

**COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)
COLUMBIA COUNTY, OREGON**

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017



**12700 SW 72nd Ave.
Tigard, OR 97223**

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2017

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

AGENCY BOARD OF COMMISSIONERS AS OF JUNE 30, 2017

<u>Name</u>	<u>Term Expires</u>
Margaret Magruder	January 2021
Alex Tardif	January 2021
Henry Heimuller	January 2019

All Commissioners receive mail at the address below.

ADMINISTRATION

Jennifer Cuellar-Smith, Treasurer & Finance Director
Columbia County Courthouse
230 Strand Street
St. Helens, OR 97051

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

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August 30, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Columbia County Development Agency
Columbia County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of Columbia County Development Agency, a component unit of Columbia County, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 auditors' 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 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 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 major fund of Columbia County Development Agency, as of June 30, 2017, and the respective changes in financial position and budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Agency adopted the provisions of *GASB Statement No. 77, Tax Abatement Disclosures* during the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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 required supplementary information 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The listing of board members containing their term expiration dates, located before the table of contents, 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated August 30, 2017, on our consideration of 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.



Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.

Management's Discussion and Analysis

This discussion is intended to be an easily readable analysis of the Columbia County Development Agency's (Agency) financial activities based on currently known facts, decisions and conditions. It focuses on current year activities and should be read in conjunction with the financial statements that follow.

The report consists of agency-wide statements, fund financial statements, notes to the statements and supplemental information.

AGENCY-WIDE STATEMENTS

Statement of Net Position

The Statement of Net Position provides a focus on the assets restricted for economic development activities, the urban renewal agency's governmental activity.

ASSETS	2,017	2,016
Cash and cash equivalents	\$ 1,113,517	\$ 647,109
Property Taxes Receivable	174,636	160,053
Prepays	-	1,254
Total Assets	1,288,153	808,416
LIABILITIES:		
Accounts Payable	1,302	1,691
Total Liabilities	1,302	1,691
NET POSITION:		
Restricted for Urban Renewal	1,286,851	806,725
Total Net Position	\$ 1,286,851	\$ 806,725

Net position increased by 60% compared to the prior year. In FY17, an additional unscheduled debt service payment was made. If this transaction had not happened, FY17 net position for the year would have increased to over \$2.0 million.

Statement of Activities

The Statement of Activities focuses on the program costs and their matching resources. The urban renewal agency's revenue is primarily earned thru property tax increments. Property tax levels can vary significantly from year to year because a small number of utility or industrial payers drive this revenue; a change in enterprise zone status and/or tax valuation translates directly to a change in the revenue outlook.

As expected, this year showed strong property tax revenue, more than sufficient to cover debt service obligations. The increase of \$237,727 in property tax (8.1% relative last year) is due to FY17 being the second property tax year of a new utility facility which is the beneficiary of a 15 year Strategic Investment Program tax abatement granted the project.

The Agency share of County proceeds from gas royalties and timber sales decreased over last year due to lower county-wide revenue in these categories. The balance of the revenue is derived from bank and investment interest.

This Statement summarizes the extent to which the revenues exceeded or lagged behind the expenses.

GENERAL REVENUES:	2017	2016
Property taxes	\$ 2,769,594	\$ 2,531,867
Interest	12,713	8,705
Forest land sales and royalties	63,899	71,457
Total general revenues	█ 2,846,206	█ 2,612,029
EXPENSES:		
Governmental Activities:		
Economic Development	47,433	38,226
Debt Service	756,954	756,954
Special Payments		
Debt Service (scheduled and additional)	1,525,139	2,075,139
District Management	36,554	54,397
Total expenses	2,366,080	2,924,716
Change in net position	480,126	(312,687)
NET POSITION, BEGINNING	806,725	1,119,412
NET POSITION, ENDING	\$ 1,286,851	\$ 806,725

The tax increment is based on the value of the property in the designated urban renewal area which is mostly industrial property. Values for industrial properties, including utility properties, are set by the Department of Revenue and can fluctuate. Some years, as was the case four years ago, valuations may dip below the established frozen value and no current tax increment revenue is generated. Tax increment revenue is restricted to the repayment and administration of debt. Engineering and construction of improvements and equipment benefiting the urban renewal area are examples of expenses financed with debt to be repaid by tax increments.

FUND FINANCIAL STATEMENTS

Fund Statements

Following the agency-wide statements is a section containing fund financials statements. For the General Fund, a Budgetary Comparison Schedule is presented as supplementary information.

Budgetary Highlights

The budget was based on predicted revenues and the carrying costs of the entity.

In the current fiscal year, funds were sufficient to make an unscheduled extra payment on the road loan in the amount of \$750,000. As a result of early loan payments, the expected term of the road loan has gone from fiscal year 2029 to fiscal year 2019, and interest savings of \$1.423 million have been achieved.

Capital Assets and Debt Administration

Columbia County holds the debt agreement for the road project in the Port Westward area with the State of Oregon Economic and Community Development Department (OECDD).

The Port of Saint Helens holds the loan for the water project with OECDD. The loan came in at a lower level than the allowable amount set aside for the project, the water distribution and discharge system for the Port Westward Industrial Park, at \$8,095,121.

Both of these loan repayments are guaranteed through tax increment revenue from the Urban Renewal Agency.

NOTES AND SUPPLEMENTAL INFORMATION

Economic Factors

The Agency is a pivotal partner in promoting economic development in Columbia County, especially in the designated urban renewal area located near the City of Clatskanie.

In fiscal year 2015, construction of a new utility facility was completed in the urban renewal area.

Next Year's Budgets and Rates

The Agency's budget for fiscal year 2017-18 is similar to the budget for this past year just audited. Property tax levels are such that debt service on both debt agreements financed by TIF revenues are assured and it is anticipated that an additional early debt service payment will be possible during the year, completely retiring the road loan.

Financial Contact

The Agency's financial statements are designed to present users (citizens, tax payers, customers, investors and creditors) with a general overview of the Agency's finances and to demonstrate the Agency's accountability. If you have questions about the report or need additional financial information, please contact the Agency's Finance Director at 230 Strand Street, St. Helens, Oregon 97051.

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2017

ASSETS	
Cash and Cash Equivalents	\$ 1,113,517
Property Taxes Receivable	<u>174,636</u>
Total Assets	<u>1,288,153</u>
LIABILITIES:	
Current:	
Accounts Payable	<u>1,302</u>
Total Liabilities	<u>1,302</u>
NET POSITION:	
Unrestricted	<u>1,286,851</u>
Total Net Position	<u><u>\$ 1,286,851</u></u>

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

GENERAL REVENUES:	
Property Taxes	\$ 2,769,594
Interest	12,713
Forest Land Sales and Royalties	<u>63,899</u>
Total General Revenues	<u>2,846,206</u>
EXPENSES:	
Governmental Activities:	
Economic Development	47,433
Debt Service on behalf of other governments	756,954
Debt Service - Special Payment	<u>1,561,693</u>
Total Expenses	<u>2,366,080</u>
Change in Net Position	480,126
NET POSITION, BEGINNING	<u>806,725</u>
NET POSITION, ENDING	<u><u>\$ 1,286,851</u></u>

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2017

GENERAL FUND

ASSETS:

Cash and Investments	\$ 1,113,517
Property Taxes Receivable	<u>174,636</u>
Total Assets	<u>\$ 1,288,153</u>

LIABILITIES:

Accounts Payable	<u>\$ 1,302</u>
Total Liabilities	<u>1,302</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable Revenue - Property Taxes	<u>174,636</u>
Total Deferred Inflows of Resources	<u>174,636</u>

FUND BALANCE:

Unassigned	<u>1,112,215</u>
Total Fund Balance	<u>1,112,215</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 1,288,153</u>

Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position:

Total Fund Balance	\$ 1,112,215
Unavailable Revenue - Property Taxes	<u>174,636</u>
Net Position of Governmental Activities	<u>\$ 1,286,851</u>

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2017

GENERAL FUND

	<u>ACTUAL</u>
REVENUES:	
Property Taxes	\$ 2,755,011
Interest on Investments	12,713
Forest, Land, Sales & Royalties	<u>63,899</u>
Total Revenues	<u>2,831,623</u>
EXPENDITURES:	
Debt Service on behalf of other governments	756,954
Materials and Service	47,433
Debt Service - Special Payment	<u>1,561,693</u>
Total Expenditures	<u>2,366,080</u>
Revenues over (under) expenditures	<u>465,543</u>
Net Changes in Fund Balances	465,543
FUND BALANCES, BEGINNING	<u>646,672</u>
FUND BALANCES, ENDING	<u><u>\$ 1,112,215</u></u>

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the agency-wide statement of activities

Net change in fund balance - total governmental fund	\$	465,543
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental fund. This is the effect of the change in property taxes receivable during the year.		<u>14,583</u>
Changes in net position of governmental activities	\$	<u><u>480,126</u></u>

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GOVERNMENTAL FUND
 For the Year Ended June 30, 2017

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Property Taxes	\$ 2,432,388	\$ 2,432,388	\$ 2,755,011	\$ 322,623
Interest on Investments	1,000	1,000	12,713	11,713
Forest, Land, Sales & Royalties	-	-	63,899	63,899
	2,433,388	2,433,388	2,831,623	398,235
Total Revenues				
EXPENDITURES:				
Debt Service	756,954	756,954 (1)	756,954	-
Materials and Service	53,733	53,733 (1)	47,433	6,300
Contingency	550,217	550,217 (1)	-	550,217
Special Payments	1,605,139	1,605,139 (1)	1,561,693	43,446
	2,966,043	2,966,043	2,366,080	599,963
Total Expenditures				
Net Changes in Fund Balances	(532,655)	(532,655)	465,543	998,198
FUND BALANCES, BEGINNING	532,655	532,655	646,672	114,017
FUND BALANCES, ENDING	\$ -	\$ -	\$ 1,112,215	\$ 1,112,215

(1) Appropriation Level

See accompanying notes to basic financial statements.

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

NOTES TO THE BASIC FINANCIAL STATEMENTS

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

Columbia County Development Agency (the Agency) (a component unit of Columbia County) was organized in June 2001, with an effective date of September 2001, under the provisions of the Oregon Revised Statutes, Chapter 457, to provide rehabilitation of blighted and deteriorated areas within the County's designated urban renewal area. The fiscal year ended June 30, 2003 was the first year property taxes were levied. As provided by ORS 457, the Board of County Commissioners of Columbia County is designated as the governing body of the Columbia County Urban Renewal Agency. Principal funding sources are property tax revenues and interest earnings. Fiscal and accounting functions are handled by personnel of Columbia County.

The Agency is a legally separate entity governed by the Board of County Commissioners. The Agency Board of Commissioners is not financially accountable for any other governmental entity. Financial accountability is determined in accordance with criteria set forth in accounting principles generally accepted in the United States of America, primarily on the basis of authority to appoint the voting majority of the governing board, ability to impose its will on that organization, the potential for that organization to provide specific benefits or impose specific financial burdens and that organization's fiscal dependency. The Agency is a component unit of Columbia County due to the fact that the Board of County Commissioners of Columbia County is the governing body and as such, is able to impose its will on the Agency. Therefore, the Agency is included in the financial statements of Columbia County for the year ended June 30, 2017.

B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

Government-wide financial statements consist of the statement of net position and the statement of activities display information as a whole. Funds are used to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities. The statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Taxes, interest and other items not properly included among program revenues are reported instead as general revenues.

FUND FINANCIAL STATEMENTS

These statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. There is only one fund which is a governmental fund.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIS OF PRESENTATION (CONTINUED)

The financial transactions are recorded in the General fund. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures or expenses.

General Fund - The General Fund is used to record expenditures related to capital improvements projects. Major sources of revenue and other financing sources are specific taxes that are legally restricted to expenditures for specific purposes.

Net Position - Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

Net Investment in Capital Assets – consists of all capital assets, net of accumulated depreciation. There was no net position invested in capital assets at June 30, 2017.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – all residual resources are classified as unassigned.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the government-wide presentation.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BUDGETS

On or before June 30 of each year a resolution is adopted approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the Board and a like number of interested citizens. The budget committee presents the budget to the Board for budget hearings prior to enactment of the resolution. All funds are budgeted as required by Oregon Local Budget Law.

While financial position, results of operations, and changes in fund balance/net position is reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary basis of accounting is substantially the same as generally accepted accounting principles in the United States of America with the exception that property taxes are recorded as revenue when received.

The resolution authorizing appropriations for the General Fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Expenditure categories of personal services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for the General Fund. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the Board. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the Board. Management may not amend the budget without seeking the approval of the Board. Appropriations lapse as of year-end. At year-end, all expenditures were within authorized appropriations.

E. PROPERTY TAXES RECEIVABLE AND PROPERTY TAX CALENDAR

Property taxes receivable is recorded to indicate the amount of uncollected taxes receivable in the future. Such taxes are offset by a liability to indicate that these amounts have to be recorded as receipts. Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Taxes are billed and collected by Columbia County and remittances are made at periodic intervals.

F. 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 effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Fair Value Inputs and Methodologies and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based up on the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

Level 1 – unadjusted price quotations in active markets/exchanges for identical assets or liabilities that each Fund has the ability to access

Level 2 – other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks and default rates) or other market–corroborated inputs)

Level 3 – unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including each Fund’s own assumptions used in determining the fair value of investments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

H. RECEIVABLES AND PAYABLES

Uncollected property taxes are shown in the government wide statement of net position. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately thirty days of fiscal year-end are recognized as revenue.

The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have an item that qualifies for reporting in this category.

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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. FUND BALANCE

In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type Definitions. 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 of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance 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 fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance 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.
- Unassigned fund balance is the residual classification of the General Fund.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FUND BALANCE (CONTINUED)

There were no nonspendable, committed, or assigned fund balances at year end.

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.

2. CASH AND INVESTMENTS

State statutes govern cash management policies. Statutes authorize investing in bankers' acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

There were deposits at June 30, 2017, which were included in the cash that is pooled with Columbia County. Please refer to Columbia County's basic financial statements, issued under separate cover, for additional information pertaining to the nature and collateralization of the County's cash and investments.

INVESTMENTS

State statutes authorize investment 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 fair value in the State Treasurer's Local Governmental Investment Pool approximates the cash value of the pooled shares at June 30, 2017. Cash and investments are pooled with Columbia County. Please refer to Columbia County's basic financial statements, issued under separate cover, for additional information pertaining to the nature and categorization of investments.

As of June 30, 2017, the following investments and maturities are reported:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 1,113,517	\$ 1,113,517	\$ -	\$ -
Total	\$ 1,113,517	\$ 1,113,517	\$ -	\$ -

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund's compliance with all portfolio guidelines can be found in their annual report when issued. The LGIP seeks to exchange shares at \$1.00 per share; an investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool. We intend to measure these investments at book value since it approximates fair value. The pool is comprised of a variety of investments. These investments are characterized as a level 2 fair value measurement in the Oregon Short Term Fund's audited financial report. Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized.

The audited financial reports of the Oregon Short Term Fund can be found here:

[http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-\(OSTF\).aspx](http://www.oregon.gov/treasury/Divisions/Investment/Pages/Oregon-Short-Term-Fund-(OSTF).aspx)

If the link has expired please contact the Oregon Short Term Fund directly.

Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk. As of June 30, 2017, none of the bank balance was exposed to custodial credit risk because it was either insured or collateralized.

Interest Rate Risk

This is the risk of exposure of the investments to fair value losses arising from increasing interest rates. There is no formal investment policy that limits investment maturities. State policies are followed.

Concentration Risk

Concentration risk is the risk of loss due to a large portion of investments with a single issuer. At June 30, 2017, 100% of total investments were in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in this instrument.

3. DEFERRED INFLOWS – UNAVAILABLE REVENUE

Deferred Inflows – Unavailable Revenue as of June 30, 2017 consists of uncollected property taxes not deemed available to finance operations of the current period.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

4. RISK MANAGEMENT

There is exposure to various risks of loss related to: torts, errors and omissions; and natural disasters. Commercial insurance is purchased to minimize exposure to these risks. There has been no reduction in commercial insurance coverage from fiscal year 2016 to 2017. Settled claims for the fiscal year 2017 have not exceeded this commercial coverage.

5. COMMITMENTS

Tax increment revenues are pledged to repay a loan made to Columbia County for infrastructure improvements at Port Westward. The Oregon Economic & Community Development Department (OECDD) has supported the development of the Agency by committing loans in the amount of \$5,746,893 for access and road corridor improvements. The loan's annual amortization schedule is stated in the loan closing documents signed in FY2013. The loan with an interest rate of 4.99% will be repaid with tax increment revenues. Columbia County is fully responsible for the debt. Due to extra debt service payments this year and prior year, the term of the loan has been reduced by eight years to fiscal year 2019, and \$1.423 million in total debt service has been saved.

Tax increment revenues are pledged to repay a loan from OECDD incurred by the Port of St. Helens to build a water intake and discharge system in the plan area. The loan is a construction loan with a 25 year term at 5% interest. The final loan document was signed in FY2013 for a total of \$8,095,122. The Port of St. Helens is the counter party to the loan contract with the State of Oregon's Infrastructure Finance Authority.

6. TAX ABATEMENTS

Columbia County Development Agency is a taxing district in Columbia County. As of June 30, 2017, Columbia County provides tax abatements through two programs: Enterprise Zone and Strategic Investment.

Enterprise Zone (ORS 285C.175):

- The Oregon Enterprise Zone program is a State of Oregon economic development program established, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program allows industrial firms that will be making a substantial new capital investment a waiver of 100% of the amount of real property taxes attributable to the new investment for a 5-year period after completion. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

Strategic Investment (ORS 3285C.600):

- The purpose of the Strategic Investment program is to improve employment in areas where eligible projects are to be located and urges business firms that will benefit from an eligible project to hire employees from the region in which the eligible project is to be located whenever practicable.

COLUMBIA COUNTY DEVELOPMENT AGENCY

COLUMBIA COUNTY, OREGON

NOTES TO COMPONENT UNIT BASIC FINANCIAL STATEMENTS

6. TAX ABATEMENTS (CONTINUED)

In order to be eligible for the SIP exemption:

- 1) The project must be an eligible project
- 2) Benefit a traded sector industry as defined in ORS 285B.280, and
- 3) The total cost of the project equals or exceeds:
 - a. \$100 million; or
 - b. \$25 million, for rural areas

For the fiscal year ended June 30, 2017, Columbia County's abatement programs had the following effect on the Agency's property tax collections:

<u>Tax Abatement Program</u>	Amount of Taxes Abated during the Fiscal Year
Enterprise Zone (ORS 285C.175)	\$ 71,654
Strategic Investment Program (ORS 285C.600)	754,606
	<hr/>
	\$ 826,260

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

SUPPLEMENTARY INFORMATION

COLUMBIA COUNTY DEVELOPMENT AGENCY
COLUMBIA COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
 OF TAXES UNCOLLECTED

For the Year Ended June 30, 2017

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED 7/1/16	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/17
Current:						
2016-2017	\$ 2,854,165	74,051	12,792	1,357	2,672,567	\$ 93,398
Prior Years:						
2015-2016	84,044	2	(3,666)	2,362	42,773	42,573
2014-2015	52,508	-	(5,430)	3,121	25,545	29,272
2013-2014	21,383	-	(5,455)	2,975	16,171	7,692
2012-2013	-	-	-	-	-	-
Prior	2,118	-	(305)	199	523	1,701
Total Prior	160,053	2	(14,856)	8,657	85,012	81,238
Total	<u>\$ 3,014,218</u>	<u>\$ 74,053</u>	<u>\$ (2,064)</u>	<u>\$ 10,014</u>	<u>\$ 2,757,579</u>	<u>\$ 174,636</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 2,757,579
Accrual of Receivables:	
June 30, 2016	26,066
June 30, 2017	(29,330)
Unsegregated Interest	<u>696</u>
Total Revenue	<u>\$ 2,755,011</u>

COLUMBIA COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF COLUMBIA COUNTY)

COLUMBIA COUNTY, OREGON

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS



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August 30, 2017

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of Columbia County Development Agency as of and for the year ended June 30, 2017, and have issued our report thereon dated August 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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 statements 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, 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.**
- **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 the Columbia County Development Agency 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.

OAR 162-10-0230 Internal Control

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

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 parties.

Matthew Graves, CPA
PAULY, ROGERS AND CO., P.C.