (1,037) | 952 | 7,299 | 12,736 |
| Transfers In (Out) | | | | | |
| Change in net position | 3,510 | - | 207 | | 3,717 |
| Total net position - beginning | 9,032 | (1,037) | 1,159 | 7,299 | 16,453 |
| Total net position - ending | <u>498,672</u> | <u>169,262</u> | <u>103,595</u> | <u>49,534</u> | <u>821,063</u> |
| | <u><u>\$ 507,704</u></u> | <u><u>\$ 168,225</u></u> | <u><u>\$ 104,754</u></u> | <u><u>\$ 56,833</u></u> | <u><u>\$ 837,516</u></u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017

| | Rural Business Enterprise Grant | Regional Strategies Admin Fund | CDBG Micro Enterprise | IRP Sherman Fund | Total |
|--|--|--------------------------------------|-----------------------------|-------------------------|--------------------------|
| Cash Flows from Operating Activities | | | | | |
| Cash received from customers | \$ 23,774 | \$ 3,795 | \$ 3,854 | \$ 13,369 | \$ 44,792 |
| Cash payments to employees for services | (14,531) | (4,086) | (2,766) | (2,631) | (24,014) |
| Cash payments - other operating expenses | (2,805) | (839) | 8 | (3,703) | (7,339) |
| Net cash provided (used) by operating activities | <u>6,438</u> | <u>(1,130)</u> | <u>1,096</u> | <u>7,035</u> | <u>13,439</u> |
| Cash Flows from Noncapital Activities | | | | | |
| Due to/from other funds | (628) | (348) | (342) | (972) | (2,290) |
| Loans made | (7,000) | - | - | (10,000) | (17,000) |
| Payments on loans payable | - | | | (6,515) | (6,515) |
| Change in allowance | (609) | (295) | (723) | (73) | (1,700) |
| Proceeds from loan repayments | <u>75,667</u> | <u>9,224</u> | <u>19,327</u> | <u>31,294</u> | <u>135,512</u> |
| Net cash provided (used) by noncapital activities | <u>67,430</u> | <u>8,581</u> | <u>18,262</u> | <u>13,734</u> | <u>108,007</u> |
| Cash Flows from Investing Activities | | | | | |
| Interest and dividends | <u>125</u> | <u>63</u> | <u>32</u> | <u>12</u> | <u>232</u> |
| Net increase in cash and cash equivalents | <u>73,993</u> | <u>7,514</u> | <u>19,390</u> | <u>20,781</u> | <u>121,678</u> |
| Cash Balances - beginning | <u>208,611</u> | <u>126,151</u> | <u>56,985</u> | <u>75,341</u> | <u>467,088</u> |
| Cash Balances - ending | <u><u>\$ 282,604</u></u> | <u><u>\$ 133,665</u></u> | <u><u>\$ 76,375</u></u> | <u><u>\$ 96,122</u></u> | <u><u>\$ 588,766</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) | | | | | |
| By Operating Activities: | | | | | |
| Operating income (loss) | \$ 5,397 | \$ (1,100) | \$ 920 | \$ 7,287 | \$ 12,504 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | | |
| Change in assets and liabilities: | | | | | |
| Accrued int receivable | 1,041 | (30) | 176 | 19 | 1,206 |
| Payables | - | - | - | (271) | (271) |
| Net cash provided (used) by operating activities | <u><u>\$ 6,438</u></u> | <u><u>\$ (1,130)</u></u> | <u><u>\$ 1,096</u></u> | <u><u>\$ 7,035</u></u> | <u><u>\$ 13,439</u></u> |

**INDEPENDENT AUDITORS'
REPORT REQUIRED BY OREGON
STATE REGULATIONS**

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

**Independent Auditors' Report on Compliance and Internal
Control Required by Oregon State Regulations**

Board of Directors
Mid-Columbia Economic Development District
515 East Second Street
The Dalles, OR 97058

We have audited the basic financial statements of Mid-Columbia Economic Development District as of and for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Columbia Economic Development District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

The independent elected officials of MCEDD do not collect or receive money and are, therefore, not subject to the requirements of OAR 162-10-140.

In connection with our testing nothing came to our attention that caused us to believe Mid-Columbia Economic Development District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. The District did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2017, as follows:

| Fund | Over Expenditure |
|--|------------------|
| Revolving loan fund: IRP payments (principle & interest) | \$ 3,725 |

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered MCEDD's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCEDD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of MCEDD's internal control over financial reporting.

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

Our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with Government Auditing Standards dated November 30, 2017 is presented on pages 49 and 50 of this reporting package.

Purpose of this Report

This report is intended solely for the information and use of the board of directors and management of Mid-Columbia Economic Development District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne Roberts, CPA
Owner/Member

La Grande, Oregon
November 30, 2017

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**AUDIT DELIVERABLES REQUIRED
BY THE SINGLE AUDIT ACT OF
1996**

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MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

| Federal Grantor/Program Title | Grant Number | Grant Period | Federal CFDA Number | Federal Expenditures | Expenditures to Subrecipients |
|---|---------------------|---------------------|----------------------------|-----------------------------|--------------------------------------|
| U.S. Department of Commerce: | | | | | |
| <u>Direct Programs:</u> | | | | | |
| Economic Development Support for Planning Organizations | 07-83-07190-01 | 4/1/16-3/31/17 | 11.302 | \$ 62,891 | \$ - |
| Economic Development Support for Planning Organizations | ED17SEA3020013 | 4/1/17-3/31/218 | 11.302 | <u>14,700</u> | |
| Total Economic Development Support for Planning Organizations | | | | 77,591 | |
| Economic Adjustment Assistance (Note E) | 45021OR | Varies | 11.307 | <u>603,104</u> | |
| Total U.S. Department of Commerce | | | | <u>680,695</u> | |
| U.S. Department of Agriculture: | | | | | |
| <u>Direct Programs:</u> | | | | | |
| Rural Business Development Grant | 15-RBDG | 2/25/16-2/25/17 | 10.351 | 5,110 | |
| Rural Business Development Initiative | 00-09 | 8/28/15-8/28/18 | 10.446 | <u>3,653</u> | |
| <u>Intermediary Relending Program</u> | | | | | |
| Intermediary Relending Program (Note C) | | Varies | 10.767 | 651,703 | |
| Intermediary Relending Program - Interest Subsidy (Note D) | | Varies | 10.767 | <u>121,808</u> | |
| Total Intermediary Relending Program | | | | <u>773,511</u> | |
| <u>Pass Through: Columbia River Gorge National Scenic Art</u> | | | | | |
| Cooperative Forestry Assistance | | 6/1/01-Spent | 10.664 | 10,000 | |
| <u>Subrecipient: Community Enhancement Klickitat County</u> | | | | | |
| Rural Business Development Initiative | | 8/28/15-8/28/18 | 10.446 | 527 | 527 |
| <u>Subrecipient: Central Oregon Intergovernmental Council</u> | | | | | |
| Rural Business Development Initiative | | 8/28/15-8/28/18 | 10.446 | 6,729 | 6,729 |
| <u>Subrecipient: Community Enhancement Columbia Pacific EDD</u> | | | | | |
| Rural Business Development Initiative | | 8/28/15-8/28/18 | 10.446 | 4,493 | 4,493 |
| <u>Subrecipient: Northeast Oregon Economic Development District</u> | | | | | |
| Rural Business Development Initiative | | 8/28/15-8/28/18 | 10.446 | 1,657 | 1,657 |
| <u>Subrecipient: Skamania County EDC</u> | | | | | |
| Rural Business Development Initiative | | 8/28/15-8/28/18 | 10.446 | <u>538</u> | <u>538</u> |
| Total Rural Business Development Initiative | | | | <u>23,944</u> | <u>13,944</u> |
| Total U.S. Department of Agriculture | | | | <u>806,218</u> | <u>13,944</u> |
| U.S. Department of Transportation | | | | | |
| <u>Pass Through: Washington Department of Transportation</u> | | | | | |
| Capital Assistance for Elderly Persons with Disabilities | GCB2096 | 7/1/15-6/30/17 | 20.513 | 42,881 | |
| <u>Pass Through: Oregon Department of Transportation</u> | | | | | |
| Capital Assistance for Elderly Persons with Disabilities | 30895 | 7/1/15-6/30/17 | 20.513 | <u>23,467</u> | |
| Total Capital Assistance for Elderly Persons with Disabilities | | | | 66,348 | |
| Highway Planning and Construction Cluster | 30844 | 7/1/15-6/30/17 | 20.205 | <u>17,693</u> | |
| Total U.S. Department of Transportation | | | | <u>84,041</u> | |
| U.S. Department of Housing and Urban Development | | | | | |
| <u>Direct Programs:</u> | | | | | |
| Community Development Block Grant | | Varies | 14.228 | <u>30,040</u> | |
| Total expenditures of federal awards | | | | <u>\$ 1,600,994</u> | <u>\$ 13,944</u> |

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Schedule of Expenditures of Federal Awards

Note A - Purpose of the Schedule:

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is a supplementary schedule to Mid-Columbia Economic Development District's financial statements and is presented for purposes of additional analysis. Because the SEFA presents only a selected portion of the activities of MCEDD, it is not intended to and does not present either the financial position, results of operations, or changes in fund balances/equity of the District.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to MCEDD's statements. The SEFA includes all federal programs administered by the District for the year ended June 30, 2017.

Basis of Presentation

The accompanying Schedule includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2017. The information in the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Federal Financial Assistance

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between an entity and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act and the Uniform Guidance establish criteria to be used in defining major programs. Major programs for Mid-Columbia Business Development are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

The receipt and expenditure of federal awards are accounted for under the same basis of accounting as the fund in which they are recorded. Federal awards recorded in proprietary funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Federal awards recorded in governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Insurance Coverage

For fiscal year ended June 30, 2017, the District had insurance coverage in effect comparable to other entities of similar size and circumstance.

Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Schedule of Expenditures of Federal Awards

Note C - Intermediary Relending Program:

A summary of changes in the Intermediary Relending Program are as follows:

| | New Federal Money | Revolved Money | Total |
|-----------------------------------|----------------------|---------------------|---------------------|
| Balance, July 1, 2016 | \$ 651,703 | \$ 1,736,671 | \$ 2,388,374 |
| New loans made | - | 262,541 | 262,541 |
| Subtotal | 651,703 | 1,999,212 | 2,650,915 |
| Principal payments received 16-17 | (125,908) | (361,900) | (487,808) |
| Loans written off 16-17 | - | | - |
| Balance, June 30, 2017 | <u>\$ 525,795</u> | <u>\$ 1,637,312</u> | <u>\$ 2,163,107</u> |

Note D - Subsidized Interest:

Low interest loans are federal financial assistance to the extent of the interest subsidy. Assuming fair value loan rate to be 7%, and knowing the actual loan rate to be 1%, subsidized interest is approximately \$121,808.

Note E - EDA Revolving Loan Fund:

A summary of changes in EDA Revolving Loan Fund balances are as follows:

| | |
|---|-------------------|
| Balance, July 1, 2016 | \$ 588,169 |
| New loans made from revolved funds | 30,000 |
| Subtotal | <u>618,169</u> |
| Principal payments received 16-17 | (130,581) |
| Balance, June 30, 2017 | <u>487,588</u> |
| Cash balance, June 30, 2017 | 210,558 |
| Administrative expenses paid | 22,957 |
| Total awards expended | <u>721,103</u> |
| Multiply by Federal Share of RLF (83.63%) | x .8363 |
| Total expenditures per Schedule of Federal Awards | <u>\$ 603,104</u> |

Note F -CDBG Klickitat

A summary of changes in the CDBG Klickitat Revolving Loan Fund are as follows:

| | New Federal Money | Revolved Money | Total |
|-----------------------------------|----------------------|-------------------|------------------|
| Balance, July 1, 2016 | \$ 30,040 | \$ 19,749 | \$ 49,789 |
| New loans made | - | - | - |
| Subtotal | 30,040 | 19,749 | 49,789 |
| Principal payments received 16-17 | (16,586) | (2,741) | (19,327) |
| Balance, June 30, 2017 | <u>\$ 13,454</u> | <u>\$ 17,008</u> | <u>\$ 30,462</u> |

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

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

Board of Directors
Mid-Columbia Economic Development District

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, the business-type activities, the discretely presented component unit each major fund, and the aggregate remaining fund information of Mid-Columbia Economic Development District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mid-Columbia Economic Development District's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mid-Columbia Economic Development District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Columbia Economic Development District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Columbia Economic Development District'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Columbia Economic Development District'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 the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne Roberts, CPA
Owner/Member

La Grande, Oregon
November 30, 2017

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

CERTIFIED PUBLIC ACCOUNTANTS
1121 ADAMS AVENUE • P.O. BOX 1024
LA GRANDE, OREGON 97850-1024

**Independent Auditors' Report on Compliance for Each Major Program
And on Internal Control over Compliance Required by The Uniform Guidance**

Board of Directors
Mid-Columbia Economic Development District

Report on Compliance for Each Major Federal Program

We have audited Mid-Columbia Economic Development District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mid-Columbia Economic Development District's major federal programs for the year ended June 30, 2017. Mid-Columbia Economic Development District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mid-Columbia Economic Development District's compliance.

Opinion on Each Major Federal Program

In our opinion, Mid-Columbia Economic Development District, 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, 2017.

Report on Internal Control Over Compliance

Management of Mid-Columbia Economic Development District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mid-Columbia Economic Development District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Mid-Columbia Economic Development District's internal control over compliance.

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

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

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

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne Roberts, CPA
Owner/Member

La Grande, Oregon
November 30, 2017

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

A. Summary of Audit Results

| | Results |
|--|----------------|
| Financial Statements Audit | |
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| Were significant deficiencies disclosed? | No |
| Of the significant deficiencies disclosed were any material weaknesses? | N/A |
| 3. Did the audit disclose any noncompliance material to the financial statements? | No |
| Federal Awards | |
| 1. Type of auditor's report issued: | |
| <i>Major programs:</i> | |
| U.S. Department of Agriculture - Intermediary Relending Program | |
| CFDA Number 10.767 | Unmodified |
| 2. Internal control over major programs: | |
| Were significant deficiencies disclosed? | No |
| Of the significant deficiencies disclosed were any material weaknesses? | N/A |
| 3. Were any of the following disclosed in accordance with 2 CFR Section 200.516(a)? | |
| Significant deficiencies in internal control over major programs? | No |
| Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs? | No |
| Known questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program? | No |
| Known questioned costs which are greater than \$25,000 for a federal program which is not audited as a major program? | No |
| 4. The threshold for distinguishing Types A and B programs: | \$ 750,000 |
| 5. Auditee qualified as a low-risk auditee | Yes |

B. Findings and Questioned Costs - Financial Statement Audit

None noted as a result of our audit procedures.

Questioned Costs

C. Findings and Questioned Costs - Federal Awards

None noted as a result of our audit procedures.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

NONE NOTED



Oregon Investment Board Memorandum

Date: December 13, 2017
To: Oregon Investment Board
From: Amanda Hoey, MCEDD Executive Director
Re: Revolving Loan Fund Policies

Overview

In September 2017 the OIB made revisions to the revolving loan policies to accommodate the pilot program and requested a more comprehensive review of the policies at a future meeting.

Request

Review the attached RLF policies to consider revisions or clarifications that may be needed to ensure a vibrant and functional program meeting economic development and business needs in the National Scenic Area.

Columbia River Gorge

National Scenic Area

Oregon Investment Board

Revolving Loan Fund Plan

Adopted: February 19, 2015
Modified: September 20, 2017

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Introduction

The Columbia River Gorge National Scenic Area Oregon Investment Board Revolving Loan Fund Plan provides a policy structure for the management of the OIB loan program. It is adopted by the Oregon Investment Board.

Program establishment:

The Columbia River Gorge National Scenic Area Act, enacted in 1986, had two primary foci: (1) to protect and provide for the enhancement of the scenic, cultural, recreational, and natural resources of the Columbia River Gorge, and (2) to protect and support the economy of the area by encouraging growth to occur in existing urban areas and by allowing future economic development in a manner that is consistent with purpose one. As economic development is one of the two purposes of the Columbia River Gorge National Scenic Area Act, federal funding was allocated to the State of Oregon and Washington for the purpose of strengthening and diversifying the economy of the National Scenic Area to increase economic prosperity and job opportunities, while protecting and enhancing the quality of life. To fulfill this purpose, the State of Oregon created the Oregon Investment Board and established a program for the purpose of making loans and grants for economic development projects that further the purposes of the Act.

Administration:

Mid-Columbia Economic Development District (MCEDD) contracts with the State of Oregon Business Development Department to provide administrative support and manage the OIB loan and grant program. MCEDD staff adheres to the OIB adopted Revolving Loan Fund (RLF) Plan to manage the program.

Relationship to Other Policy Documents:

A Memorandum of Understanding between the State of Oregon Business Development Department and the OIB in January 1990 assigns authorities to the OIB to establish bylaws, develop the grant and loan program and develop policies and procedures for management of the program. The RLF program is designed in accordance with the OIB bylaws. Any approved/adopted changes to the bylaws which would impact this RLF plan take precedence. The RLF program is also designed in accordance with the Columbia River Gorge National Scenic Area Oregon and Washington Economic Vitality Plan as adopted by the states of Oregon and Washington, the OIB and Washington Investment Board and the US Forest Service. Any approved/adopted changes to the Vitality Plan which would impact this RLF plan take precedence.

FUND STRATEGY

MISSION

The OIB Loan Program is designed to strengthen and diversify the economy of the Columbia River Gorge National Scenic Area to increase economic prosperity and job opportunities, while protecting and enhancing the quality of life.

PLAN GOALS

The goals to accomplish the Mission are defined through the Economic Vitality Plan. Projects seeking financing through the OIB must meet at least one of the plan goals. The Columbia Gorge National Scenic Area Oregon and Washington Economic Vitality Plan adopted in 2010 and approved through the Investments Boards, the State Departments of Commerce and the US Forest Service, established the following goals:

- Create jobs, emphasizing family wage jobs
Increase local employment. Focus on increasing median income/wages.
- Focus on workforce training and development
Provide or enhance education and training programs for existing businesses as well as new industries targeted for recruitment.
- Expand the economy
Expand the region's traditional economic base.
- Diversify the economy
Diversify the region's traditional economic base such as tourism, light industrial industries, and projects that are environmentally compatible and consistent with the goals of the NSA.
- Increase the regions tax base
Aid in construction or purchase of assets that will be added to the property tax base.
- Sell area's products outside the region
Assist with marketing and promotion of the region's products and services outside the local market area.
- Add value to region's products
Increase the potential for adding value to the region's traditional resource-based industries (agriculture and forest products).
- Help develop new products
Help develop and promote new value-added enterprises and products that increase local employment and incomes.
- Provide support for adequate public infrastructure
Provide the gap financing necessary to complete required planning projects or construct public infrastructure.

In addition to the plan goals listed, the OIB also encourages leveraging use of available resources.

Any updates to the goals listed in the Economic Vitality Plan will create an automatic update to this section of the OIB Loan Fund Plan.

FINANCING POLICIES

1) Loan Related Fee Policy

The following fees will be charged to the loan clients. Any of these fees may be waived or modified at the discretion of the Oregon Investment Board.

- An up-front loan fee of 1.5%.
- All third party fees associated with each individual loan, such as title insurance, appraisals, credit reports and filings fees, etc.
- All fees associated with collection of past due loans or loans in default.
- All fees associated with other financing obtained through sources outside of OIB.
- A loan modification/restructuring fee may be charged.
- A prepayment penalty fee may be charged. The minimum prepayment fee is \$250, if charged, and will generally be 0.5% of the outstanding loan balance.

2) Interest Rate Policy

Interest rates will be set by the OIB based on recommendations from staff that are based on cash flow analysis and risk. Interest rates will generally be fixed for the term of the loan. OIB does not provide a variable or floating interest rate. Rates may vary between individual loans, or be stepped to allow for specific circumstances.

- Interest Rate – Government entities: 4 to 6%.
- Interest Rate- Non-government entities: based on risk of project.

| Risk Rating | Margin | Index – WSJ Prime Rate* | OIB Interest Rate* |
|--------------------|---------------|--------------------------------|---------------------------|
| Excellent | 3.50 | 3.25 | 6.75 |
| Good | 4.00 | 3.25 | 7.25 |
| Average | 5.00 | 3.25 | 8.25 |
| Below Average | 6.25 | 3.25 | 9.50 |
| Poor | 7.50 | 3.25 | 10.75 |

*The Wall Street Journal Prime Rate is subject to change. When the WSJ Prime rates changes, so do OIB interest rates.

Rapid Response Pilot Program and Disaster Loan Funds: 4% for the first 12 months of the loan, followed by an interest rate at 3.50 over WSJ prime for the remainder of the loan term.

Default Interest Rate: Upon default, including failure to pay upon final maturity, the interest rate on a loan agreement may increase by up to five (5) percentage points per annum based upon a year of 365 days.

Performance Interest Rate: As a performance incentive, the OIB may authorize a reduction in the interest rate over the course of the loan, provided all loan payments are made on time, as agreed and all other loan requirements are met. This rate reduction

option will generally be used with loans that are scheduled at a higher interest rate due to their risk rating since regular loan payments, communication with OIB staff and the lending relationship with OIB may mitigate factors initially contributing to a higher risk rating and higher initial interest rate.

3) Equity Policy

The Oregon Investment Board has flexibility in requirements for new equity or cash infusions in a particular project. The Oregon Investment Board will consider the financial strength of the borrower, other collateral, strength of guarantors, and other important and pertaining factors when varying from standard guidelines. This new equity can be in capital (or lien free assets) added to the project from the borrower or investor sources.

The standard guidelines for new equity or cash infusions are as follows:

- For fixed asset loans to existing companies, a minimum of 10% (percent) of the project must generally come from the borrower. This can be in capital (or lien free assets) added to the project from the borrower or investor sources.
- For loans to start-up companies, a higher percentage of 25% (percent) will usually be required.
- For working capital loans 25% is required.
- For real estate loans 25% or more is required if the Loan to Value percentage is 75% or more. 10% or more is required if the Loan to Value percentage is less than 75%.
- Equity will not include any investments made beyond the current twelve (12) month period in a borrower's assets.

4) Standard Repayment Terms Policy

The term of the loans will not exceed the useful life of the assets being financed. The ability of the borrower to repay will also be taken into consideration. When possible, shortest terms possible without detracting from the initial and ongoing success of the borrower rather than longer terms will be set to recycle funds faster to make more loans and to reduce the risk to the RLF. Loan repayment terms that include balloon payments are allowed. The Oregon Investment Board may grant deferral of principal payments for up to one year when necessary for the success of the project. During principle deferral period, the borrower must continue to make payments of the interest due on a monthly basis on the scheduled payment due date of their loan; unless otherwise decided by the Oregon Investment Board.

Generally terms will range from 1 to 10 years; normally 5 years. The following are loan terms guidelines for maximum terms:

| | |
|------------------------|--|
| Equipment Loans: | up to 10 years or the useful life of collateral equipment, whichever is the fewer number of years. |
| Real Estate Loans: | up to 25 years. |
| Working Capital Loans: | up to 5 years. |

5) Collateral Policy

The OIB will secure each loan to the maximum extent possible in the judgment of the Oregon Investment Board and require 100% collateralization, excepting only in cases determined by the Oregon Investment Board to warrant the greater risk of loss inherent in less collateral protection. Security interests will be taken in available assets, both business and personal, taking the best lien obtainable in any equity the borrower has, might have or might later gain in all such assets.. In addition, MCEDD/OIB will obtain personal guaranties of owners with 20% or larger interest, corporate guarantees of related entities, and assignments of leases and insurance policies including hazard, flood, key man or other life policies naming MCEDD/OIB as loss payee as appropriate. Such collateral and other security may be subordinate to existing liens of record and/or liens securing other loans involved in the project. Personal guaranties may be collateralized with assets of the guarantor. The amount and type of collateral will be negotiated between MCEDD/OIB and the borrower. Generally, if a borrower has multiple loans with MCEDD/OIB from separate funds sources, the loans will be cross collateralized.

Combined Loan To Value Ratio (CLTV) requirements will be determined on an individual loan basis depending on the strength of the financial position of the borrower and the project. The gap financing this program provides often requires that MCEDD/OIB lend a higher dollar amount or at a higher loan to value percentage than ideal on physical assets to allow borrowers to have adequate cash to meet MCEDD/OIB working capital requirements. OIB loans will most often be in a subordinate lien position, therefore sufficient cash flow for debt service is considered to be of greater importance than set “loan to value” ratios. Optimum goals for maximum CLTV percentages are as follows:

| | |
|-----------------------------------|-----|
| Real Estate | 90% |
| Equipment, furniture and fixtures | 80% |
| Leasehold improvements* | 60% |

*(term limited to less than period of lease)

Methods of valuation of assets used for collateral will be objective. Real estate will be valued by an approved licensed appraiser or by county assessor office. If a lead lender obtains an appraisal, MCEDD/OIB may accept valuation from a valid or true appraisal rather than requiring another. Other assets types will be valued by methods that adequately show market value by use of objectively obtained market comparisons, appraisals by qualified and approved persons, or by MCEDD/OIB staff valuation. The valuation will take into consideration book value discounted according to useful life and condition. In all cases, valuation will need to show due diligence and objective evidence in addition to values provided by the borrower. Documentation of collateral values will be required in the loan file.

Working capital (current) assets will not be considered as collateral for long-term debt.

6) Cash Flow

An applicant must demonstrate sufficient cash flow for debt service.

7) Loan Size Policy

The Oregon Investment Board may determine the loan size minimum and maximums on individual loans, within the constraints of funds available to lend.

8) Construction Loan Guidelines

The following guidelines apply to OIB loans funding construction and remodel projects, but typically will be implemented on loans that exceed \$15,000.

- Borrower will provide staff with a “Contractor Final Waiver and Release of Lien and/or Claim” or “Affidavit for Partial Payment” signed, notarized and executed by each contractor, sub-contractor, supplier, vendor or business providing more than \$5,000 of products or services to the construction project financed by the OIB loan. Staff may obtain a title report or conduct other types of lien searches, at the expense of the borrower, to determine who needs to provide a Waiver/Release or Affidavit.
- Each loan will have a construction disbursement period not to exceed six (6) months. The OIB may approve extensions of this period as needed. The final loan principal amount will equal the sum of all authorized loan fund disbursements and will have terms and conditions as approved by the OIB.
- Monthly interest-only loan payments will be made during the disbursement period with principal and interest payments beginning according to the loan terms approved by the OIB.
- Each loan disbursement must be approved by staff and the borrower with a signed disbursement authorization form and supporting invoices of the work done or to be done on the project.
- OIB will have the discretion to approve a contingency amount for each construction loan; typically this amount will be 10% – 25% of the construction project amount. Contingency funds may be used for, but are not limited, to the following areas of higher than anticipated project costs: labor, permits, supplies, environmental issues, contractor error, contractor dismissal, weather, building site issues and changes in building code and laws. Contingency funds will be disbursed when funds from a project budget category are fully dispersed and additional funds are requested by borrower and the request is approved by OIB staff. If there are remaining undisbursed contingency funds after the completion of project, these unused/undisbursed contingency funds will not be disbursed to the borrower unless approved by staff; if applicable the loan amount will be reduced by the amount of undisbursed funds.
- OIB will approve a holdback amount to be disbursed after completion of the project is verified by staff and permanent occupancy documentation is provided, as applicable. The holdback amount typically will be 10% – 25% of the construction project amount (not including contingency funds). Undisbursed approved funds will not be included in the final OIB loan amount.

- Staff will inspect a construction project to ensure that the construction work is proceeding according the construction project budget. Appropriate documentation will be maintained in the loan file.
- Other terms and conditions related to construction loans may be approved by the OIB on an individual loan basis.

LOAN SELECTION CRITERIA

1) Eligible Applicants

To be eligible an applicant must be a private for-profit firm, a general or special purpose unit of local government, or a public or private non-profit organization.

Applicants will be required to demonstrate that the funds are not otherwise available or are not taking the place of private financing on terms, which in the opinion of the OIB, will permit the accomplishment of the project.

Applicants must show a reasonable assurance of repayment of loans. Among other things, this will be judged by standards of character, capacity, collateral, conditions and capital.

Applicants may not have delinquent federal, state or local government debts or liens or judgments filed against them or their property. These types of debts and liens may be allowed if an approved workout/repayment plan is in place.

Applicants must be U.S. citizens or have legal permanent residency.

2) Eligible Projects

Eligible projects may be for expansion, start-up or retention of a business that will meet the goals of the OIB. Loans may be for fixed assets or working capital. Loans must be for community development projects, the establishment of new businesses, expansion of existing businesses, creation of employment opportunities, or saving existing jobs. Loans may include, but are not limited to:

a. Eligible fixed asset loans may include:

- Land purchase costs, including engineering, legal, grading, testing, site mapping and related costs associated with acquisition and preparation of land.
- Building construction or acquisition, including related costs including engineering, closing costs, etc.
- Machinery and equipment costs including delivery, installation, engineering, and associated related costs.
- Other costs contributing to the value of the project fixed assets, such as taxes and interest on interim or construction financing.
- Infrastructure costs.
- Debt consolidation and/or refinancing of loans, if new loan will produce favorable business environment and meet OIB goals.

(personal debts can be included if it can be documented that the personal debt funds were used for business purposes).

- Business acquisitions.
- Pollution control and abatement.

b. Eligible working capital loans may include:

- Inventory purchases.
- Accounts receivable financing.
- Operating expenses.
- Other non-capitalized assets.
- Debt consolidation and/or refinancing of loans, if new loan will produce favorable business environment and meet OIB goals.
(personal debts can be included if it can be documented that the personal debt funds were used for business purposes).
- Feasibility studies.
- Interest and reasonable fees.

c. Eligible businesses and entities may include, among others:

- For-profit enterprises, not otherwise precluded in the list of ineligible loan activities listed below
- Nonprofits with economic activity which demonstrate a capacity for repayment of a loan.
- Cooperatives.
- Transportation services.
- Hotels, motels, tourist homes, bed and breakfast establishments, conventions and other tourist and recreational facilities.
- Educational institutions.
- Community services (ie health and safety).

3) Ineligible Loan Activities and Purposes

Ineligible loan activities and purposes include the following:

- Loans to entities outside the Oregon geographic boundary of the Columbia River Gorge Scenic Area if neither the entity nor the project is located in the boundary and the loan cannot be shown to provide benefit to the economy of the Columbia River Gorge Scenic Area.
- Loans which have the direct effect of relocating jobs from one place to another within the Scenic Area unless jobs would be lost to an outside area.
- Loans for the purpose of investing in accounts or securities.
- Loans to lending or investment institutions or insurance companies. (*Note:* this does not include insurance agents. They are eligible to seek a loan)
- Loans to an entity where the major purpose of the business is gambling or pornography.
- Pyramid sales plans.

- Projects that would adversely (without mitigation) impact flood plains, wetlands, significant historic or archeological properties, drinking water resources, or nonrenewable natural resources without mitigation.
- Any project that is in violation of a Federal, State, or local environmental protection law or regulation or an enforceable land use restriction unless the assistance given will result in curing or removing the violation.
- Projects inconsistent with the Columbia River Gorge Scenic Area Act.
- Assistance in excess of what is needed to accomplish the purpose of the borrower's project.
- Personal debt payment, consolidation or refinancing, if not associated with business.
- Any illegal activity.
- Loans to employees or board members of OIB or to organizations for which said persons are directors or officers or in which they have ownership of 20 percent or more.
- Loans that would create a conflict of interest.

PERFORMANCE ASSESSMENT

MCEDD/OIB will assess performance by comparison with the portfolio standards and targets. Other loan portfolio and individual fund data to be measured and reported include:

- Number and dollar amount of loans.
- Number of loans and outstanding loan balances performing as agreed compared to:
 - Number of and dollar amount of outstanding balances of delinquent loans 30 or more days past due,
 - Number of and dollar amount of outstanding balances of loans in default
 - Number of and dollar amount of outstanding balances of loans written off
- Degree of leveraging of private dollars to loan dollars
- Degree of leveraging of public dollars to loan dollars
- Number of jobs created and/or retained

Performance of the OIB portfolio will be assessed continuously. Reports will be provided monthly to the Oregon Investment Board. Annually, a report will be provided to the State.

Revolving Loan Fund Operational Procedures

ORGANIZATIONAL STRUCTURE

1) Administration

MCEDD will maintain an office open for business during regular business hours for the purpose of administering the revolving loan fund. The office is located at 515 East 2nd Street, The Dalles, Oregon 97058 and the telephone number is: (541) 296-2266. Records of all loans shall be kept at the office as well as the administrative rules, procedures and other records. Professional staff services are provided at the office providing business assistance, advisory services and referral for prospective borrowers and borrowers. All loan processing, documentation, monitoring, analysis, compliance and all other required professional and record keeping functions of the OIB are handled in this office.

The staff positions of MCEDD that work with the OIB loan program consists of the Executive Director, Project Manager, Loan Fund Manager, Finance and Operations Manager, and Office Administrator. A third party auditor will have access to and work with the RLF and its files.

2) Oregon Investment Board

The Oregon Investment Board is the governing body of the OIB revolving loan fund program. The Board has the power to administer the program, under agreement with the State of Oregon as established in a Memorandum of Understanding executed in January 1990. The OIB has been delegated authority by the State to make loan policy and make all major loan decisions including loan approvals and subsequent loan modifications and foreclosures. The principal activities of the OIB, with respect to the Revolving Loan Fund, are as follows:

- Reviews, amends and adopts the Revolving Loan Fund Plan and Columbia River Gorge National Scenic Area Oregon and Washington Economic Vitality Plan.
- Makes decisions on final applications for loans and any subsequent loan modifications except as delegated to staff.*
- Decides whether to call delinquent loans.
- Decides whether to liquidate assets held as collateral.

*The OIB has delegated routine decisions on loan modifications to staff, provided that the modification(s) would not adversely impact the OIB's position with regard to collateral secured for a loan. For instance, the following would qualify as routine decisions:

- Approval for release of collateral if funds received from proceeds of the sale are applied against the balance of the loan and the amount of the sale is equal to or greater than the staff assessed value of the collateral.
- Subordination of OIB's collateral position to allow for refinance of a pre-existing prior-position loan, if the balance does not exceed the amount to which OIB had previously subordinated and the new terms will place the loan client in a stronger financial position.

OIB Loan Committee:

The OIB Loan Committee is advisory to the OIB. The primary activities of the OIB loan committee are as follows:

- Review loan proposals and make recommendations to the OIB
- Review loan modifications and make recommendations to the OIB.

3) Conflict of Interest Policy

The Oregon Investment Board members and professional staff are chosen to provide public benefit. These persons have a duty to conduct the affairs of the OIB in a manner consistent with the mission of the OIB and not to advance their personal interests. This conflict of interest policy is intended to permit the OIB and its Board members, committee members and professional staff to identify, evaluate and address any real, potential or apparent conflict of interest that might, in fact or in appearance, call into question their duty to put the interests of the OIB ahead of their personal interests.

Covered Persons: This policy applies to the OIB's Board members, committee members, and professional staff. Each Covered Person shall be required to acknowledge that they have read and are in compliance with this policy.

Covered Transactions: This policy applies to transactions between the OIB and a Covered Person, or between the OIB and another party with which the Covered Person has a significant relationship. A Covered Person is considered to have a significant relationship with another party if:

- a) The other party is a family member, including a spouse (or domestic partner or significant other), parent, sibling, child, stepchild, grandparent, and grandchild. This does not include distant relatives, such as cousins, unless the distant relative lives in the same household as the person.
- b) The other party is an entity in which the Covered Person has a material financial interest; or
- c) The Covered Person is an officer, director, trustee, partner, consultant or employee of the other party.

A Covered Transaction also includes any other transaction in which there may be an actual or perceived conflict of interest, including any transaction in which the interests of the Covered Person may be seen as competing or at odds with the interests of the OIB.

Disclosure, Refrain from Influence and Recusal: When a Covered Person becomes aware of a Covered Transaction, the individual has a duty to take the following actions:

- a) Immediately disclose the existence and circumstances of such Covered Transaction to the OIB's Chair or Executive Director.
- b) Refrain from using their personal influence to encourage the OIB to enter into the Covered Transaction; and
- c) Physically excuse themselves from any discussions regarding the Covered Transaction except to answer questions, including Board discussions and decisions on the subject.

Standard for Approval of Covered Transactions: The OIB may enter into a Covered Transaction where such Transaction does not constitute an act of self-dealing and the Board determines, acting without the participation or influence of the Covered Person and based on comparable market data, that such transaction is fair and reasonable to the OIB. The Board shall document the basis for this determination in the minutes of the meeting at which the Covered Transaction is considered, and shall consult with the OIB's legal advisor as necessary to ensure that the Transaction does not constitute an act of self-dealing.

Lending Activities: No personal or private loans may be made by the OIB to its Board members or their immediate families. No member of the Board or their immediate families may be an officer, director, or owner of a small business concern receiving financial assistance from the OIB.

LOAN APPLICATION PROCESSING PROCEDURES

MCEDD/OIB is an equal opportunity lender and treats all applicants equally and fairly. Each applicant will be subject to the following procedures and requirements.

1) Standard Loan Application Requirements

All applicants for loans from the OIB shall be required to fill out a standard OIB or MCEDD application form and supply the following additional items:

- Business Plan (required if applicant is a start-up business or less than 1 year in operation)
- Business history and forecast (include management team, industry statistics, marketing niche, etc. Note: A formal business plan is preferred)
- Resumes of owners, partners or key officers, and key personnel
- Balance sheets and income statements for the last three years
- Complete IRS returns - both business and personal for the last 3 years
- Current interim balance sheet and income statement (not over 90 days old)
- Personal financial statements for each proprietor, partner or shareholder with 20% or more ownership.
- Cash flow projections and income statement projections for 3 years (1st year monthly)
- Schedule of long term debt
- List of collateral offered
- Bank commitment or denial letter
- Authorization to disclose business information
- CRGC certification form
- OIB goals sheet, if not included in the application

If applicable, the following are also required:

- Site plan
- Aging of accounts payable and/or accounts receivable
- Copy of equipment/working capital list and bids
- Earnest money agreements, financial agreements, contract agreements, lease/rental agreements
- Environmental questionnaire
- Copy of bids or cost estimates by contractor
- Schedule for construction start and completion
- Appraisal
- Legal description of property
- Evidence of acceptable zoning/land use compliance
- Articles of incorporation, by-laws and certificate of good standing if a corporation/partnership agreement/LLC organization documents
- List of any affiliates and current financial statement for each affiliate

2) Credit Reports

Credit reports will be obtained on applicants. Other evidence of credit worthiness documented (i.e., indication from participating bank that they have a good credit report in file or that they have good credit record with the bank or documentation of making loan payments as agreed) may be considered if a applicant has no credit references or limited credit references or negative reporting on their credit report.

3) Appraisals

Appraisals may be required on real estate pledged for collateral, as determined by the OIB. If the financing is less than \$100,000, a real estate valuation from a qualified source may be substituted, such as a county property tax statement valuation.

Appraisals done for a participating bank or another third party may be accepted if they are done by a licensed appraiser, who is also MCEDD/OIB approved.

Appraisals are valid for 6 months after date of appraisal. Appraisals older than 6 months from the date of the appraisal may be updated by original appraiser and used as a current appraisal or accepted if approved by MCEDD/OIB staff.

4) Collateral and Equity Requirements

Loan proposals will be evaluated as they adhere to the collateral and equity requirements listed in this revolving loan fund plan.

5) Loan Proposals

Loan proposals will be produced by MCEDD staff for each loan and provided to the Oregon Investment Board prior to the loan decision. The loan proposal may include, but is not limited to the following:

- **Overview** – the company's history, product, capacity and management and market/competitive environment.
- **Financing** - Uses and sources of project financing and collateral.

- **Collateral**- Description of available collateral, position and valuation.
- **Principals** – Background and experience of owners, credit summary and analysis of personal financial condition
- **Financial Analysis** – An analysis of the business profit and loss, projections and repayment ability.
- **Goals**- Staff analysis on the OIB goals the proposed loan will address.
- **Summary** – Summary of strengths and weaknesses of the proposed loan and whether or not the proposal meets basic loan criteria.
- **Recommendation** – Staff recommendation to the OIB including proposed terms and conditions.
- Other topics that may be discussed in a loan proposal are collateral, jobs, MCEDD/OIB and funding source agency criteria, strengths and weakness of application.

6) Procedures for Loan Decision

A loan decision can only be made in accordance with the OIB Bylaws Article III: Meetings. A quorum of the Oregon Investment Board must be present. No action of the board shall be binding and valid unless there is an affirmative vote of four members. The minutes of the meeting will be kept in the permanent file. The decision of the Oregon Investment Board will be communicated to the applicant as soon as is practical by MCEDD/OIB staff.

- Approvals
Approvals of loan applications are granted when so voted by the Oregon Investment Board. Applicants will be notified in the form of a loan commitment letter specifying the terms, structure and conditions of the loan and time period of the commitment. Other forms of notification, including electronic communication, may be used on individual loans and will be recorded in the client's loan file by staff. Each loan approved will utilize prudent lending practices.
- Denials
Denials of loan applications are made when so voted by the Oregon Investment Board. Applicants will be notified in the form of a denial letter, specifying the reasons for denial. It may include available recourses for the benefit of the loaner's request. Other forms of notification, including electronic communication, may be used on individual loans, and will be recorded in the applicant's loan file by MCEDD/OIB staff.

Loan applications that are withdrawn by the applicant are considered a denied loan.

- Procedure To Appeal Loan Decision
An applicant may appeal the Loan Decision by stating their intent to appeal the loan decision in writing within 45 days of the date on the loan decision letter. This written statement must list new additional relevant

information. The appeal will be presented to the Oregon Investment Board at the next regularly scheduled Oregon Investment Board meeting. MCEDD/OIB staff may assist applicant in preparing a written statement of intent to appeal. MCEDD/OIB staff will prepare and submit a staff report and recommendation based on new additional relevant information. A loan decision on this appeal will be made by vote of the Oregon Investment Board. The applicant will be informed of this decision in a written letter. The loan decision by the Oregon Investment Board is final without any other appeal options available.

LOAN CLOSING AND DISBURSEMENT PROCEDURES

1) General Closing Requirements

Evidence of the borrower equity injection shall be documented in the file prior to closing. A commitment letter from the private lender will be required as well, if applicable.

2) Loan Closing Documents

Required on all loans will be the Contract/Loan Agreement, Security Agreement and Promissory Note (or Note). For loans secured with real estate, a Trust Deed/Deed of Trust will be required. For loans using other collateral, a UCC filing will be required along with lien searches both before and after filing showing MCEDD/OIB as lien holder in the desired position approved by the Oregon Investment Board. For licensed vehicles, a title showing MCEDD/OIB as a security interest holder or lien holder will be required. Insurance policies covering collateral will be obtained by borrower with MCEDD/OIB listed appropriately as additional insured, loss payee or other designations or assignments with documentation of insurance provided to MCEDD/OIB prior to or at loan closing.

3) Loan Disbursements

Prior to disbursement of RLF loan proceeds, the borrower must provide evidence that the purpose for which the loan was made is what the proceeds are being used for. In the case of purchase of physical assets; invoices, orders or delivery documentation will be acceptable types of evidence. For construction loans, invoices or work orders or statements of work completed will be provided and completion of work verified prior to disbursement. Disbursement prior to work being completed must be approved by Executive Director. With a loan for construction when a MCEDD/OIB loan is for permanent replacement financing; a construction lender will provide evidence that the project is complete and all terms and conditions of the construction loan are satisfied prior to any MCEDD/OIB loan fund disbursements. MCEDD/OIB will obtain title insurance ensuring that there are no construction liens on the property. The size of, and disbursement schedule for, working capital loans will be determined by MCEDD/OIB based on schedules provided by the borrower prior to loan closing.

LOAN SERVICING PROCEDURES

1) Loan Payment and Collection Procedures

Borrowers will make loan payments directly to MCEDD/OIB at MCEDD's principle office. All payments are logged in and marked with the date of receipt, along with any other checks received that day, by the employee handling the mail. Each payment by cash or check is given to the Office Administrator or other appropriate MCEDD/OIB staff to deposit into the bank account for the OIB. A copy of the check and deposit record is given to the loan department staff for posting to the borrower's Payment Record Ledger.

Each loan will be individually and separately maintained in the MCEDD loan portfolio software and loan payments will be recorded for each loan. This record will be referred to as the "Payment Record Ledger." The payment will be posted to the borrower's Payment Record Ledger showing the date and amount of the payment along with the breakdown of principal and interest and the new balance. Each loan client will be invoiced for each payment due and a record of the previous payment will be provided to each loan client showing the application of loan payments to fees, interest and principal.

Each month MCEDD/OIB accounting records are reconciled with MCEDD Loan portfolio records to verify that the ledger posting account and amount and the deposit account and amount are correct. This reconciliation is done by loan department staff and accounting staff.

2) Loan Monitoring Procedures

A tickler system is used to remind loan staff of insurance expiration dates, UCC renewals, annual site visits, financial statements due or other requirements that have regular or expiring terms. Financial statements are generally required on an annual basis for all existing loan clients, and usually more frequently for loan clients that are start-up businesses. Additional reporting to OIB by the borrower may be requested on a loan by loan basis.

3) Late Payment Follow-up Procedures

Borrower's Payment Record Ledgers for each loan are checked on a regular monthly basis to find any late payments. A loan that has a monthly loan payment more than 30 days past due is in technical default, although a loan that has a monthly loan payment less than 90 days past is referred to as "delinquent" or "past due." If a payment is late, the borrower, all signators and any additional guarantors to the loan are notified by staff that the payment is late. A late fee is assessed as per the terms listed in the borrower's loan agreement and security agreement. If a payment is two months late, the borrower, all signators and any additional guarantors receive a second notification from MCEDD/OIB staff. Notification may be verbal, written or electronic communication. If verbal, a follow-up message in written or electronic form will be sent to the Borrower/Guarantors/Signators and a record of the

correspondence retained. If a payment is three months late, a letter is sent or other notification made indicating that the loan is in default and possible actions may be taken. In addition, a personal telephone call or visit will be initiated by MCEDD/OIB staff within 30 days of initial delinquency and subsequently as appropriate. Every effort will be made to work with the borrower to resolve the delinquency.

Modification of the terms of the loan will be used only when it can be demonstrated that the modification will improve the ability of the borrower to repay. A record of communication with a Borrower, signators and guarantors regarding late payments will be retained.

4) Procedures for Handling Loans Over 90 Days in Arrears (Past Due)

If a loan becomes 90 days delinquent, this loan referred to as in default. Staff will make a recommendation to the Oregon Investment Board on actions to be taken, such as repossession of collateral, foreclosure, etc. The Oregon Investment Board makes decisions on such actions. Staff will ensure that all documentation is in order and will contact an attorney if necessary. Notification will be sent to all guarantors indicating their liability. Other lenders will be notified.

When monies are received by MCEDD/OIB on defaulted OIB loans, these proceeds shall be applied in the following order of priority:

1. First, towards any cost of collections.
2. Second, towards any outstanding penalties and fees.
3. Third, towards any accrued interest to the extent due and payable.
4. Fourth, towards any outstanding principal balance.

5) Restructures

MCEDD/OIB staff may recommend terms to the Oregon Investment Board for restructuring a loan that is delinquent, in default or has the potential for delinquency in order to increase the likelihood of repayment of the loan. The Oregon Investment Board shall have the authority to authorize all restructures.

6) Write-off Procedures

If a loan or portion of a loan remaining after liquidation of collateral is determined to be uncollectable, it will be written off. The direct write off method of accounting is used. However, collection efforts will continue after the loan is written off until it is determined by the Oregon Investment Board that such efforts are no longer cost effective.

ADMINISTRATIVE PROCEDURES

1) Procedures for Audits and Accounting:

Financial audits shall be conducted annually through MCEDD and a written report shall be provided to the OIB. An independent, established professional auditor shall be retained to conduct the audit. MCEDD shall employ recommended generally accepted accounting principles (GAAP) and accounting procedures to record and report all financial transactions. The accounting system will use a double entry

system. Monthly financial reports shall be provided to the OIB. Income and expense line items are accounted for separately from principal repayments and loans made.

2) Procedures for Loan Files and Loan Closing Documentation

Each loan file must contain all of the documentation on that loan or provide reference as to where the required documentation is stored. Included in each file are all documents relevant to the loan including all of the following as they apply to the loan:

- Application and any other documents submitted with application (see “standard loan application requirements on page 16 of this plan).
- Loan proposal.
- Minutes from the loan board meeting approving the loan and minutes from meetings taking significant action related to the loan.
- Columbia River Gorge Commission certification documentation.
- Commitment Letter.
- Amortization schedule.
- OIB contract (Loan agreement/security agreement).
- Promissory Note (or Notes).
- Borrowing Resolution.
- Business Guarantees.
- Personal Guarantees.
- Trust Deed(s)
- Vehicle Title(s)
- UCC filings and searches.
- Insurance certificates (liability, asset, life, auto, etc)
- Copies of required permits and licenses.
- Collateral information and valuation information.
- Loan Fund disbursement authorization form and disbursement documentation.
- Amendments
- Private and/or traditional lender loan commitment.
- Financial statements, tax returns, job reports, correspondence, servicing/site visit notes and any other documentation regarding the loan.

The loan files are kept in a fireproof filing cabinet when not being used by MCEDD staff. Closed loan files and related documents and computer records and all other related records must be maintained over the term of the approved loan and for a three year period from the final date of the loan or according to the requirements of the State of Oregon, whichever is the longest period of time.

Denied or withdrawn loan applications and supporting documentation and MCEDD/OIB created documents and forms associated with a denied or withdrawn loan will be retained for a period of one (1) year after the date of denial or withdrawal or according to the requirements of the State of Oregon, whichever is the longest period of time.

3) Confidentiality

Confidentiality regarding financial information will be guarded at all times. Confidential information provided to MCEDD/OIB will not be disclosed without the written permission from the client; this includes third party information obtained in confidentiality by client that is not public information. Clients may sign an authorization to release information for marketing purposes which could include, but not be limited to MCEDD newsletters, press releases or Chamber of Commerce articles. No Oregon Investment Board or staff member will use his or her official position or office to obtain confidential information or in any other way obtain financial gain for himself other than salary and/or reimbursement of expenses, or for any member of his household, or for any business with which he, or a member of his household, is associated.