

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

FINANCIAL STATEMENTS

Year Ended June 30, 2018

KENNETH KUHNS & CO.

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ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY

Board of Directors and Staff

June 30, 2018

Board of Directors

Suzanne Weber, Chair	314 Miller Avenue Tillamook, Oregon 97141
Michele Bradley, Vice-Chair	4000 Blimp Blvd Tillamook, Oregon 97141
Doug Olson, Secretary/Treasurer	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
Bill Baertlein	201 Laurel Ave Tillamook, Oregon 97141
Ed Gallagher	PO Box 540 Manzanita, Oregon 97130
KC Fagan	1115 Pacific Avenue Tillamook, OR 97141

Staff

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

INDEPENDENT AUDITOR'S REPORT

December 5, 2018

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, 2018, 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, 2018, 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 5, 2018 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, 2018. Please read it in conjunction with the Council's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of the Economic Development Council of Tillamook County amounted to \$1,373,552. Of this amount, \$808,324 was restricted for marketing and promotions, \$396,975 restricted for revolving loans, \$26,524 restricted for technical assistance grant activities, \$27,000 restricted for the Business Oregon Recipe to Market grant, and the remaining \$114,729 was unrestricted.
- The Council's total net position decreased by \$234,145 during the current fiscal year.
- Overall revenues were \$1,357,081 which were less than expenses of \$1,591,226 by \$234,145.

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, Visit Tillamook Coast Non-TLT Fund and Visit Tillamook Coast Business Oregon Recipe to Market Grant Fund. Although the Council accounts for its operations in a single governmental type fund, it budgets its activities as six 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, 2018, the Council's assets exceeded liabilities by \$1,373,552.

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 \$234,145 during the current fiscal year. 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,	
	2018	2017
Assets		
Current assets	\$1,315,214	\$1,544,053
Loans receivable	237,068	245,121
Total assets	1,552,282	1,789,174
Liabilities		
Current liabilities	124,762	146,477
Loans payable	53,968	35,000
Total liabilities	178,730	181,477
Net Position		
Restricted for:		
Revolving loans	396,975	386,565
Marketing and promotions	808,324	1,096,249
Technical assistance	26,524	30,860
Business Oregon grant	27,000	-
Unrestricted	114,729	94,023
Total net position	\$1,373,552	\$1,607,697

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,	
	2018	2017
Revenues		
Intergovernmental revenues	\$ 65,000	\$ 85,000
Transient lodging tax revenues	1,071,714	1,020,361
Grants and contract revenues	132,621	101,151
Interest income	18,050	13,920
Miscellaneous revenues	69,696	52,540
	<u>1,357,081</u>	<u>1,272,972</u>
Expenses		
Economic development	1,591,226	1,418,599
Bad debt expense	-	46,768
	<u>1,591,226</u>	<u>1,465,367</u>
Change in net position	(234,145)	(192,395)
Beginning net position	<u>1,607,697</u>	<u>1,800,092</u>
Ending net position	<u>\$1,373,552</u>	<u>\$1,607,697</u>

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 \$1,212,601. Of this amount, \$215,060 is restricted for Revolving Loans, \$829,288 is restricted for marketing and promotions, \$26,524 is restricted for technical assistance grant activities, and \$27,000 is restricted for the Business Oregon recipe to market grant.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSETS AND DEBT ADMINISTRATION

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.

The Council has one loan payable to the U.S. Department of Agriculture that provided funds for a revolving loan program. Principal outstanding on this loan at the end of the fiscal year was \$53,968. The loan is payable over a twenty year period through 2038. More detailed information on this loan can be found in Note 7 to the financial statements.

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, 2018

	Balance Sheet	Adjustments	Statement of Net Position
ASSETS			
Cash and investments	\$ 1,121,203	\$ -	\$ 1,121,203
Accounts Receivable	194,011	-	194,011
Loans Receivable, net	-	237,068 a	237,068
Total Assets	1,315,214	237,068	1,552,282
LIABILITIES			
Accounts Payable	81,643	-	81,643
Accrued Interest Payable	-	1,185 b	1,185
Accrued Payroll	20,970	-	20,970
Compensated Absences	-	20,964 b	20,964
Loans Payable	-	53,968 b	53,968
Total Liabilities	102,613	76,117	178,730
FUND BALANCE / NET POSITION			
Fund Balance:			
Restricted for:			
Revolving loans	215,060	(215,060)	-
Marketing and promotions	829,288	(829,288)	-
Technical assistance	26,524	(26,524)	-
Business Oregon grant	27,000	(27,000)	-
Unassigned	114,729	(114,729)	-
Total Fund Balance	1,212,601	(1,212,601)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,315,214		
Net Position:			
Restricted for:			
Revolving loans		396,975	396,975
Marketing and promotions		808,324	808,324
Technical assistance		26,524	26,524
Business Oregon grant		27,000	27,000
Unrestricted		114,729	114,729
Total Net Position		\$ 1,373,552	\$ 1,373,552

Adjustments:

- a - To record long-term revolving loans receivable not due and payable in the current period
- b - To record long-term loan and compensated absences not due and payable in the current period

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, 2018

	Statement of Revenues, Expenditures and Changes in Fund Balance	Adjustments	Statement of Activities
REVENUES:			
Program revenues:			
Contracts-Local	\$ 65,000	\$ -	\$ 65,000
Membership Dues	23,858	-	23,858
Grants-Business Oregon RTM	27,000	-	27,000
Transient Lodging Tax	1,071,714	-	1,071,714
Contracts-Marketing	105,621	-	105,621
USDA Loan Disbursement	18,968	(18,968) a	-
Revolving Loan Principal	81,284	(81,284) b	-
Revolving Loan Interest	12,014	-	12,014
Interest Income	18,050	-	18,050
Other Revenues	33,824	-	33,824
	<u>1,457,333</u>	<u>(100,252)</u>	<u>1,357,081</u>
EXPENDITURES / EXPENSES:			
Economic Development - current:			
Personnel Services	284,891	5,765 c	290,656
Materials & Services	1,359,771	(72,370) d	1,287,401
Capital Outlay	13,169	-	13,169
	<u>1,657,831</u>	<u>(66,605)</u>	<u>1,591,226</u>
Change in fund balance / net position	(200,498)	(33,647)	(234,145)
Fund balance / net position - July 1, 2017	<u>1,413,099</u>	<u>194,598</u>	<u>1,607,697</u>
Fund balance / net position - June 30, 2018	<u>\$ 1,212,601</u>	<u>\$ 160,951</u>	<u>\$ 1,373,552</u>

Adjustments:

- a - Proceeds from long-term loan reported as a liability in the statement of net position.
- b - Principal payments received on loans receivable reported as an asset in the statement of net position.
- c - Increase in compensated absences reported as a liability in the statement of net position.
- d - Revolving loan disbursements (\$73,231) reported as an asset in the statement of net position, and increase in accrued interest payable (\$861) reported as a liability in the statement of net position.

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, 2018

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. Program revenues generally include transient lodging taxes, grants and contracts.

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, 2018

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 (usually 60 days) 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, 2018

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.

Visit Tillamook Coast Business Oregon Recipe to Market Grant:

This grant was awarded to Visit Tillamook Coast as part of the Rural Opportunity Initiative Community Grant Partners for Rural Innovation. The goal of the grant is to assist agriculture and food-based entrepreneurs expand their business prospects, including development of value-added products, branding, sales and marketing, and efficient distributions systems.

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.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At year-end the following fund balances were restricted:

Revolving Loan	\$215,060
Marketing and Promotions	\$829,288
Technical Assistance	\$26,524
Business Oregon Grant	\$27,000

Investments

Investments are carried at fair value. Amounts held by Tillamook Bay Community College as fiscal agent for EDC are invested in the Oregon Local Government Investment Pool. This investment is authorized by Oregon Revised Statutes.

EDC maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

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 2017-18, the General Fund materials and services expenditures exceeded appropriations by \$11,133 due to hiring contracted services in lieu of a director's salary and benefits originally budgeted in personnel services. Also during 2017-18, the Revolving Loan Fund ACH Fees expenditures exceeded appropriations by \$98.

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 AND INVESTMENTS

At June 30, 2018, cash consisted of the following:

Cash in Columbia Bank	\$ 215,060
Investments	<u>906,143</u>
Total	\$ <u>1,121,203</u>

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

2 – CASH AND INVESTMENTS (CONTINUED)

Cash in Columbia Bank

The total bank balance, as shown on Columbia Bank's records at June 30, 2018, was \$215,060. Of these deposits, the total covered by federal depository insurance was \$215,060.

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, 2018.

Investments

State statutes authorize EDC to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper and the Oregon Local Government Investment Pool, among others. EDC has no investment policy that would further limit its investment choices.

At June 30, 2018, EDC's investments consisted of:

Investment in Oregon Local Government Investment Pool	<u>\$ 906,143</u>
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The Oregon Local Government Investment Pool is an open-ended, no-load diversified portfolio pool. Participants' account balances in the pool are determined by the amount of participants' deposits, adjusted for withdrawals and distributed interest. Interest is calculated and accrued daily on each participant's account based on the ending account balance and a variable interest rate determined periodically by the Oregon Short-Term Fund.

The Oregon Local Government Investment Pool is an external investment pool which is part of the Oregon Short-Term Fund. Investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council. Investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of the investments in the Oregon Short-Term Fund at June 30, 2018 were: 61% mature within 93 days, 20% mature from 94 days to one year, and 19% mature from one to three years.

ECONOMIC DEVELOPMENT COUNCIL OF TILLAMOOK COUNTY
TILLAMOOK COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

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, 2016-17, and 2017-18. From July 1, 2017 through June 30, 2018 the EDC General Fund paid \$416 per month rent and Visit Tillamook Coast Fund paid \$832. The total lease payments for the fiscal year ended June 30, 2018 totaled \$14,976.

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, 2018 the total amount of net loans receivable was \$237,068, which consisted of 15 loans with balances ranging from \$6,295 to \$46,768. Interest revenue earned during the year was \$12,014.

7 – LOAN PAYABLE

EDC received a \$140,000 loan from the U.S. Department of Agriculture in November 2016 of which \$53,968 has been drawn down. 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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Contracts - Local	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest Income	650	650	1,775	1,125
Other Income	250	250	5,559	5,309
Administrative Fees	2,500	2,500	1,127	(1,373)
Membership Dues-IGA Partners	17,500	17,500	16,608	(892)
Membership Dues-Private Partners	7,000	7,000	6,600	(400)
Membership Dues-Other Public Entities	3,000	3,000	650	(2,350)
Total Revenues	95,900	95,900	97,319	1,419
EXPENDITURES:				
Personnel Services	83,107	83,107	54,601	28,506
Materials & Services	19,900	19,900	31,033	(11,133)
Contingency	18,000	18,000	-	18,000
Total Expenditures	121,007	121,007	85,634	35,373
Net Change in Fund Balance	(25,107)	(25,107)	11,685	36,792
Beginning Fund Balance	70,000	70,000	70,018	18
Ending Fund Balance	\$ 44,893	\$ 44,893	\$ 81,703	\$ 36,810

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
Personnel Services	\$ 5,783	\$ 5,783	\$ 4,336	\$ 1,447
Materials & Services	17,300	17,300	-	17,300
Contingency	2,000	2,000	-	2,000
Total Expenditures	<u>25,083</u>	<u>25,083</u>	<u>4,336</u>	<u>20,747</u>
Net Change in Fund Balance	(25,083)	(25,083)	(4,336)	20,747
Beginning Fund Balance	<u>30,964</u>	<u>30,964</u>	<u>30,860</u>	<u>(104)</u>
Ending Fund Balance	<u><u>\$ 5,881</u></u>	<u><u>\$ 5,881</u></u>	<u><u>\$ 26,524</u></u>	<u><u>\$ 20,643</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

REVOLVING LOAN FUND

For the Year Ended June 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
RMAP USDA Loan Disbursement	\$ -	\$ -	\$ 18,968	\$ 18,968
Revolving Loan Principal	60,471	60,471	81,284	20,813
Revolving Loan Interest	12,262	12,262	12,014	(248)
Revolving Loan Late Charges	500	500	270	(230)
Total Revenues	<u>73,233</u>	<u>73,233</u>	<u>112,536</u>	<u>39,303</u>
EXPENDITURES:				
Materials & Services:				
Revolving Loan Disbursements	257,976	257,976	73,231	184,745
Annual Software Licensing	495	495	495	-
ACH Fees	120	120	218	(98)
Bank Fees	300	300	300	-
Total Expenditures	<u>258,891</u>	<u>258,891</u>	<u>74,244</u>	<u>184,647</u>
Net Change in Fund Balance	(185,658)	(185,658)	38,292	223,950
Beginning Fund Balance	<u>195,658</u>	<u>195,658</u>	<u>176,768</u>	<u>(18,890)</u>
Ending Fund Balance	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 215,060</u>	<u>\$ 205,060</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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Transient Lodging Tax	\$ 921,120	\$ 921,120	\$ 1,071,714	\$ 150,594
Miscellaneous Income	-	-	17,265	17,265
Interest Income	12,000	12,000	15,882	3,882
Total Revenues	<u>933,120</u>	<u>933,120</u>	<u>1,104,861</u>	<u>171,741</u>
EXPENDITURES:				
Personnel Services	324,642	324,642	225,954	98,688
Materials & Services	1,227,452	1,227,452	1,147,347	80,105
Capital Outlay	-	15,000	13,169	1,831
Contingency	100,000	85,000	-	85,000
Total Expenditures	<u>1,652,094</u>	<u>1,652,094</u>	<u>1,386,470</u>	<u>265,624</u>
Net Change in Fund Balance	(718,974)	(718,974)	(281,609)	437,365
Beginning Fund Balance	<u>985,000</u>	<u>985,000</u>	<u>1,110,897</u>	<u>125,897</u>
Ending Fund Balance	<u><u>\$ 266,026</u></u>	<u><u>\$ 266,026</u></u>	<u><u>\$ 829,288</u></u>	<u><u>\$ 563,262</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, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES:				
Contracts - Marketing	\$ 74,400	\$ 104,530	\$ 105,621	\$ 1,091
Book Sales	-	3,000	3,064	64
Interest Income	30	400	393	(7)
Annual Dinner Income	3,000	6,500	6,539	39
Advertising Revenue	12,000	12,000	-	(12,000)
Total Revenues	<u>89,430</u>	<u>126,430</u>	<u>115,617</u>	<u>(10,813)</u>
EXPENDITURES:				
Materials & Services	76,600	113,600	107,147	6,453
Contingency	2,000	2,000	-	2,000
Total Expenditures	<u>78,600</u>	<u>115,600</u>	<u>107,147</u>	<u>8,453</u>
Net Change in Fund Balance	10,830	10,830	8,470	(2,360)
Beginning Fund Balance	<u>6,000</u>	<u>6,000</u>	<u>24,556</u>	<u>18,556</u>
Ending Fund Balance	<u>\$ 16,830</u>	<u>\$ 16,830</u>	<u>\$ 33,026</u>	<u>\$ 16,196</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 BUSINESS OREGON RECIPE TO MARKET GRANT

For the Year Ended June 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
REVENUES:				
Business Oregon RTM Grant	\$ -	\$ -	\$ 27,000	\$ 27,000
Net Change in Fund Balance	-	-	27,000	27,000
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,000</u>	<u>\$ 27,000</u>

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

INDEPENDENT AUDITOR'S COMMENTS
REQUIRED BY OREGON STATE REGULATIONS

December 5, 2018

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, 2018, and have issued our report thereon dated December 5, 2018.

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.