

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

*******Wednesday, February 10, 2021*******

****** 10:00 A.M. ******

Remote Only

Call 541-296-2266 or email ami@mcedd.org for remote access

<u>Topic</u>	<u>Time</u>	<u>Item</u>
Call to Order, Introductions	5 minutes	Information
Minutes <i>January 13, 2021</i>	5 minutes	Approval
Loan Request <i>Dog River Pet Supplies</i>	20 minutes	Information
Funded Loans Updates		
<i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i> <i>Regular Session Reconvened</i>		
Loan Action	5 minutes	Approval
FY20 Audit Report	10 minutes	Information
Other Staff Updates	5 minutes	Information
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 MCEDD 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, January 13, 2021
Remote Only – Zoom Meeting

ATTENDANCE

OIB Members: Craig Bowder, Jorge Barragan, Doug Roof, John Kasberger, Jill Amery and Tammy Miller

Staff: Jessica Metta (Executive Director), Israel Ayala Guevara (Loan Fund Manager), Ami Beaver (Assistant Project Manager)

Guest: Tamara Kaufman, Columbia River Gorge Commission

CALL TO ORDER

Jill Amery called the meeting to order at 10:04 a.m. A quorum was present.

CONFLICT OF INTEREST POLICY AND INTRODUCTIONS

Jill Amery requested board members disclose any conflict of interest for any of the topics to be reviewed. None were noted.

MINUTES

Doug Roof motioned to approve the minutes from the December meeting. Craig Bowder seconded the motion. The motion passed unanimously.

FINANCIALS

Jessica Metta noted that Dana Woods was out ill. She said that due to the timing of the meeting, Dana was able to provide both November and December financials. Jessica said there were no significant changes of note.

Craig Bowder motioned to accept the financials as presented. Jorge Barragan seconded the motion. Motion passed unanimously.

VIDEO PROJECT

Ami Beaver recapped the work so far on the video marketing campaign. She shared there would be a CCC News story and asked the board for feedback on the videos. No feedback for changes was noted. Jill asked when the videos would be released and how they would be shared. Ami said she would work with Robbie on these details and would share the release schedule with the board when it was determined. Craig asked if MCEDD staff has capacity to service new loans if the rollout generate interest. Jessica said yes. Ami clarified there are five videos.

ECONOMIC VITALITY PLAN UPDATE

Jessica noted work on the five-year update of the economic vitality plan is currently underway. She said the last one was finished in 2016 and now is the beginning of the process to get it updated and approved in 2021.

She provided some background on the process. She said today she was sharing the OIB section and in the future will bring back the larger piece for discussion. She said she has been receiving feedback via email and is working on consolidating that information. She said in general she felt the overview of what the OIB does was very good and did not see much need for changes. She updated dates as well as figures in the amount of lending activity, leveraging and jobs created. She noted there was a highlight on the last page of some percentages that still need to be updated.

Discussion:

Jill said she is interested in what the trends of business loans/ infrastructure loans/ grants have been over time. Jessica said staff can compile that for the board for the next meeting. She noted that investment in grants and infrastructure have really reduced over the years. Doug asked why the funding allocation does not equal 100%. John noted that since loans are revolving there needs to be a little bit more information about what Doug is looking at versus what John is looking at. He said there might need to be more detail in the description. Doug noted that it says the board annually sets targets for loans and grants but there is no designation set for percentages, do those statements contradict each other? Jill suggested looking at the part that says there is no designation to take out that conflict. Jessica thanked them for the catch. Doug noted a missing apostrophe on the second page under goals, bullet five. Doug also asked who the OIB bank is. Jessica said Columbia Bank.

Tammy joined the meeting at 10:23 a.m.

EXECUTIVE SESSION

Per ORS 192.660 (f) (Exempt Documents), the Oregon Investment Board moved into Executive Session at 10:23 a.m.

Regular session reconvened at 10:28 a.m.

OTHER NEW BUSINESS

Jessica said that there were two candidates to choose from in filling the vacant Multnomah County board seat and Multnomah County chose Kirk Wright. She said we are waiting on final approval from the Governor's office.

Jessica also told the board we are closer than we have ever been before in the appropriation of the additional two million for the scenic area. She noted we were similarly positioned last year, and that the challenge is getting the money from the federal government to here and the chain in that original pipeline was broken. She said Senator Merkley has done a great job creating a new pipe. Last year the money was allocated across the country – we got a \$40,000 grant. She said we are using those funds for business trainings including a lenders' round table. She thinks there is enough language included this year that the funding will just get funneled here. She noted she has been checking in with the senator's staff regularly. Doug asked for some clarification on who the target audience for the roundtable is. Jessica said businesses getting ready to seek funding.

She noted the lenders roundtable would be pushed out to February because the lenders are currently focused on PPP.

Discussion:

Doug asked if someone has borrowed money do they automatically get the information about the business trainings, and Jessica said yes, staff has been sharing the information out with our loan clients. Jill asked if there are updates Jessica can provide on the County grant funding that went out. Jessica noted that the project management staff, led by Carrie Pipinich distributed \$840,000 in Hood River County and \$740,000 thousand in Wasco County. She noted there were roughly 62 recipients in Wasco County and 107 in Hood River – they had slightly different criteria. She noted staff had to get all that money out by Dec 30 and were successful in that effort. Jill noted it was amazing that 170 entities received assistance. Jessica noted she was interviewed by Columbia Gorge News and noted that between all of the grants around three million dollars has flowed through our office.

Meeting adjourned at 10:36 a.m.

Respectfully submitted by Ami Beaver

Memorandum

Date: February 2, 2021
To: Columbia River Gorge Oregon Investment Board
From: Jessica Metta, MCEDD Executive Director
Re: FY20 MCEDD Audit

Action

No action requested. This is an informational item only.

Overview

MCEDD is subject to the single audit act and contracts with an auditing firm for an annual audit of our financial statements. Currently, MCEDD contracts with Connected Professional Accountants based in La Grande, Oregon, with lead auditor Yvonne Roberts, Owner/Member. <http://www.lagrandecpa.com/>. The audit will be sent with your February Board packet.

The audit is presented to the MCEDD board by Yvonne Roberts and subsequently sent to all of our funders. Yvonne stressed to the MCEDD Board that while there were a number of findings, many reflect the changes in staff in FY20 and do not reflect the understanding and work of current staff. In all cases, staff has made adjustments to address the areas of concern. I will talk through those at the OIB meeting.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020



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**Mid-Columbia Economic Development District
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INTRODUCTORY SECTION

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
District Officials

Administrative Office: 802 Chenowith Loop Rd.
The Dalles, OR 97058

Executive Director: Jessica Metta

BOARD OF DIRECTORS

<u>Member</u>	<u>Constituency</u>	<u>Representation</u>
Bill Schmitt, Chairman	Washington Ports	Port Government
Bob Hamlin, Vice Chair	Skamania County	County Government
Steve Kramer, Sec/Treasurer	Wasco County	County Government
Ken Bailey	Agriculture	Private Sector
Jan Brending	Cities of Klickitat County	City Government
Mike Foreaker	Wasco County	City Government
Leana Kinley	Cities of Skamania County	City Government
Les Perkins	Hood River County	County Government
Gordon Zimmerman	Cities of Hood River County	City Government
Erik Glover	Cities of Sherman County	City Government
David Griffith	Oregon Ports	Port Government
Dana Peck	Washington Chambers of Commerce	Chambers
Rex Johnston	Klickitat County	County Government
Eric Proffitt	Workforce	Private Sector
Mark Zanmiller	Cities of Hood River County	City Government
Tonya Brumley	Oregon Chambers of Commerce	Chambers
Dr. Marta Cronin	Higher Education	Private Sector
Robert Kimmes	Healthcare	Private Sector
Judge Joe Dabulskis	Sherman County	County Government
Scott Clements	Private Business	Private Sector
Buck Jones	Food and Beverage	Private Sector

All board members can be contacted at: 802 Chenowith Loop Rd.
The Dalles, OR 97058

Registered Agent: Jessica Metta

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FINANCIAL SECTION

Independent Auditors' Report

Board of Directors
 Mid-Columbia Economic Development District
 802 Chenoweth Loop Rd.
 The Dalles, OR 97058

Report on the Financial Statements

We have audited the accompanying 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, 2020, 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business Type Activities	Qualified
General Fund	Unmodified
Planning Grant	Unmodified
Link/Transit Center Fund	Unmodified
Special Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Revolving Loan Fund	Unmodified
RLF Housing Fund	Unmodified
Intermediary Relending Program	Unmodified

Rural Business Enterprise Grant	Unmodified
IRP Washington	Unmodified
Other Proprietary Funds	Unmodified

Basis for Qualified Opinion on Governmental Activities and Business Type Activities

Management has not adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than pensions*, and accordingly, has not booked an asset/(liability) for OPEB on their Government-Wide statements. Accounting principles generally accepted in the United States of America require that the related asset/(liability) be recorded on the Statement of Net Position and the expenses reported in the Statement of Activities. The amount by which this departure would affect the assets/(liabilities), net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the matter described in the “Basis for Qualified Opinion on Governmental Activities and Business Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and business type activities of Mid-Columbia Economic Development District, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, 2019, 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 4 through 8, and the budgetary comparison information on page 37 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, which are the responsibility of management, 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 December 3, 2020 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 December 3, 2020, 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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

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

December 3, 2020
La Grande, Oregon

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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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, 2020.

FINANCIAL HIGHLIGHTS

- Total net position at June 30, 2020 was \$7,434,650, which was an increase of \$260,724 restricted for recapitalization and an increase of \$381,725 for unrestricted and Special Revenue Funds.
- Government Activity Liabilities decreased by \$41,580 from the prior year, due to the interfund activity and interfund loans payable.
- Business Type Activities Liabilities decreased by \$106,940 from prior year primarily due to repayment of debt.

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, the 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 Intermediary Revolving Loan funds established through low-interest loans from U.S. Department of Agriculture (USDA) Rural Development's Intermediary Relending Program (IRP) and in partnership with Oregon Economic and Community Development, Mount Hood Economic Alliance, National Scenic Area Oregon Investment Board, Lower John Day Partnership, and Sherman County.

Additional loan funds have been established through grants from USDA Rural Development through Rural Business Enterprise Grants and through a Community Development Block Grant for Klickitat County businesses.

In February 2018, MCEDD expanded services to include operation of public transportation (The Link) in Wasco County. The Link is primarily funded by Federal and State grants received through Oregon Department of Transportation and service contracts with Wasco County and Greater Oregon Behavioral Health, Inc.

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 Economic Development District Statement of Net Position

	<u>2020</u>	<u>2019</u>
Current Assets	\$3,657,422	\$4,102,313
Total capital assets, net of depreciation	1,696,982	1,305,269
Restricted Cash	96,072	96,071
Loans Receivable, net of allowance for Uncollectibles	<u>3,878,166</u>	<u>3,250,633</u>
Total Assets	9,328,642	8,754,286
Current Liabilities	294,782	345,043
Non-Current Liabilities	<u>1,599,210</u>	<u>1,697,469</u>
Total Liabilities	1,893,992	2,042,512
Net Position:		
Net investment in capital assets	1,696,982	1,305,269
Restricted for Recapitalization	4,963,334	4,716,698
Restricted for economic development	179,231	261,938
Unrestricted (Includes Special Revenue Funds)	<u>595,103</u>	<u>427,869</u>
Total Net Position	\$7,434,650	\$6,711,774

Assets

Mid-Columbia Economic Development District's Total Assets increased from the prior year's balance by \$574,356. Decrease in Current Assets is primarily due to Decreased interfund activity and interfund loans receivable.

Liabilities

Total liabilities for MCEDD decreased by \$148,520, primarily due to repayment of debt.

**Mid-Columbia Economic Development District
Statement of Revenues, Expenses and Changes in Net Position**

	<u>2020</u>	<u>2019</u>
Revenues:		
Federal	\$ 647,063	\$ 447,608
State	494,776	323,198
Local	57,431	135,344
Loan Interest and Fee Income	340,966	445,124
Donated Revenue	1,000	39,461
Other	849,306	906,275
Total Revenues	2,390,542	2,297,010
Expenses:		
Personnel Expenses	1,287,805	1,154,964
Consulting and Professional Services	183,424	497,035
Travel and Conferences	18,395	21,650
Supplies	34,606	65,913
Other	202,640	132,928
Bad Debt Expense	-	36,104
Interest Expense	17,136	18,351
Total Expenses	1,744,006	1,926,945
Other Income/Expense:		
Interest on Investments	1,666	1,486
Loss on sale of asset	(5,753)	-
Increase/Decrease in Net Assets	642,449	371,551
Net Position (Fund Balance) - July 1	6,711,774	6,340,223
Prior Period Adjustment	80,427	-
Net Position (Fund Balance) - June 30	\$7,434,650	\$6,711,774

ANALYSIS OF OPERATIONS

Revenue:

The total revenue for FY20 increased from the prior year by \$93,532. The majority of this increase is from increased Federal and State revenue due to increased grant activity. Decreased Loan Revenue is attributed to the deferral of loan payments and interest

during the COVID-19 pandemic declared in March of 2020. Donated Revenue FY20 decreased, primarily due to recognizing Public Transportation Assets donated in the prior fiscal year.

Expenses:

Overall expenses decreased by \$182,929 in FY20. This is primarily due to no bad debt expense recognized during FY20 and a decrease in professional services cost during the current year. The decrease in professional services of \$313,611 is primarily due to special projects costs that were completed in the prior year. Other expenses increase reflects additional costs associated for Vehicle and Building costs due to the improvements done on the new building during the current year.

BUDGET ANALYSIS

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual - All Funds report for Fiscal Year Ended June 30, 2020 indicates overall revenue was more than anticipated and overall expenditures is well below budget.

The differences in budgeted revenue vs actual is attributed to Federal funding being less than anticipated, which was largely impacted due to the timing of implementation of the State Transportation Improvement Fund (STIF) and multi-year Fee-for-Service Contracts which carried over into the next FY. Loan Interest was less than budgeted due to loan payment and interest deferrals during the COVID-19 pandemic.

The differences in budgeted expenditures vs actual is largely attributed to the decrease in materials and services expenses which would include professional services. Professional services costs were down due to less special projects costs during the current year than initially anticipated.

ADDITIONAL COMMENTS

The District continues to carry five loans with USDA Rural Development through the Intermediary Relending Program as noted in the overview.

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

REQUESTS FOR INFORMATION

This financial report is designed to present the user with a general overview of the District's finances and to demonstrate our accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance and Operations Manager, 802 Chenoweth Loop Road, The Dalles, OR 97058.

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BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE FINANCIAL
STATEMENTS**

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MID COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	National Scenic Act Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 437,706	\$ 2,372,903	\$ 2,810,609	\$ 1,357,731
Accounts receivable	443,483	-	443,483	-
Prepaid expenses	11,290	492	11,782	-
Accrued interest receivable	-	28,061	28,061	9,105
Notes receivable, net (current)	-	340,921	340,921	152,923
Due from other funds	22,566	-	22,566	14,512
Total current assets	<u>915,045</u>	<u>2,742,377</u>	<u>3,657,422</u>	<u>1,534,271</u>
Capital assets not being depreciated:				
Land	172,681		172,681	-
Capital assets being depreciated:				
Buildings	1,433,277		1,433,277	-
Equipment & furniture	214,361		214,361	-
Less: accumulated Depreciaton	(123,337)		(123,337)	-
Total capital assets, net of depreciation	<u>1,696,982</u>	<u>-</u>	<u>1,696,982</u>	<u>-</u>
Other noncurrent assets:				
Restricted cash	-	96,072	96,072	-
Notes receivable, net	-	3,878,166	3,878,166	1,317,359
Total other noncurrent assets	<u>-</u>	<u>3,974,238</u>	<u>3,974,238</u>	<u>1,317,359</u>
Total assets	<u>2,612,027</u>	<u>6,716,615</u>	<u>9,328,642</u>	<u>2,851,630</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	60,345	673	61,018	1,282
Accrued interest payable	-	5,642	5,642	-
Unearned revenue	54,250	-	54,250	-
Payroll liabilities	41,000	195	41,195	-
Due to other funds	-	27,646	27,646	9,432
Current Portion of long-term obligations	-	105,031	105,031	-
Total current liabilities	<u>155,595</u>	<u>139,187</u>	<u>294,782</u>	<u>10,714</u>
Noncurrent liabilities:				
Compensated absences	57,299	-	57,299	-
Notes payable	-	1,541,911	1,541,911	-
Total noncurrent liabilities	<u>57,299</u>	<u>1,541,911</u>	<u>1,599,210</u>	<u>-</u>
Total liabilities	<u>212,894</u>	<u>1,681,098</u>	<u>1,893,992</u>	<u>10,714</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	1,696,982	-	1,696,982	-
Restricted				
Recapitalization	-	4,963,334	4,963,334	2,840,916
Specific economic development projects	179,231	-	179,231	-
Unrestricted	<u>522,920</u>	<u>72,183</u>	<u>595,103</u>	<u>-</u>
Total net position	<u>\$ 2,399,133</u>	<u>\$ 5,035,517</u>	<u>\$ 7,434,650</u>	<u>\$ 2,840,916</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, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Economic development	\$ 1,581,632	\$ 52,319	\$ 1,996,218	\$ -
Business-type activities:				
Economic development	145,229	-	341,005	-
Interest on long term debt	17,145	-	-	-
Total business-type activities	162,374	-	341,005	-
Total primary government	\$ 1,744,006	\$ 52,319	\$ 2,337,223	\$ -
Component Unit				
National Scenic Act Fund	\$ 204,693	\$ 141,532		

General revenues:
Interest income

Special Items:
Donation
Loss on sale of asset
Total special items

Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	National Scenic Act Fund
\$ 466,905	\$ -	\$ 466,905	\$ -
-	195,776	195,776	-
-	(17,145)	(17,145)	-
-	178,631	178,631	-
466,905	178,631	645,536	-
			(63,161)
-	1,666	1,666	595
1,000	-	1,000	-
(5,753)	-	(5,753)	-
(4,753)	-	(4,753)	-
462,152	180,297	642,449	(62,566)
1,936,981	4,774,793	6,711,774	2,903,482
-	80,427	80,427	-
<u>\$ 2,399,133</u>	<u>\$ 5,035,517</u>	<u>\$ 7,434,650</u>	<u>\$ 2,840,916</u>

(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, 2020

	<u>General Fund</u>	<u>Planning Grant</u>	<u>Link/Transit Center Fund</u>	<u>Special Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets and Deferred Outflows of Resources						
Cash and cash equivalents	\$ 293,554	\$ -	\$ -	\$ 126,875	\$ 17,277	\$ 437,706
Accounts receivable	-	-	372,863	70,370	250	443,483
Prepaid expenses	5,883	250	3,975	173	1,009	11,290
Due from other funds	851,222	42,181	495,123	108,847	71	1,497,444
Total assets	<u>1,150,659</u>	<u>42,431</u>	<u>871,961</u>	<u>306,265</u>	<u>18,607</u>	<u>2,389,923</u>
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 1,150,659</u>	<u>\$ 42,431</u>	<u>\$ 871,961</u>	<u>\$ 306,265</u>	<u>\$ 18,607</u>	<u>\$ 2,389,923</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 11,846	\$ -	\$ 48,499	\$ -	\$ -	\$ 60,345
Payroll liabilities	30,459	1,666	8,875	-	-	41,000
Unearned revenue	54,250	-	-	-	-	54,250
Due to other funds	407,735	14,404	882,169	170,570	-	1,474,878
Total liabilities	<u>504,290</u>	<u>16,070</u>	<u>939,543</u>	<u>170,570</u>	<u>-</u>	<u>1,630,473</u>
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Nonspendable	5,883	250	3,975	173	1,009	11,290
Restricted	-	26,111	-	135,522	17,598	179,231
Unassigned	640,486	-	(71,557)	-	-	568,929
Total fund balances	<u>646,369</u>	<u>26,361</u>	<u>(67,582)</u>	<u>135,695</u>	<u>18,607</u>	<u>759,450</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,150,659</u>	<u>\$ 42,431</u>	<u>\$ 871,961</u>	<u>\$ 306,265</u>	<u>\$ 18,607</u>	<u>\$ 2,389,923</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, 2020

Total fund balances - governmental funds \$ 759,450

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	172,681		
Buildings	1,433,277		
Equipment	214,361		
Accumulated Depreciation	<u>(123,337)</u>		<u>1,696,982</u>

Governmental funds do not report accrued personal time off pay as expenditures. Compensated absences are accrued in the statement of net position, but are expensed in the statement of activities. This results in a difference. (57,299)

Total net position - governmental activities \$2,399,133

(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, 2020

	<u>General Fund</u>	<u>Planning Grant Fund</u>	<u>Link/Transit Center Fund</u>	<u>Special Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Intergovernmental revenues						
Federal sources	\$ -	\$ 88,801	\$ 472,954	\$ 85,308	\$ -	\$ 647,063
State grants	-	-	457,276	37,500	-	494,776
Miscellaneous						
Contract revenue	-	65,018	174,844	549,086	8,000	796,948
Other local sources	-	-	51,431	-	6,000	57,431
Donated revenue	-	1,000	-	-	-	1,000
Other misc sources	3,225	-	7,026	43,189	2,404	55,844
Total revenues	<u>3,225</u>	<u>154,819</u>	<u>1,163,531</u>	<u>715,083</u>	<u>16,404</u>	<u>2,053,062</u>
Expenditures						
Current:						
Economic development	127,245	128,458	608,240	586,913	16,281	1,467,137
Capital outlay	-	-	458,187	-	-	458,187
Total expenditures	<u>127,245</u>	<u>128,458</u>	<u>1,066,427</u>	<u>586,913</u>	<u>16,281</u>	<u>1,925,324</u>
Excess of revenues over (under) expenditures	<u>(124,020)</u>	<u>26,361</u>	<u>97,104</u>	<u>128,170</u>	<u>123</u>	<u>127,738</u>
Other Financing Sources (Uses)						
Transfers in	404,669	-	-	7,525	-	412,194
Transfers out	-	-	(394,701)	(17,493)	-	(412,194)
Total transfers	<u>404,669</u>	<u>-</u>	<u>(394,701)</u>	<u>(9,968)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	280,649	26,361	(297,597)	118,202	123	127,738
Fund balances, beginning	<u>365,720</u>	<u>-</u>	<u>230,015</u>	<u>17,493</u>	<u>18,484</u>	<u>631,712</u>
Fund balances, ending	<u>\$ 646,369</u>	<u>\$ 26,361</u>	<u>\$ (67,582)</u>	<u>\$ 135,695</u>	<u>\$ 18,607</u>	<u>\$ 759,450</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, 2020

Total net change in fund balances - governmental funds	\$ 127,738
Amounts reported for governmental <i>activities</i> 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 in this difference.	(57,299)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$458,187 exceeded depreciation expense (\$57,196) in the current period.	400,991
In the statement of activities, losses (\$5,753) on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds (\$3,525) from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	<u>(9,278)</u>
Change in net position of governmental activities	<u><u>\$ 462,152</u></u>

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

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>Revolving Loan Fund</u>	<u>RLF Housing Fund</u>	<u>Intermediary Relending Program</u>	<u>Rural Business Enterprise Grant</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 204,397	\$ 1,482,838	\$ 300,770	\$ 102,624
Accrued interest receivable	8,646	1,284	10,323	3,078
Prepaid expenses	217	-	275	-
Due from other funds	10,915	1,726	64,699	19,088
Notes receivable, net (current)	36,612	9,024	106,214	10,616
Total current assets	<u>260,787</u>	<u>1,494,872</u>	<u>482,281</u>	<u>135,406</u>
Noncurrent assets:				
Restricted cash	-	-	96,072	-
Notes receivable, net	512,353	541,873	2,036,329	414,374
Total assets	<u>773,140</u>	<u>2,036,745</u>	<u>2,614,682</u>	<u>549,780</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	70	-	592	-
Accrued interest payable	-	-	3,823	-
Payroll liabilities	118	-	-	-
Interfund loan payable	22,259	10,308	81,992	19,968
Loans payable - current portion	-	-	87,595	-
Total current liabilities	<u>22,447</u>	<u>10,308</u>	<u>174,002</u>	<u>19,968</u>
Loans payable	-	-	1,128,746	-
Total liabilities	<u>22,447</u>	<u>10,308</u>	<u>1,302,748</u>	<u>19,968</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Restricted for recapitalization	750,693	2,026,437	1,241,249	529,812
Unrestricted	-	-	70,685	-
Total net position	<u>\$ 750,693</u>	<u>\$ 2,026,437</u>	<u>\$ 1,311,934</u>	<u>\$ 529,812</u>

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2020

	<u>IRP Washington</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 30,100	\$ 252,174	\$ 2,372,903
Accrued interest receivable	4,047	683	28,061
	-	-	492
Due from other funds	4,675	22,579	123,682
Notes receivable, net (current)	163,354	15,101	340,921
Total current assets	<u>202,176</u>	<u>290,537</u>	<u>2,866,059</u>
Noncurrent assets:			
Restricted cash	-	-	96,072
Notes receivable	113,855	259,382	3,878,166
Total assets	<u>316,031</u>	<u>549,919</u>	<u>6,840,297</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities:			
Accounts payable	11	-	673
Accrued interest payable	859	960	5,642
Payroll liabilities	-	77	195
Interfund loan payable	7,282	9,519	151,328
Loans payable - current portion	10,612	6,824	105,031
Total current liabilities	<u>18,764</u>	<u>17,380</u>	<u>262,869</u>
Loans payable	253,386	159,779	1,541,911
Total liabilities	<u>272,150</u>	<u>177,159</u>	<u>1,804,780</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Restricted for recapitalization	42,593	372,550	4,963,334
Unrestricted	1,288	210	72,183
Total net position	<u>\$ 43,881</u>	<u>\$ 372,760</u>	<u>\$ 5,035,517</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, 2020

	Revolving Loan Fund	RLF Housing Fund	Intemetary Relending Program	Rural Business Enterprise Grant
Operating Revenues				
Loan fees	\$ 3,204	\$ 3,263	\$ 10,387	\$ 427
Contract reimbursement	-	-	-	-
Loan interest	51,840	17,522	167,358	34,195
Total operating revenues	<u>55,044</u>	<u>20,785</u>	<u>177,745</u>	<u>34,622</u>
Operating Expenses				
Salary and fringe benefits	16,850	8,757	67,698	11,061
Consulting and professional services	1,781	737	8,038	157
Travel and conference	52	28	652	27
Supplies	43	60	2,634	65
Interest expense	-	-	14,278	-
Insurance	425	-	-	-
Indirect expenses	10,281	5,599	(24,428)	6,880
Total operating expenses	<u>29,432</u>	<u>15,181</u>	<u>68,872</u>	<u>18,190</u>
Operating income (loss)	25,612	5,604	108,873	16,432
Non-Operating Revenues (Expenses)				
Interest income	38	835	642	74
Change in net position	25,650	6,439	109,515	16,506
Net position - beginning	725,043	2,019,998	1,121,992	513,306
Prior period adjustment	-	-	80,427	-
Net position - ending	<u>\$ 750,693</u>	<u>\$ 2,026,437</u>	<u>\$ 1,311,934</u>	<u>\$ 529,812</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, 2020

	IRP Washington	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Loan fees	\$ 1,646	\$ 1,151	\$ 20,078
Contract reimbursement	-	39	39
Loan interest	24,258	25,715	320,888
Total operating revenues	<u>25,904</u>	<u>26,905</u>	<u>341,005</u>
Operating Expenses			
Salary and fringe benefits	5,526	10,408	120,300
Consulting and professional services	854	747	12,314
Travel and conference	52	4	815
Supplies	84	141	3,027
Interest expense	2,708	159	17,145
Insurance	-	-	425
Indirect expenses	3,471	6,545	8,348
Total operating expenses	<u>12,695</u>	<u>18,004</u>	<u>162,374</u>
Operating income (loss)	13,209	8,901	178,631
Non-Operating Revenues (Expenses)			
Interest income	6	71	1,666
Change in net position	13,215	8,972	180,297
Net position - beginning	30,666	363,788	4,774,793
	<u>-</u>	<u>-</u>	<u>80,427</u>
Net position - ending	<u>\$ 43,881</u>	<u>\$ 372,760</u>	<u>\$ 5,035,517</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, 2020

	<u>Revolving Loan Fund</u>	<u>RLF Housing</u>	<u>Intermediary Relending Program</u>	<u>Rural Business Enterprise Grant</u>
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 49,281	\$ 20,409	\$ 97,847	\$ 34,683
Payments to employees	(16,732)	(14,356)	(67,698)	(11,061)
Payments to suppliers	(12,522)	(825)	(794)	(7,129)
Net cash provided (used) by operating activities	<u>20,027</u>	<u>5,228</u>	<u>29,355</u>	<u>16,493</u>
Cash Flows from Noncapital Financing Activities				
Due to/from other funds	5,992	7,221	5,166	(6,939)
Payments on loans payable	-	-	(86,728)	-
Change in restricted cash	-	-	(1)	-
Net cash provided (used) by financing activities	<u>5,992</u>	<u>7,221</u>	<u>(81,563)</u>	<u>(6,939)</u>
Cash Flows from Investing Activities				
Interest and dividends	38	835	642	74
Proceeds from repayment of loans	210,625	2,998	470,296	58,074
New Loans issued	(122,500)	(323,000)	(379,000)	-
Net cash provided (used) by investing activities	<u>88,163</u>	<u>(319,167)</u>	<u>91,938</u>	<u>58,148</u>
Net increase in cash and cash equivalents	114,182	(306,718)	39,730	67,702
Beginning cash and investments	<u>90,215</u>	<u>1,789,556</u>	<u>261,040</u>	<u>34,922</u>
Ending cash and cash equivalents	<u>\$ 204,397</u>	<u>\$ 1,482,838</u>	<u>\$ 300,770</u>	<u>\$ 102,624</u>

Reconciliation of Operating Income (Loss) to Net

Cash Provided (Used) By Operating Activities				
Operating income (loss)	\$ 25,612	\$ 5,604	\$ 108,873	\$ 16,432
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in accrued int receivable	(6,338)	(376)	(2,211)	61
(Increase) decrease in prepaid expenses	(10)	-	(275)	-
Increase (decrease) in payroll liabilities	118	-	-	-
Increase (decrease) in allowance	575	-	(77,687)	-
Increase (decrease) in payables	70	-	655	-
Net cash provided (used) by operating activities	<u>\$ 20,027</u>	<u>\$ 5,228</u>	<u>\$ 29,355</u>	<u>\$ 16,493</u>

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	IRP Washington	Other Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 23,647	\$ 27,893	\$ 253,760
Payments to employees	(5,526)	(10,331)	(125,704)
Payments to suppliers	(7,158)	(7,596)	(36,024)
Net cash provided (used) by operating activities	<u>10,963</u>	<u>9,966</u>	<u>92,032</u>
Cash Flows from Noncapital Financing Activities			
Due to/from other funds	1,539	(12,319)	660
Payments on loans payable	(10,413)	(6,756)	(103,897)
Change in restricted cash	-	-	(1)
Net cash provided (used) by noncapital activities	<u>(8,874)</u>	<u>(19,075)</u>	<u>(103,238)</u>
Cash Flows from Investing Activities			
Interest and dividends	6	71	1,666
Proceeds from repayment of loans	10,660	97,162	849,815
New Loans issued	(52,000)	(20,000)	(896,500)
Net cash provided (used) by financing activities	<u>(41,334)</u>	<u>77,233</u>	<u>(45,019)</u>
Net increase in cash and cash equivalents	(39,245)	68,124	(56,225)
Beginning cash and investments	<u>69,345</u>	<u>184,050</u>	<u>2,429,128</u>
Ending cash and investments	<u>\$ 30,100</u>	<u>\$ 252,174</u>	<u>\$ 2,372,903</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ 13,209	\$ 8,901	\$ 178,631
Adjustments to reconcile operating income to net cash			
Change in assets and liabilities:			
(Increase) decrease in accrued int receivable	(2,068)	988	(9,944)
(Increase) decrease in prepaid expenses	-	-	(285)
(Increase) decrease in payroll liabilities	-	77	195
Increase (decrease) in allowance	(189)	-	(77,301)
Increase (decrease) in payables	11	-	736
Net cash provided (used) by operating activities	<u>\$ 10,963</u>	<u>\$ 9,966</u>	<u>\$ 92,032</u>

(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, a legally separate entity, 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 \$98,305 paid to the District and are reported as external transactions. The Fund is being reported as a discretely presented component unit due to the significance of its relationship with the District.

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 Grant 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

Link/Transit Center Fund - This fund accounts for the transportation program the entity took over this year. They received donated assets and funding from the Mid Columbia Council of Governments, Oregon Department of Transportation and Washington Department of Transportation to operate a regional transportation program

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, Intermediary Relending Program - Washington, and Rural Business Enterprise fund. 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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Major capital asset additions are financed primarily from loan and bond proceeds. The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used for assets that have initial useful lives extending beyond a single reporting period.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50-100
Improvements	20-50
Equipment and Furniture	2-15

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.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

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.

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.

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.

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.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

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, 2020 as follows:

Budget Category	Over Expenditure
Capital Outlay	\$ 144,343

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances at year end, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Link/Transit Center Fund	\$ 67,582	Expenditures exceeded expectations

Note 3 - Deposits and Investments

Deposits are comprised of the following at June 30, 2020:

	Carrying Value	Fair Value
Demand Deposits		
District Funds	\$ 2,810,609	\$ 2,810,609
Component Unit	1,357,731	1,357,731
Certificates of Deposit		
District Funds	96,072	96,072
Total	\$ 4,264,412	\$ 4,264,412

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

Cash and cash equivalents	\$ 2,810,609
Component Unit-cash and cash equivalents	1,357,731
Restricted cash	96,072
	\$ 4,264,412

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

Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$4,284,056 at June 30, 2020. 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.

Note 4 - Receivables:

The District shows their receivables net of an allowance for uncollectible accounts.

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 the Proprietary Funds consist of Intermediary Relending Program and Revolving Loan Funds loans that are generally not expected or scheduled to be collected completely in the subsequent year.

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

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Note 5 - Loans Receivable

As of June 30, 2020, loans receivable were primarily comprised of:

	Enterprise Funds	Component Unit
Oregon Investment Board Loan Fund	\$ -	\$ 1,551,746
EDA Revolving Loan Fund	590,242	-
Intermediary Relending Programs	2,646,686	-
Rural Development Grant Programs	455,824	-
CDBG Microenterprise Loans	1,770	-
MCEDD Regional Strategies Loan Fund	120,255	-
Attainable Housing Development Fund	565,635	-
MCEDD Micro Loan	18,031	-
Loans Receivable before Allowance	4,398,443	1,551,746
Less Allowance for Doubtful Accounts	(179,356)	(81,464)
Net Notes Receivable	<u>\$ 4,219,087</u>	<u>\$ 1,470,282</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 following tables present informative data by class of financing receivable regarding their age and interest accrual status at June 30, 2020:

June 30, 2020	Past Due				Total Past Due	Total Financing Receivable	Status of Interest Accruals	
	Current	30-59 days	60-89 days	> 90 days			Total Financing Receivables on NonAccrual Status	Financing Receivables Past Due > 90 days and Still Accruing Interest
EDA Revolving	583,775	525	549	5,393	6,467	590,242	-	-
IRP Loan Fund	2,189,872	0	639	6,838	7,477	2,197,349	-	-
IRP - Sherman	156,871	0	0	0	0	156,871	-	-
IRP - Washington	291,913	175	175	203	553	292,466	-	-
MCEDD Regional	120,255	0	0	0	0	120,255	-	-
RBEG	452,392	0	4	3,428	3,432	455,824	-	-
CDBG Klickitat	1,770	0	0	0	0	1,770	-	-
MCEDD Micro	18,031	0	0	0	0	18,031	-	-
Attainable Housing	565,635	0	0	0	0	565,635	-	-
Total	4,380,514	700	1,367	15,862	17,929	4,398,443	-	-
Component Unit	1,537,509	1,235	3,321	9,681	14,237	1,551,746	-	-

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Future contractual maturities of loans receivable are as follows:

	<u>Enterprise Funds</u>	<u>Component Unit</u>	<u>Total</u>
2020-2021	340,921	152,923	493,844
2021-2022	247,488	303,991	551,479
2022-2023	198,461	57,693	256,154
2023-2024	278,162	728,276	1,006,438
2024-2025	432,185	338,184	770,369
Thereafter	2,901,226	(29,321)	2,871,905
Total	\$ 4,398,443	\$ 1,551,746	\$ 5,950,189

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<u>Balance at July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 172,681	\$ -	\$ -	\$ 172,681
Capital assets being depreciated:				
Buildings	1,043,379	389,898	-	1,433,277
Equipment	164,627	68,289	(18,555)	214,361
Total capital assets being depreciated	1,208,006	458,187	(18,555)	1,647,638
Less: accumulated depreciation:				
Buildings	(38,897)	(28,845)	-	(67,742)
Equipment	(36,521)	(28,351)	9,277	(55,595)
Total accumulated depreciation	(75,418)	(57,196)	9,277	(123,337)
Net capital assets being depreciated	1,132,588	400,991	(9,278)	1,524,301
Governmental Activities - net capital assets	<u>\$ 1,305,269</u>	<u>\$ 400,991</u>	<u>\$ (9,278)</u>	<u>\$ 1,696,982</u>

Depreciation Expense was charged to functions as follows:

Governmental Activities:	
Economic Development	\$ 57,196

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Note 7 - Interfund Receivables and Payables

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Governmental Funds:		
General Fund	\$ 56,441	\$ -
Planning Grant Fund	27,777	
Special Projects	-	61,723
Nonmajor Governmental Funds	71	-
Proprietary Funds:		
Revolving Loan Fund		11,344
Housing RLF		8,582
IRP Fund		17,293
Rural Business Ent		880
IRP Washington		2,607
Nonmajor Proprietary Funds	13,060	-
Component Unit		
National Scenic Fund	5,080	
	<u>\$ 102,429</u>	<u>\$ 102,429</u>

Interfund transfers were set up for reimbursement purposes for loan fund accounts as well as support for other funds.

Note 8 - Operating Lease

The district entered into a 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 the first fiscal year and then an annual 3% increase each year based off of the prior year. A monthly payment schedule is included in the w/p's. This lease ended in the current fiscal year, the District moved into their new facility.

The district also entered into a lease agreement with Pitney Bowes for office equipment as of July 15, 2014. The lease term is for 51 months with quarterly payments of \$99. This agreement was renewed January 19, 2019 for another 63 months, and the quarterly payments were increased to \$110.

The district also entered into a lease agreement with Xerox for office equipment as of November 1, 2014. The lease term is for 60 months with a monthly payment starting at \$224. The lease was renewed to extend through October of 2025 with payments of \$220 per month.

The District has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. For fiscal year ended June 30, 2020, rentals approximated \$9,602 for such leases. These leases primarily support governmental activities. The following is a schedule by year for the five years which totals all future minimum lease payments under operating leases:

<u>Year Ending</u> <u>June 30, 2020</u>	<u>Governmental</u> <u>Activities</u>
2021	3,084
2022	3,084
2023	3,084
2024	2,997
Thereafter	<u>882</u>
Total payments	<u>\$ 13,131</u>

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Note 9 - Long-Term Debt

Long-Term Obligation Activity

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

	<u>Payable at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable at June 30, 2020</u>	<u>Due within one year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 50,620	\$ 6,679	\$ -	\$ 57,299	\$ -
	<u>Payable at July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable at June 30, 2020</u>	<u>Due within one year</u>
<u>Business-Type Activities:</u>					
Loan #1	\$ 401,777	\$ -	\$ (38,433)	\$ 363,344	\$ 38,817
Loan #2	352,995	-	(21,940)	331,055	22,159
Loan #3	548,297	-	(26,355)	521,942	26,619
Loan #4	274,411	-	(10,413)	263,998	10,612
Loan #5	173,359	-	(6,756)	166,603	6,824
Total	<u>\$ 1,750,839</u>	<u>\$ -</u>	<u>\$ (103,897)</u>	<u>\$ 1,646,942</u>	<u>\$ 105,031</u>

The compensated absences liability attributable to governmental activities is liquidated by the fund that incurs the liability.

Debt Service Requirements

Debt service requirements on long-term debt from Direct Borrowings and Direct Placements at year end are as follows:

	<u>Current Portion</u>	<u>Total</u>
<u>Intermediary Relending Loan #1</u>		
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 \$4,219,087 at June 30, 2020, of which, \$2,142,543 relate directly to the Intermediary Relending Program.		
	\$ 38,817	\$ 363,344

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Intermediary Relending Loan #2

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 \$4,219,087 at June 30, 2020, of which, \$2,142,543 relate directly to the Intermediary Relending Program.

22,159

331,055

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 \$4,219,087 at June 30, 2020, of which, \$2,142,543 relate directly to the Intermediary Relending Program.

26,619

521,942

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 \$4,219,087 at June 30, 2020, of which, \$2,142,543 relate directly to the Intermediary Relending Program.

10,612

263,998

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

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 \$4,219,087 at June 30, 2020, of which, \$2,142,543 relate directly to the Intermediary Relending Program.

	6,824	166,603
	\$ 105,031	\$ 1,646,942

The Entity had no debt service requirements on other long-term debt at year end.

The aggregate maturities of long-term borrowings is:

Intermediary Relending Loan #1			
Year ended June 30,	Principal	Interest	Total Requirements
2021	\$ 38,817	\$ 3,633	\$ 42,450
2022	39,205	3,245	42,450
2023	39,597	2,853	42,450
2024	39,993	2,457	42,450
2025	40,393	2,057	42,450
2026-2029	165,339	4,461	169,800
	\$ 363,344	\$ 18,706	\$ 382,050

Intermediary Relending Loan #2			
Year ended June 30,	Principal	Interest	Total Requirements
2021	\$ 22,159	\$ 3,311	\$ 25,470
2022	22,381	3,089	25,470
2023	22,605	2,865	25,470
2024	22,831	2,639	25,470
2025	23,059	2,411	25,470
2026-2030	118,802	8,548	127,350
2031-2034	99,218	2,662	101,880
	\$ 331,055	\$ 25,525	\$ 356,580

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Intermediary Relending Loan #3

Year ended June 30,	Principal	Interest	Total Requirements
2021	\$ 26,619	\$ 5,219	\$ 31,838
2022	26,885	4,953	31,838
2023	27,154	4,684	31,838
2024	27,425	4,413	31,838
2025	27,699	4,139	31,838
2026-2030	142,707	16,483	159,190
2031-2035	149,986	9,204	159,190
2036-2038	93,467	2,047	95,514
	<u>\$ 521,942</u>	<u>\$ 51,142</u>	<u>\$ 573,084</u>

Intermediary Relending Loan #4

Year ended June 30,	Principal	Interest	Total Requirements
2021	\$ 10,612	\$ 2,520	\$ 13,132
2022	10,615	2,517	13,132
2023	10,774	2,358	13,132
2024	10,828	2,304	13,132
2025	10,936	2,196	13,132
2026-2030	56,350	9,310	65,660
2031-2035	59,233	6,427	65,660
2036-2040	62,262	3,398	65,660
2041-2043	32,388	7,008	39,396
	<u>\$ 263,998</u>	<u>\$ 38,038</u>	<u>\$ 302,036</u>

Intermediary Relending Loan #5

Year ended June 30,	Principal	Interest	Total Requirements
2021	\$ 6,824	\$ 1,666	\$ 8,490
2022	6,892	1,598	8,490
2023	6,961	1,529	8,490
2024	7,031	1,459	8,490
2025	7,101	1,389	8,490
2026-2030	36,584	5,866	42,450
2031-2035	38,450	4,000	42,450
2036-2040	40,412	2,038	42,450
2041-2042	16,348	632	16,980
	<u>\$ 166,603</u>	<u>\$ 20,177</u>	<u>\$ 186,780</u>

Note 10 - 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 11 - 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 22 participants were covered by the plan. Total contributions for the year ended June 30, 2020 were \$76,444 by the District and \$59,448 by employees.

No amount was forfeited by employees due to leaving employment with the Mid-Columbia Economic Development District prior to vesting for fiscal year ended June 30, 2020.

Note 12 - Internal Transfers

Internal transfers for the fiscal year ended June 30, 2020 consist of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 404,669	\$ -
Link/Transit Center	-	394,701
Special Projects	7,525	17,493
Total Transfers	<u>\$ 412,194</u>	<u>\$ 412,194</u>

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

Note 13 - Fund Balance Classification

Fund balances by classification for the year ended June 30, 2020 were as follows:

	<u>General Fund</u>	<u>Planning Grant</u>	<u>Link- Transit Center</u>	<u>Special Projects</u>	<u>Other Governmental</u>	<u>Total</u>
<u>Fund balances:</u>						
Nonspendable:	\$ 5,883	\$ 250	\$ 3,975	\$ 173	\$ 1,009	\$ 11,290
Restricted:						
Economic Development	-	26,111	-	135,522	17,598	179,231
Unassigned	<u>606,922</u>	<u>-</u>	<u>(95,292)</u>	<u>-</u>	<u>-</u>	<u>511,630</u>
Total fund balances	<u>\$ 612,805</u>	<u>\$ 26,361</u>	<u>\$ (91,317)</u>	<u>\$ 135,695</u>	<u>\$ 18,607</u>	<u>\$ 702,151</u>

Note 14 - 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.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Notes to Basic Financial Statements

Note 15 - Restatement of Prior Period Fund Balance

The District recovered an Intermediary Relending Program loan receivable that had been written off in prior years leaving beginning fund balance in the Intermediary Relending Program Fund understated. Accordingly, the beginning fund balance was restated to correct this understatement in the prior year. The net effect of this restatements is as follows:

Intermediary Relending Program Fund:

Net position at July 1, 2019 - originally reported	\$ 1,121,992
Prior period adjustment	<u>80,427</u>
Net position at July 1, 2019 - restated	<u><u>\$ 1,202,419</u></u>

Note 16 - Subsequent Events

On March 11, 2020, the World Health Organization declared a world-wide pandemic related to COVID-19. The virus is causing significant upheaval in the United States and most countries in the world. Supply chains are disrupted and most citizens in the U.S. are under some sort of stay at home order. As of the date of the report, the District's revenue had not been significantly impacted by the virus, however, it is unknown if the pandemic will cause future impacts on revenues and operations.

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**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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Federal	\$ 754,895	\$ 754,895	\$ 647,063	\$ (107,832)
State	742,668	742,668	494,776	(247,892)
Local match	74,250	74,250	-	(74,250)
Contract reimbursements	913,511	913,511	796,948	(116,563)
Local assessment	80,946	80,946	-	(80,946)
Loan interest	477,712	477,712	320,888	(156,824)
Invested fund interest	1,644	1,644	-	(1,644)
Principal repayments	1,375,994	1,375,994	849,905	(526,089)
Loan funds available to loan	2,815,416	2,815,416	3,856,160	1,040,744
Loan fees	41,960	41,960	20,078	(21,882)
In-kind	32,435	32,435	-	(32,435)
Other	58,393	58,393	115,980	57,587
Total revenues	<u>7,369,824</u>	<u>7,369,824</u>	<u>7,101,798</u>	<u>(268,026)</u>
Expenditures				
Personnel costs	1,515,275	1,515,275	1,287,805	227,470
Materials and services	1,051,469	1,051,469	392,326	659,143
Grants disbursed	25,000	25,000	-	25,000
Capital outlay	313,844	313,844	458,187	(144,343)
Revolving loan fund:				
New loans issues	4,288,856	4,288,856	896,500	3,392,356
IRP payments (principle & interest)	125,000	125,000	103,897	21,103
Total expenditures	<u>7,319,444</u>	<u>7,319,444</u>	<u>3,138,715</u>	<u>4,180,729</u>
Net change in fund balance	50,380	50,380	3,963,083	3,912,703
Carryover Balance - July 1, 2019	<u>581,285</u>	<u>581,285</u>		<u>581,285</u>
Carryover Balance - July 1, 2020	<u>\$ 631,665</u>	<u>\$ 631,665</u>	<u>\$ 3,963,083</u>	<u>\$ 3,331,418</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		\$ 3,963,083
Add:		
New loans issued		896,500
Principal payments on IRP loan		103,897
Compensated absences		50,620
Less:		
Principal payments on loans receivable		(849,905)
Beginning loans funds available		<u>(3,856,160)</u>
Change in net position - GAAP Basis		
Primary government	127,738	
Proprietary Funds	<u>180,297</u>	
GAAP Basis		<u><u>\$ 308,035</u></u>

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SUPPLEMENTARY INFORMATION

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Cider Society Fund	RBEG John Day Fund	Arts Cluster Fund	TFFF Grant Fund	Total
Assets and Deferred Outflows of Resources					
Current assets:					
Cash and cash equivalents	\$ 125	\$ 16,783	\$ 369	\$ -	\$ 17,277
Accounts receivable		250			250
Due from other funds		-	-	71	71
Prepaid expenses	-	1,009	-	-	1,009
Total assets	<u>125</u>	<u>18,042</u>	<u>369</u>	<u>71</u>	<u>18,607</u>
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 125</u>	<u>\$ 18,042</u>	<u>\$ 369</u>	<u>\$ 71</u>	<u>\$ 18,607</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred inflows of resources	-	-	-	-	-
Fund Balances:					
Nonspendable	-	1,009	-	-	1,009
Restricted for:					
Economic development projects	125	17,033	369	71	17,598
Total fund balances	<u>\$ 125</u>	<u>\$ 18,042</u>	<u>\$ 369</u>	<u>\$ 71</u>	<u>\$ 18,607</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 125</u>	<u>\$ 18,042</u>	<u>\$ 369</u>	<u>\$ 71</u>	<u>\$ 18,607</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, 2020

	Cider Society Fund	RBEG John Day Fund	Arts Cluster Fund	TFFF Grant Fund	Total
Operating Revenues					
Intergovernmental revenues					
Local	\$ -	\$ 6,000	\$ -	\$ -	\$ 6,000
Contract revenue	-	8,000	-	-	8,000
Miscellaneous income	2,404	-	-	-	2,404
Total operating revenues	<u>2,404</u>	<u>14,000</u>	<u>-</u>	<u>-</u>	<u>16,404</u>
Operating Expenses					
Current:					
Professional services	-	2,000	-	-	2,000
Travel and conference	1,372	-	-	-	1,372
Supplies	892	-	-	-	892
Other materials and services	-	4,000	-	-	4,000
Communications	15	8,002	-	-	8,017
Total operating expenses	<u>2,279</u>	<u>14,002</u>	<u>-</u>	<u>-</u>	<u>16,281</u>
Change in net position	125	(2)	-	-	123
Net position - beginning	-	18,044	369	71	18,484
Net position - ending	<u>\$ 125</u>	<u>\$ 18,042</u>	<u>\$ 369</u>	<u>\$ 71</u>	<u>\$ 18,607</u>

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Statement of Net Position
Nonmajor Proprietary Funds
June 30, 2020

	Regional Strategies Fund	CDBG Micro Enterprise	MCEDD Micro Loan Fund	IRP Sherman Fund	Total
Assets					
Current Assets:					
Cash and cash equivalents	\$ 57,332	\$ 106,366	\$ -	\$ 88,476	\$ 252,174
Accrued interest receivable	423	7	76	177	683
Due from other funds	5,328	987	8,259	8,005	22,579
Loans receivable - current portion	1,250	-	4,704	9,147	15,101
Total current assets	<u>64,333</u>	<u>107,360</u>	<u>13,039</u>	<u>105,805</u>	<u>290,537</u>
Noncurrent Assets:					
Loans receivable - net of allowance	108,969	(251)	13,327	137,337	259,382
Total assets:	<u>173,302</u>	<u>107,109</u>	<u>26,366</u>	<u>243,142</u>	<u>549,919</u>
Deferred Outflows of Resources					
	-	-	-	-	-
Liabilities					
Current liabilities:					
Accrued interest payable	-	-	-	960	960
Payroll liabilities	-	5	51	21	77
Due to other funds	4,555	1,156	205	3,603	9,519
Loans payable - current portion	-	-	-	6,824	6,824
Total current liabilities	<u>4,555</u>	<u>1,161</u>	<u>256</u>	<u>11,408</u>	<u>17,380</u>
Noncurrent liabilities:					
Loan payable	-	-	-	159,779	159,779
Total liabilities:	<u>4,555</u>	<u>1,161</u>	<u>256</u>	<u>171,187</u>	<u>177,159</u>
Deferred Inflows of Resources					
	-	-	-	-	-
Net Position					
Restricted for recapitalization	168,747	105,948	26,110	71,745	372,550
Unrestricted	-	-	-	210	210
Total net position	<u>\$ 168,747</u>	<u>\$ 105,948</u>	<u>\$ 26,110</u>	<u>\$ 71,955</u>	<u>\$ 372,760</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, 2020

	Regional Strategies Fund	CDBG Micro Enterprise	MCEDD Micro Loan Fund	IRP Sherman Fund	Total
Operating Revenues					
Loan fees	\$ -	\$ 246	\$ 300	\$ 605	\$ 1,151
Contract reimbursement	-	-	39	-	39
Loan interest	11,064	2,029	802	11,820	25,715
Total operating revenues	<u>11,064</u>	<u>2,275</u>	<u>1,141</u>	<u>12,425</u>	<u>26,905</u>
Operating Expenses					
Salaries and fringe benefits	3,090	1,233	2,394	3,691	10,408
Consulting and professional services	66	64	30	587	747
Travel and conference	-	-	4	-	4
Supplies	30	23	-	88	141
Interest expense	9	-	-	150	159
Indirect expenses	1,967	776	1,487	2,315	6,545
Total operating expenses	<u>5,162</u>	<u>2,096</u>	<u>3,915</u>	<u>6,831</u>	<u>18,004</u>
Operating income(loss)	5,902	179	(2,774)	5,594	8,901
Non-Operating Revenues (Expenses)					
Interest income	32	25	-	14	71
Change in net position	5,934	204	(2,774)	5,608	8,972
Total net position - beginning	<u>162,813</u>	<u>105,744</u>	<u>28,884</u>	<u>66,347</u>	<u>363,788</u>
Total net position - ending	<u>\$ 168,747</u>	<u>\$ 105,948</u>	<u>\$ 26,110</u>	<u>\$ 71,955</u>	<u>\$ 372,760</u>

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Regional Strategies Admin Fund	CDBG Micro Enterprise	MCEDD Micro Loan Fund	IRP Sherman Fund	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 11,175	\$ 2,508	\$ -	\$ 13,145	\$ 26,828
Cash received from operating grants	-	-	1,065	-	1,065
Cash payments to employees for services	(3,090)	(1,228)	(2,343)	(3,670)	(10,331)
Cash payments - other operating expenses	(2,072)	(863)	(1,521)	(3,140)	(7,596)
Net cash provided (used) by operating activities	<u>6,013</u>	<u>417</u>	<u>(2,799)</u>	<u>6,335</u>	<u>9,966</u>
Cash Flows from Noncapital Financing Activities					
Due to/from other funds	(2,390)	335	(8,259)	(2,005)	(12,319)
Payments on loans payable	-	-	-	(6,756)	(6,756)
Net cash provided (used) by noncapital financing activities	<u>(2,390)</u>	<u>335</u>	<u>(8,259)</u>	<u>(8,761)</u>	<u>(19,075)</u>
Cash Flows from Investing Activities					
Interest and dividends	32	25	-	14	71
Proceeds from loan repayments	47,013	31,925	1,969	16,255	97,162
New Loans issued	-	-	(20,000)	-	(20,000)
Net cash provided (used) by investing activities	<u>47,045</u>	<u>31,950</u>	<u>(18,031)</u>	<u>16,269</u>	<u>77,233</u>
Net increase(decrease) in cash and cash equivalents	50,668	32,702	(29,089)	13,843	68,124
Cash Balances - beginning	<u>6,664</u>	<u>73,664</u>	<u>29,089</u>	<u>74,633</u>	<u>184,050</u>
Cash Balances - ending	<u>\$ 57,332</u>	<u>\$ 106,366</u>	<u>\$ -</u>	<u>\$ 88,476</u>	<u>\$ 252,174</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)					
By Operating Activities:					
Operating income (loss)	\$ 5,902	\$ 179	\$ (2,774)	\$ 5,594	\$ 8,901
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Change in assets and liabilities:					
(Increase) decrease in accrued int receivable	111	233	(76)	720	988
Increase (decrease) in payroll liabilities	-	5	51	21	77
Net cash provided (used) by operating activities	<u>\$ 6,013</u>	<u>\$ 417</u>	<u>\$ (2,799)</u>	<u>\$ 6,335</u>	<u>\$ 9,966</u>

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

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

Board of Directors
Mid-Columbia Economic Development District
802 Chenoweth Loop Rd.
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, 2020 and have issued our report thereon dated December 3, 2020. 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 governing body adopted budget and making appropriations requirements as stated in ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2020, as follows:

Budget Category	Over Expenditure
Capital Outlay	\$ 144,343

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in a separate letter dated December 3, 2020, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider 6 deficiencies described in a separate letter dated December 3, 2020, to be material weaknesses.

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. We consider one deficiency described in a separate letter dated December 3, 2020, to be a significant deficiency.

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 December 3, 2020 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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

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

La Grande, Oregon
December 3, 2020

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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, 2020

<u>Federal Grantor/Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Commerce:				
<u>Direct Programs:</u>				
Economic Development Support for Planning Organizations	ED17SEA3020013	4/1/18-3/31/19	11.302	\$ 68,801
Economic Development Support for Planning Organizations	ED17SEA3020013	4/1/18-3/31/20	11.302	<u>20,000</u>
Total Economic Development Support for Planning Organizations				88,801
Economic Adjustment Assistance (Note E)	45021OR	Varies	11.307	<u>687,688</u>
Total U.S. Department of Commerce				<u>776,489</u>
U.S. Department of Agriculture:				
<u>Intermediary Relending Program</u>				
Intermediary Relending Program (Note C)		Varies	10.767	367,795
Intermediary Relending Program - Interest Subsidy (Note D)		Varies	10.767	<u>102,816</u>
Total Intermediary Relending Program				470,611
Total U.S. Department of Agriculture				<u>470,611</u>
U.S. Department of Transportation				
<u>Pass Through: Washington Department of Transportation</u>				
Capital Assistance for Elderly Persons with Disabilities	GCB2096	7/1/18-6/30/20	20.513	27,721
<u>Pass Through: Oregon Department of Transportation</u>				
Capital Assistance for Elderly Persons with Disabilities	33810	10/1/19-6/30/20	20.513	34,399
<u>Pass Through Oregon Department of Transportation</u>				
Oregon Department of Transportation-Operations (DFR)	32876	7/1/18-6/30/20	20.513	<u>71,081</u>
Total Enhancement Mobility of Seniors and Individuals with Disabilities				133,201
Highway Planning and Construction Cluster				
Oregon Dept of Transportation-Federal FHWA-B33470	32763	7/1/18-6/30/20	20.205	8,000
Oregon Dept of Transportation Grant FHWA	32501	7/1/18-6/30/21	20.205	15,188
Oregon Dept of Transportation - Operations	33429	7/1/18-6/30/21	20.205	<u>124,562</u>
Total Highway Planning and Construction				147,750
<u>Pass Through Oregon Department of Transportation</u>				
Oregon Dept of Transportation-CARES Funds for Operations	34205	5/1/20-6/30/21	20.509	17,612
Oregon Department of Transportation-STP Enhancemnet R4 5311 STP	32466	2/1/19-6/30/20	20.509	<u>129,467</u>
Total Formula Grants for Rural Areas				147,079
<u>Pass Through Oregon Department of Transportation</u>				
Oregon Dept of Transportation-New Vehicle	33525	7/1/19-6/30/21	20.526	59,165
Oregon Dept of Transportation-Bus Stop Shelters, Poles, Signs	32876	2/1/19-6/30/20	20.526	<u>61,227</u>
Total Buses and Bus Facilities Formula Grants				120,392
Total U.S. Department of Transportation				<u>548,422</u>
U.S. Department of Housing and Urban Development				
<u>Direct Programs:</u>				
Community Development Block Grant (Note F)		Varies	14.228	<u>3,695</u>
Total expenditures of federal awards				<u>\$ 1,799,217</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, 2020.

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, 2020. 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, 2020, 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:

	<u>New Federal Money</u>	<u>Revolved Money</u>	<u>Total</u>
Balance, July 1, 2019	\$ 367,795	\$ 2,264,676	\$ 2,632,471
New loans made	-	431,000	431,000
Subtotal	367,795	2,695,676	3,063,471
Principal payments received 19-20	(42,435)	(374,349)	(416,784)
Loans written off 19-20	-	-	-
Balance, June 30, 2020	<u>\$ 325,360</u>	<u>\$ 2,321,327</u>	<u>\$ 2,646,687</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 \$102,816.

Note E - EDA Revolving Loan Fund:

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

Balance, July 1, 2019	\$ 678,366
New loans made from revolved funds	122,500
Subtotal	<u>800,866</u>
Principal payments received 19-20	<u>(210,624)</u>
Balance, June 30, 2020	590,242
Cash balance, June 30, 2020	203,124
Administrative expenses paid	28,870
Total awards expended	<u>822,236</u>
Multiply by Federal Share of RLF (83.63%)	<u>x .8363</u>
Total expenditures per Schedule of Federal Awards	<u>\$ 687,688</u>

Note F -CDBG Klickitat

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

	<u>New Federal Money</u>	<u>Revolved Money</u>	<u>Total</u>
Balance, July 1, 2019	\$ 3,695	\$ 30,001	\$ 33,696
New loans made	-	-	-
Subtotal	3,695	30,001	33,696
Principal payments received 19-20	<u>(1,924)</u>	<u>(30,001)</u>	<u>(31,925)</u>
Balance, June 30, 2020	<u>\$ 1,771</u>	<u>\$ -</u>	<u>\$ 1,771</u>

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, 2020, 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 December 3, 2020 which was qualified because management did not adopt GASB 75.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 through 2020-006 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2020-007 to be a significant deficiency.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards*.

Mid-Columbia Economic Development District's Response to Findings

Mid-Columbia Economic Development District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mid-Columbia Economic Development District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

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

La Grande, Oregon
December 3, 2020

**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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2020-008. Our opinion on each major federal program is not modified with respect to this matter.

Management of Mid-Columbia Economic Development District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Management of Mid-Columbia Economic Development District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

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

La Grande, Oregon
December 3, 2020

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

A. Summary of Audit Results

	Results
Financial Statements Audit	
1. Type of auditor's report issued	Qualified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	Yes
Of the significant deficiencies disclosed were any material weaknesses?	Yes
3. Did the audit disclose any noncompliance material to the financial statements?	No
Federal Awards	
1. Type of auditor's report issued:	
<u>Major programs:</u>	
US Department of Commerce - Economic Adjustment Assistance CFDA Number 11.307	Unmodified
US 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?	Yes
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	No

B. Findings and Questioned Costs - Financial Statement Audit

2020-001

Material Weakness: The District has personnel with the ability to prepare the individual fund financial statements. However, the District relies on us as the auditors to assist them in drafting the cash flow statement and verifying the financial statements, including note disclosures, contain all of the elements required to comply with generally accepted accounting principles. We believe the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3. However, our assistance in drafting the financial statements described above produces a material weakness in the District's internal control system.

Questioned Costs

None Noted as a result of our audit procedures

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Criteria: Auditing standards require us to assess the internal control system of the entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's control system. Communicating internal control related matters identified in an audit is a requirement of the standards. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Although we believe the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3, our assistance in drafting the financial statements described above produces a material weakness in the District's internal control system.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles and MCEDD's reliance upon the auditors to perform these functions.

Effect: Since the financial statements and related note disclosures are prepared by independent auditors annually, there is no effect caused by this condition.

Context: Although the condition results in a finding, the reader should be aware that it is not unusual for an entity to rely on its auditors to assist them in drafting the financial statements and related note disclosures. This finding is a repeat finding. The 2019 finding number is 2019-001.

Recommendation: We do not recommend any change in the preparation of the financial statements, but the board should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

View of Responsible Officials and Planned Corrective Actions: As recommended above, MCEDD has not made any change in the preparation of the financial statements. MCEDD has finance staff with the qualifications to manage the programs we operate in accordance with Generally Accepted Accounting Principles. Staffing is commensurate to the size of the organization. Management thoroughly reviews all financial statements.

2020-002

Material Weakness: The District has personnel with the ability to prepare the individual fund financial statements. However, the District relies on QuickBooks for their financial software. All balance sheet items are not classified in QuickBooks. This results in out of balance funds that are material throughout the year. The Finance Manager exports the balance into excel and allocates the unclassified items at fiscal year end. Governmental fund accounting requires each fund to be a separate set of balancing books. This is an internal control weakness that we consider to be a material weakness.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Condition: Although we believe the District has staff with the ability to understand the financial statements and balance them in total, having unbalanced funds throughout the year could be misleading to a financial statement reader and users of the information.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles and MCEDD's reliance upon the software to perform these functions.

Effect: Reporting funds in an unbalanced format could mislead potential readers of the financial information.

Context: Although the condition results in a finding, the reader should be aware that the balance sheet in total was materially stated. This is a repeat finding. The 2019 finding number is 2019-002.

Recommendation: We recommend that the District keep a set of books for each fund as required by governmental accounting standards.

View of Responsible Officials and Planned Corrective Actions: The District contacted similar entities to explore options for financial software to more readily support fund accounting. Given the challenges within the shifting software, MCEDD intends to continue using QuickBooks, at least in the near term, with making the necessary adjustments to classifications to balance all funds. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

2020-003

Material Weakness: The District has personnel with the ability to prepare the individual fund financial statements. However, the District personnel were unable to correctly reconcile equity accounts this year. Twenty two funds did not have the correct beginning fund balance. There is an increased risk of a material misstatement and misallocation of equity if the equity accounts are not reconciled correctly. This is an internal control weakness that we consider to be a material weakness.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Equity accounts are not being properly reconciled and twenty two funds had incorrect beginning fund balances.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles and MCEDD's reliance upon the QuickBooks software to perform these functions.

Effect: There is an increased risk of a material misstatement and misallocation of equity if the equity accounts are not reconciled correctly which could mislead potential readers of the financial information.

Context: Although the condition results in a finding, the reader should be aware that equity accounts were reconciled and adjusted to correctly report each fund's beginning equity.

Recommendation: We recommend that the District reconcile equity accounts in each fund to ensure beginning fund balances are accurate.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

View of Responsible Officials and Planned Corrective Actions: The District contacted similar entities to explore options for financial software to more readily support fund accounting. Given the challenges within the shifting software, MCEDD intends to continue using QuickBooks, at least in the near term, with making the necessary adjustments to equity accounts to close out each fund at the end of the year. A reconciliation will be performed to ensure beginning equity is correct in each fund. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

2020-004

Material Weakness: The District has personnel with the ability to reconcile monthly bank statements. However, the cash reconciliations did not tie to the general ledger by a material amount at the end of the year due to multiple large outstanding general journal entries that dated back to June 2019 from the prior finance manager. The cash subsidiary ledger was not being reconciled back to the general ledger correctly. This is an internal control weakness that we consider to be a material weakness.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Cash subsidiary ledgers are not properly being reconciled back to the general ledger.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles and multiple large general journal entries being prepared by the prior finance manager in an attempt to correct beginning fund balances in the prior year.

Effect: There is an increased risk of a material misstatement and misappropriation of assets going undetected when cash subsidiary ledger is not reconciled back to the general ledger.

Context: Although the condition results in a finding, the reader should be aware that the erroneous outstanding journal entries were cleared and cash reconciliations were reperformed and reconciled back to the general ledger. The balance sheet is materially stated.

Recommendation: We recommend that the District reconcile cash subsidiary ledgers back to the general ledger.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures will be implemented. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

2020-005

Material Weakness: The District did not book accruals properly into the financial statements in the current year. Some accruals had not been updated from the prior year. Improper accrual of revenue and expense accounts increases the risk of materially misstated financial statements due to over or understatement of revenues and expenses. This is an internal control weakness that we consider to be a material weakness.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Accruals are not being booked into the financial statements or updated from the prior year.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles.

Effect: There is an increased risk of materially misstated financial statements due to over or understatement of revenues and expense without properly booking current year accruals.

Context: Although the condition results in a finding, the reader should be aware that accruals were adjusted by management at the end of the year and the financial statements are materially stated.

Recommendation: We recommend that the District implement procedures to book revenue and expense accruals regularly.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures will be implemented. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

2020-006

Material Weakness: Other staff besides the finance officer are making adjusting journal entries without knowledge of the finance officer. In addition, there does not appear to be any approval of adjusting journal entries. Several entries resulted in negative liabilities as only one sided entries were made. This is an internal control weakness that we consider to be a material weakness.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: Adjusting journal entries are being prepared without approval or knowledge of the finance officer.

Cause: This condition is caused by improper internal controls over adjusting journal entries.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Effect: There is an increased risk of materially misstated financial statements resulting from incorrect adjusting journal entries.

Context: Although the condition results in a finding, the reader should be aware that a sample of adjusting journal entries are reviewed by auditors during the annual audit. The audited financial statements are also materially stated.

Recommendation: We recommend that the District implement internal control policies over adjusting journal entries.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures will be implemented. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

2020-007

Significant Deficiency: The District did not have an accurate Schedule of Federal Awards. The loan program calculations were not accurate. This is an internal control weakness that we consider to be a significant deficiency.

None Noted as a result of our audit procedures

Criteria: Auditing standards require us to assess the internal control system of the entity. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

Condition: The Schedule of Federal Awards was not being reported accurately due to the loan program calculations being incorrect.

Cause: This condition is caused by the staff's limited experience with generally accepted accounting principles and federal awards calculations.

Effect: Miscalculation of the Schedule of Federal awards could lead to a material error in the schedule.

Context: Although the condition results in a finding, the reader should be aware that Schedule of Federal Awards was audited by independent auditors and adjusted by management to be presented accurately.

Recommendation: We recommend that the District implement procedures to recalculate federal loan programs to accurately present them on the Schedule of Federal Awards.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures will be implemented. Additionally, MCEDD will explore and seek financial training opportunities as they arise.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

C. Findings and Questioned Costs - Federal Awards

2020-008

U.S. Department of Commerce

Economic Adjustment Assistance CFDA# 11.307

Noncompliance with Federal Award: The District did not follow up on the life insurance assignment requirement for one of the Economic Adjustment Assistance loans. The District received a letter from the insurance company in May 2019 indicating that the policy had not been paid and would be lapsing. No follow up was done and no verification of continued coverage was implemented.

None Noted as a result of our audit procedures

Criteria: Government Auditing Standards issued by the Comptroller of the United States require us to assess compliance with certain provisions of laws, regulations, contracts, and grant agreements. The compliance supplement for Economic Adjustment Assistance CFDA# 11.307 requires that loan documentation contain certain items as lined out in the loan agreement with the recipient. The loan servicing information required by the agreement with one recipient was proof of life insurance.

Condition: There was a lapse in life insurance for one of the District's loan recipients. The insurance company sent a letter regarding the lapse in coverage but there was no follow up done by the District to verify a continuance in coverage.

Cause: This condition is caused by the staff's limited experience with the federal award and improper review of loan recipient annual required loan servicing

Effect: Improper review of loan recipient annual required loan servicing information could lead to noncompliance with contracts and grant agreements.

Questioned Costs: There are no questioned costs related to this finding.

Context: This is not a repeat finding and it was an isolated incidence in our testing of compliance with the Economic Adjustment Assistance program. We believe our sample is representative of the total population of all loan funds made under this

Recommendation: We recommend that the District implement procedures to follow up on information that comes to the District's attention regarding noncompliance with loan agreements and federal programs. We also recommend the District implement review procedures over loan servicing information on all loans annually.

View of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the recommended procedures will be implemented.

MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

June 30, 2019:

Financial Statement Findings:

2019-001

Material Weakness: The District relies on us, as the auditors, to assist them in drafting the financial statements and related note disclosures.

Condition: Although we believe the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3, our assistance in drafting the financial statements described above produces a material weakness in the District's internal control system.

Recommendation: We do not recommend any change in the preparation of the financial statements, but the board should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

Current Status: While the District agrees with the finding, as recommended above, the District has not made any change in the preparation of the financial statements. The District does not believe it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

2019-002

Material Weakness: The District has personnel with the ability to prepare the individual fund financial statements. However, the District relies on QuickBooks for their financial software. All balance sheet items are not classified in QuickBooks. This results in out of balance funds that are material throughout the year. The Finance Manager exports the balance into excel and allocates the unclassified items at fiscal year end. Governmental fund accounting requires each fund to be a separate set of balancing books. This is an internal control weakness that we consider to be a material weakness.

Condition: Although we believe the District has staff with the ability to understand the financial statements and balance them in total, having unbalanced funds throughout the year could be misleading to a financial statement reader and users of the information.

Recommendation: We recommend that the District keep a set of books for each fund as required by governmental accounting standards.

Current Status: While the District agrees with the finding, as recommended above, the District has not made any change in the preparation of the financial statements. The District intends to continue using QuickBooks, at least in the near term, with making the necessary adjustments to classifications to balance all funds.

December 3, 2020

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, 2020. 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 have communicated such information in our letter dated May 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 policies were adopted and the application of existing policies was not changed during the year June 30, 2020. 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.

Management's estimate of the useful life of capital assets is based on prior history. We evaluated the key factors and assumptions used to develop the useful life of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures 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 clearly trivial, and communicate them to the appropriate level of management. Management has

corrected all such misstatements. See the "Adjusting Journal Entries" (attached) that we proposed during the course of our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 December 3, 2020.

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 MD&A 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 and the schedule of federal awards, 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 information and 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.

Connected Professional Accountants, LLC

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC

**Mid-Columbia Economic Development District
Adjusting Journal Entries**

Accrual Basis

June 30, 2020

Date	Num	Memo	Account	Class	Debit	Credit
06/30/2020	CPA8	To balance all funds	4 · 1021 MCEDD Regular	804 General Fund	99.99	
		To balance all funds	4 · 1021 MCEDD Regular			99.99
		To balance all funds	1202aD0 · Accounts Receivable-Audit			12,493.00
		To balance all funds	1202aD0 · Accounts Receivable-Audit	804 General Fund	12,493.00	
		To balance all funds	4800 · Other Revenue	804 General Fund		46.81
		To balance all funds	4800 · Other Revenue	-MULTIPLE-	46.81	
					<u>12,639.80</u>	<u>12,639.80</u>
06/30/2020	CPA9	To adjust beginning fund balance to actual	3900 · Retained Earnings	801 Administration		8.14
		To adjust beginning fund balance to actual	1100 · CDS	801 Administration	8.14	
					<u>8.14</u>	<u>8.14</u>
06/30/2020	CPA10	To adjust interfund transfers to zero	4010 · Trans Fm/To Fund (MATCH)	500 Special Projects:571 Mobility Management:5711 Mobility Mgt	2,000.00	
		To adjust interfund transfers to zero	9600 · Transfer to/from Source	500 Special Projects:571 Mobility Management:5711 Mobility Mgt		2,000.00
					<u>2,000.00</u>	<u>2,000.00</u>
TOTAL					<u>14,647.94</u>	<u>14,647.94</u>