

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

FINANCIAL STATEMENTS

Year Ended June 30, 2017

KENNETH KUHNS & CO.

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ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY

Board of Directors and Staff

June 30, 2017

Board of Directors

Michele Bradley, Chair	4000 Blimp Blvd Tillamook, Oregon 97141
Doug Olson, Vice-Chair	PO Box 1000 Pacific City, Oregon 97135
Tammy King-Crossley	2405 Third Street Tillamook, Oregon 97141
Mike Bever	4185 Hwy 101 N Tillamook, Oregon 97141
Garry Bullard	PO Box 129 Manzanita, Oregon 97130
Ross Tomlin	4301 Third Street Tillamook, Oregon 97141
David Yamamoto	201 Laurel Ave Tillamook, Oregon 97141
Ed Gallagher	PO Box 540 Manzanita, Oregon 97130
Suzanne Weber	314 Miller Avenue Tillamook, Oregon 97141
1 seat vacant on June 30, 2017	

Staff

Nan Devlin
Interim EDC Director
Tourism Director
4506 Third Street
Tillamook, OR 97141

INDEPENDENT AUDITOR'S REPORT

December 8, 2017

Board of Directors
Economic Development Council of Tillamook County
Tillamook, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Economic Development Council of Tillamook County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Economic Development Council of Tillamook County'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Economic Development Council of Tillamook County, as of June 30, 2017, and the respective changes in financial position 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 management's discussion and analysis on pages 5 through 8 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 management's 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Economic Development Council of Tillamook County's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 8, 2017 on our consideration of Economic Development Council of Tillamook County's internal control over financial reporting and on our tests of its 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 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.

Kenneth Kuhns & Co

Kenneth Kuhns & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Economic Development Council of Tillamook County's annual financial report presents our discussion and analysis of the EDC's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the Council's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2017, total net position of the Economic Development Council of Tillamook County amounted to \$1,607,697. Of this amount, \$1,096,249 was restricted for marketing and promotions, \$386,565 restricted for revolving loans, \$30,860 restricted for technical assistance grant activities, and the remaining \$94,023 was unrestricted.
- The Council's total net position decreased by \$192,395 during the current fiscal year.
- Overall revenues were \$1,272,972, which were less than expenses of \$1,465,367 by \$192,395.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Economic Development Council of Tillamook County's basic financial statements. The Council's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements.

Government-wide Statements

The EDC only provides "governmental activities" as defined in Governmental Accounting Standards Board Statement No. 34, and has no substantial business-type activities.

The government-wide financial statement are designed to provide readers with a broad overview of the Council's finances in a manner similar to private-sector business.

The statement of net position presents information on all of the Council's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The Council accounts for its activities as a single governmental type fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluation the Council's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance are presented with a reconciliation to the government-wide financial statements.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Notes to the Financial Statements

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

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which consists of budgetary comparison information for the General Fund, Rural Economic Development Grant Fund, Revolving Loan Fund, Visit Tillamook Coast Fund, and Visit Tillamook Coast Non-TLT Fund. Although the Council accounts for its operations in a single governmental type fund, it budgets its activities as five separate funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Council's financial position. At June 30, 2017, the Council's assets exceeded liabilities by \$1,607,697.

Council's Net Position

At the end of the current fiscal year, the Council was able to report positive balances in all categories of net position. The Council's net position decreased by \$192,395 during the current fiscal year. The prior fiscal year experienced a significant increase in net position due to Transient Lodging Tax funds received from the county late in the year that could not be spent before year end. The Visit Tillamook Coast fund strategically planned to spend down the prior year ending fund balance this year to spearhead new marketing programs.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	June 30,	
	2017	2016
Assets		
Current assets	\$1,544,053	\$1,697,477
Loans receivable	245,121	204,164
Total assets	1,789,174	1,901,641
Liabilities		
Current liabilities	181,477	101,549
Net Position		
Restricted for:		
Revolving loans	386,565	424,500
Marketing and promotions	1,096,249	1,308,018
Technical assistance	30,860	-
Unrestricted	94,023	67,574
Total net position	\$1,607,697	\$1,800,092

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Council's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	June 30,	
	2017	2016
Revenues		
Program revenues	\$1,241,715	\$1,598,573
Interest income	13,920	5,961
Other revenues	17,337	3,073
Total revenues	1,272,972	1,607,607
Expenses		
Economic development	1,418,599	986,850
Bad debt expense	46,768	-
Total expenses	1,465,367	986,850
Change in net position	(192,395)	620,757
Beginning net position	1,800,092	1,179,335
Ending net position	\$1,607,697	\$1,800,092

FINANCIAL ANALYSIS OF THE COUNCIL'S FUND

Governmental Fund

The focus of the Council's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Council's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Council's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Council's governmental fund reported combined ending fund balances of \$1,413,099. Of this amount \$176,768 is restricted for Revolving Loans, \$1,110,897 is restricted for marketing and promotions and \$30,860 is restricted for technical assistance grant activities.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSETS

The Council does not maintain any fixed assets on its books.

The Intergovernmental Agreement that established the Council outlines a method of distribution of the Council's assets should operations cease. Any other assets held by the Council on a custodial basis are remitted to the proper owners at project completion.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Council's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Economic Development Council of Tillamook County. The address is: 4506 Third Street, Tillamook, Oregon 97141.

BASIC FINANCIAL STATEMENTS

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

BALANCE SHEET / STATEMENT OF NET POSITION

June 30, 2017

	Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 1,344,251	\$ -	\$ 1,344,251
Accounts Receivable	199,802	-	199,802
Loans Receivable, net	-	245,121	245,121
Total Assets	1,544,053	245,121	1,789,174
LIABILITIES			
Accounts Payable	105,812	-	105,812
Accrued Interest Payable	-	324	324
Accrued Payroll	25,142	-	25,142
Compensated Absences	-	15,199	15,199
Loans Payable	-	35,000	35,000
Total Liabilities	130,954	50,523	181,477
FUND BALANCE / NET POSITION			
Fund Balance:			
Restricted for:			
Revolving loans	176,768	(176,768)	-
Marketing and promotions	1,110,897	(1,110,897)	-
Technical Assistance	30,860	(30,860)	-
Unassigned	94,574	(94,574)	-
Total Fund Balance	1,413,099	(1,413,099)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,544,053		
Net Position:			
Restricted for:			
Revolving loans		386,565	386,565
Marketing and promotions		1,096,249	1,096,249
Technical assistance		30,860	30,860
Unrestricted		94,023	94,023
Total Net Position		\$ 1,607,697	\$ 1,607,697

The accompanying notes are an integral part of this statement.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
	<u>Balance</u>	<u>Adjustments</u>	<u>Activities</u>
REVENUES:			
Program revenues:			
Contracts-Local	\$ 85,000	\$ -	\$ 85,000
Membership Dues	25,081	-	25,081
Grants-Federal	35,000	-	35,000
Transient Lodging Tax	1,020,361	-	1,020,361
Advertising Revenue	13,915	-	13,915
Contracts-Marketing	52,236	-	52,236
USDA Loan Disbursement	35,000	(35,000)	-
Revolving Loan Principal	38,740	(38,740)	-
Revolving Loan Interest	10,122	-	10,122
Interest Income	13,920	-	13,920
Other Revenues	17,337	-	17,337
	<u>1,346,712</u>	<u>(73,740)</u>	<u>1,272,972</u>
EXPENDITURES / EXPENSES:			
Economic Development - current:			
Personnel Services	300,673	1,754	302,427
Materials & Services	1,242,313	(126,141)	1,116,172
Bad debt expense	-	46,768	46,768
	<u>1,542,986</u>	<u>(77,619)</u>	<u>1,465,367</u>
Change in fund balance / net position	(196,274)	3,879	(192,395)
Fund balance / net position - July 1, 2016	<u>1,609,373</u>	<u>190,719</u>	<u>1,800,092</u>
Fund balance / net position - June 30, 2017	<u>\$ 1,413,099</u>	<u>\$ 194,598</u>	<u>\$ 1,607,697</u>

The accompanying notes are an integral part of this statement.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Economic Development Council of Tillamook County (EDC) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The EDC was formed on March 13, 1996 by action of the Tillamook County Commissioners and thirteen other public parties throughout Tillamook County. These parties include Port Districts, municipalities, and other special districts within Tillamook County. It is the successor organization to the Economic Development Committee, which was a committee of the County Commission. The council is governed by a 10 member board; eight members of which are elected, with one seat held by the President of Tillamook Bay Community College, and one seat held by a County Commissioner. It is organized as an ORS 190 intergovernmental organization with the purpose to organize a partnership in all matters related to Economic Development in Tillamook County. The organizational structure allows for private businesses to join as partners in the promotion of economic development.

Generally accepted accounting principles require that these basic financial statements present the EDC and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the EDC's reporting entity because of the significance of their operational or financial relationships with the EDC. All significant activities and organizations with which the EDC exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

Government-wide and Fund Financial Statements

Government-wide Financial Statements (GWFS) – The Statement of Net Position and Statement of Activities report information on all of the activities of the EDC.

Fund Financial Statements – The emphasis of fund financial statements shown as the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance is on major funds.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – The accounts are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statement presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measureable and available). “Measureable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The EDC reports its activities as a single governmental type fund. However, for budgeting and management purposes, financial operations are accounted for in the following funds:

General Fund:

This fund accounts for general operations. The primary source of receipts for the general fund is from Intergovernmental Agreements. Disbursements are made to finance operations of the EDC.

Rural Economic Development Grant Fund:

The Rural Economic Development Grant Fund was established through a grant awarded by the United States Department of Agriculture for the purpose of providing business-based technical assistance and training to eligible rural microentrepreneurs and microenterprises.

Revolving Loan Fund:

This fund was established for the purpose of providing gap financing for development and expansion of small businesses. Qualified applicants can apply for loans up to \$30,000 to start a business, modernize a plant or facility, renovate buildings, operating capital, expanding an existing company, or retrain a workforce. This perpetual fund is intended to replenish itself through ongoing principal and interest payments.

Visit Tillamook Coast Fund:

This fund was established through an Intergovernmental Agreement with Tillamook County for the purposes of developing and implementing a tourism promotions program designed to promote Tillamook County as a tourism destination with particular focus on the shoulder and off-seasons. The primary source of receipts is from Tillamook County for the collection of transient lodging tax established through County Ordinance #74 and #75. Disbursements are made to finance the operations of Visit Tillamook Coast, a destination marketing program established to fund the following activities: advertising, publicizing or distributing information for the purpose of attracting or welcoming tourists; conducting strategic planning and research necessary to stimulate future tourism development; operating tourism promotion agencies or a visitor’s center; marketing special events and festivals designed to attract tourists.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Visit Tillamook Coast Non-TLT Fund:

This fund was established for the purpose of segregating finances that are not subject to spending stipulations of transient lodging tax revenues. This fund accounts for the revenues and expenses from advertising in the annual destination guide and contract marketing services provided to partnering organizations.

Fund Balance

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions is followed. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories and prepaid items.
- Restricted represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority to classify portions of ending fund balance as Assigned is granted to the Board Chair and Executive Director.
- Unassigned is the residual classification of the General Fund. Only the General fund may report a positive unassigned fund balances. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

At year-end the following fund balances were restricted:

Revolving Loan	\$176,768
Marketing and Promotions	\$1,110,897
Technical Assistance	\$30,860

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

The EDC budgets all funds in accordance with Oregon Local Budget Law. The Board of Directors annually authorizes appropriations that set the level by which expenditures cannot exceed appropriations. The level of control for appropriations is by the categories of contracted personnel services, materials & services, and contingency. Appropriations lapse at fiscal year-end. During 2016-17, the General Fund personnel services expenditures exceeded appropriations by \$3,589.

Compensated Absences

EDC staff members are permitted to accumulate earned but unused vacation and sick pay. Vacation pay is recorded as a liability and an expense when earned. A liability does not exist for unpaid accumulated sick leave since policy does not allow payment upon separation of service.

Estimates

The preparation of basic 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 and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2 – CASH

At June 30, 2017, cash consisted of the following:

Cash in Columbia Bank	\$ 176,768
Cash with fiscal agent	<u>1,167,483</u>
Total	\$ <u>1,344,251</u>

Cash in Columbia Bank

The total bank balance, as shown on Columbia Bank's records at June 30, 2017, was \$176,768. Of these deposits, the total covered by federal depository insurance was \$176,768.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring the public funds on deposit are collateralized to the extent required by Oregon Revised Statutes (ORS) Chapter 295. ORS Chapter 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10%, 25%, or 110% of public funds on deposit depending primarily on the capitalization level of the depository bank.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the organization's deposits may not be returned to it. EDC follows State Law with respect to custodial credit risk and has not adopted a separate policy. Of EDC's Columbia Bank balance, none was exposed to custodial credit risk as of June 30, 2017.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2017

2 – CASH (CONTINUED)

Cash with fiscal agent

The cash with fiscal agent balance consists of amounts held by Tillamook Bay Community College and is included in the College's cash and investments pool. Readers of these financial statements are referred to the annual audit report of Tillamook Bay Community College regarding the extent deposits at the College are collateralized.

3 – RISK MANAGEMENT

There is an exposure to various risks of loss related to torts; errors and omissions; and natural disasters. Commercial insurance is purchased to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for the last three years.

4 – OPERATING LEASES

In August 2012 a lease was entered into with Tillamook Bay Community College for office space and use of college facilities. The lease was effective for the period July 1, 2012 through June 30, 2013. The lease was renewed for fiscal years 2013-14, 2014-15, 2015-16, and 2016-17. From July 1, 2016 through December 31, 2016 the EDC General Fund paid \$125 per month rent and Visit Tillamook Coast Fund paid \$250. In January of 2017, the EDC relocated to new office space with additional square footage. At that time the rent increased to \$416 for EDC General Fund and \$832 to Visit Tillamook Coast. The total lease payments for the fiscal year ended June 30, 2017 totaled \$9,738.

5 – ACCOUNTS RECEIVABLE

Receivables are recorded as revenue when earned. No allowance for uncollectible accounts has been established as management deems all significant receivables to be collectible.

6 – LOANS RECEIVABLE

Multiple revolving loans receivable are due from various local entities. The majority of these loans are collateralized by trust deeds; however, some are collateralized by personal property or personal guaranty. In addition, security interest have been perfected through UCC filings for all loans. Loans receivable are reported net of an allowance of \$46,768. Payment of principal and interest are due on the first of every month. As of June 30, 2017 the total amount of net loans receivable was \$245,121, which consisted of 14 loans with balances ranging from \$7,587 to \$47,000. Interest revenue earned during the year was \$10,122.

7 – LOAN PAYABLE

EDC received a \$140,000 loan from the U.S. Department of Agriculture in November 2016 of which \$35,000 was drawn down during the 2016-17 fiscal year. Loan funds must be used to capitalize a Rural Microentrepreneur Assistance Program (RMAP) microloan revolving loan fund. The loan is for a term not to exceed 20 years and the loan accrues interest on the outstanding principal balance of 2% per annum. Monthly principal and interest payments are to begin on November 30, 2018 in an amount to fully amortize the loan over a 20 year period.

EDC also received a \$35,000 Rural Economic Development Grant from the U.S. Department of Agriculture in November 2016. Grant proceeds are to be used to provide marketing, management and other technical assistance in connection with EDC's microloan revolving loan program.

OTHER SUPPLEMENTARY INFORMATION

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Contracts - Local	\$ 85,000	\$ 85,000	\$ 85,000	\$ -
Interest Income	-	-	714	714
Other Income	-	-	395	395
Administrative Fees	1,000	1,000	2,290	1,290
Membership Dues-IGA Partners	17,500	17,500	16,576	(924)
Membership Dues-Private Partners	5,000	5,000	5,500	500
Membership Dues-Other Public Entities	1,000	1,000	3,005	2,005
Total Revenues	109,500	109,500	113,480	3,980
EXPENDITURES:				
Personnel Services	85,239	85,239	88,828	(3,589)
Materials & Services	24,261	24,261	15,777	8,484
Total Expenditures	109,500	109,500	104,605	4,895
Net Change in Fund Balance	-	-	8,875	8,875
Beginning Fund Balance	64,000	64,000	61,143	(2,857)
Ending Fund Balance	<u>\$ 64,000</u>	<u>\$ 64,000</u>	<u>\$ 70,018</u>	<u>\$ 6,018</u>

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

RURAL ECONOMIC DEVELOPMENT GRANT FUND

For the Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Grants-Federal	\$ -	\$ 35,000	\$ 35,000	\$ -
Interest Income	-	36	120	84
	<u>-</u>	<u>35,036</u>	<u>35,120</u>	<u>84</u>
Total Revenues	-	35,036	35,120	84
EXPENDITURES:				
Personnel Services	-	5,252	4,260	992
	<u>-</u>	<u>5,252</u>	<u>4,260</u>	<u>992</u>
Net Change in Fund Balance	-	29,784	30,860	1,076
Beginning Fund Balance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 29,784</u>	<u>\$ 30,860</u>	<u>\$ 1,076</u>

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

REVOLVING LOAN FUND

For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
RMAP USDA Loan Disbursement	\$ -	\$ -	\$ 35,000	\$ 35,000
Revolving Loans	31,500	31,500	38,740	7,240
Revolving Loan Interest	9,000	9,000	10,122	1,122
Revolving Loan Late Charges	500	500	-	(500)
Total Revenues	<u>41,000</u>	<u>41,000</u>	<u>83,862</u>	<u>42,862</u>
EXPENDITURES:				
Materials & Services:				
Revolving Loan Disbursements	281,500	281,500	126,465	155,035
Annual Software Licensing	-	-	495	(495)
ACH Fees	300	300	95	205
Bank Fees	100	100	375	(275)
Closing Fees	600	600	-	600
Total Expenditures	<u>282,500</u>	<u>282,500</u>	<u>127,430</u>	<u>155,070</u>
Net Change in Fund Balance	(241,500)	(241,500)	(43,568)	197,932
Beginning Fund Balance	<u>251,500</u>	<u>251,500</u>	<u>220,336</u>	<u>(31,164)</u>
Ending Fund Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 176,768</u>	<u>\$ 166,768</u>

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

VISIT TILLAMOOK COAST FUND

For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Transient Lodging Tax	\$ 841,117	\$ 841,117	\$ 1,020,361	\$ 179,244
Advertising Revenue	10,000	10,000	-	(10,000)
Miscellaneous Income	-	-	11,500	11,500
Interest Income	2,000	2,000	13,038	11,038
Total Revenues	<u>853,117</u>	<u>853,117</u>	<u>1,044,899</u>	<u>191,782</u>
EXPENDITURES:				
Personnel Services	298,247	298,247	207,585	90,662
Materials & Services	1,150,410	1,150,410	1,045,216	105,194
Contingency	100,000	100,000	-	100,000
Total Expenditures	<u>1,548,657</u>	<u>1,548,657</u>	<u>1,252,801</u>	<u>295,856</u>
Net Change in Fund Balance	(695,540)	(695,540)	(207,902)	487,638
Beginning Fund Balance	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,318,799</u>	<u>(81,201)</u>
Ending Fund Balance	<u><u>\$ 704,460</u></u>	<u><u>\$ 704,460</u></u>	<u><u>\$ 1,110,897</u></u>	<u><u>\$ 406,437</u></u>

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

VISIT TILLAMOOK COAST NON-TLT FUND

For the Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Contracts - Marketing	\$ -	\$ 64,000	\$ 52,236	\$ (11,764)
Interest Income	-	35	48	13
Miscellaneous Income	-	3,500	3,152	(348)
Advertising Revenue	-	12,000	13,915	1,915
Total Revenues	-	79,535	69,351	(10,184)
EXPENDITURES:				
Materials & Services	-	71,550	53,890	17,660
Net Change in Fund Balance	-	7,985	15,461	7,476
Beginning Fund Balance	-	9,095	9,095	-
Ending Fund Balance	\$ -	\$ 17,080	\$ 24,556	\$ 7,476

**INDEPENDENT AUDITOR'S COMMENTS REQUIRED BY
OREGON STATE REGULATIONS**

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

December 8, 2017

Board of Directors
Economic Development Council of Tillamook County
Tillamook, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Economic Development Council of Tillamook County as of and for the year ended June 30, 2017, and have issued our report thereon dated December 8, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance

As part of obtaining reasonable assurance about whether Economic Development Council of Tillamook County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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).

In connection with our testing nothing came to our attention that caused us to believe Economic Development Council of Tillamook County was not in substantial compliance with certain provisions of laws, regulations, contracts and grant agreements, 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

Kenneth Kuhns & Co.

Kenneth Kuhns & Co.