



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
INSTALLATIONS AND ENVIRONMENT
110 ARMY PENTAGON
WASHINGTON, DC 20310-0110

Greg Smith
Columbia Development Authority, Executive Director
Two Marine Drive
P.O. Box 200
Boardman, Oregon, 97818

Dear Mr. Smith,

The purpose of this letter is to emphasize the requirements of preparing and submitting annual financial statements in accordance with current Economic Development Conveyance (EDC) legislation, as well as in accordance with Article 4 of the Agreement between the Army and the Columbia Development Authority ("CDA" and/or "LRA") for the less than fair market value conveyance of a 9,539.45 acre portion of the former Umatilla Chemical Depot (UMCD). The National Defense Authorization Act for FY 2010 provides for the transfer of real and personal property to a local redevelopment authority (LRA), below estimated fair market value in consideration for a share of revenues that the LRA receives from third party buyers or lessees from the sale or lease of the conveyed property. This legislation also requires all EDC recipients to reinvest proceeds received from the sale, lease or equivalent use of former military base assets into job-generation and economic redevelopment activities of or related to the Property. **Enclosure 1** lists the 12 allowable categories for reinvestment. In addition, activities that directly relate to the 12 categories may also be considered appropriate and allowable uses of proceeds.

For this approved EDC, the Department of Defense and the Army require that the CDA submit annual financial statements, certified by an independent Certified Public Accountant (CPA) that account for the reinvestment of proceeds generated from the EDC property into one or more of the allowable categories. The Army also requires a U.S. Army Audit Agency review and report of the CDA's annual financial statements. The Army requires the following from the CDA to fully evaluate whether proceeds were properly invested:

- Submit financial statements certified by an independent certified public accounting firm. The CPA's audit report should express an opinion on the CDA's financial position, results of its operations, and whether the financial statements were presented fairly in all material respects.
- Include in the statements (or as supplemental statements) a breakdown of the revenues and expenditures generated from the Property conveyed to the CDA under the EDC authority. Expenditures need to be broken down into the 12 categories to show where the proceeds were reinvested. In addition, the Army requires notes to the financial statements and supplemental schedules that further explain the sources of revenues, expenditures, and the CDA's plans for redeveloping the discounted EDC property.

For your consideration, **Enclosure 2** is a framework for financial statements that the Army finds acceptable. These examples are intended to provide only a framework for the minimum amount of data required for preparing financial statements. **Enclosure 3** is an example of notes to the financial statement explaining revenues, expenses, and future plans for the discounted EDC property. **Enclosure 4** is an example of a supplemental schedule detailing the sources of revenues. **Enclosure 5** contains the mailing addresses for the annual financial statements.

Your accounting reports must also include accurate statements of gross revenues received for Army review and verification of income. The Army will review your annual reports to include monthly totals of gross income for each source of income received by the District. Each source of revenue must be reported separately (i.e., agricultural leases, real property sales, land and building lease revenues, etc.), in line with the sources of income. These reports must be supported by transactional details that would be made available if requested by the Army. The Army will require annual reports of gross income for a period of seven (7) years following the date of Closing. Annual reporting of gross revenues by source of income must be included in the reporting required to show reinvestment of revenues and expenditures under the EDC legislation, as discussed in the prior paragraphs above, and must include payments to the Army (if any).

The Army requests your timely submission of all appropriate financial statements. If you have any questions or concerns, please contact Tom Lineer at: thomas.a.lineer.civ@army.mil or with Army G-9 at 703-371-6785.

Sincerely,

Carla K. Coulson
Deputy Assistant Secretary of the Army
(Installations, Housing, and Partnerships)

Enclosure 1 - Listing of 12 Allowable Categories

Allowable activities for reinvestment of proceeds ("the 12 Categories") are the following:

1. Road construction and public buildings.
2. Transportation management facilities.
3. Storm and sanitary sewer construction.
4. Police and fire protection facilities and other public facilities.
5. Utility construction.
6. Building rehabilitation.
7. Historic property preservation.
8. Pollution prevention equipment or facilities.
9. Demolition.
10. Disposal of hazardous materials generated by demolition.
11. Landscaping, grading, and other site or public improvements.
12. Planning for or the marketing of the development and reuse of the installation.

Enclosure 2 – Framework for Financial Statements

Below are examples of a Balance Sheet, Statement of Revenues and Expenditures, Changes in Fund Equity, and Statement of Cash Flows. These examples are intended to provide only a framework for the minimum amount of data required for preparing the financial statements. The lines items listed are not and were not intended to be all inclusive of the line items required for the statements. Local redevelopment authorities are in a better position to know what line items they should include to ensure the financial statements reasonably present, without material misstatement, their operations and financial position. DoD and the Army require certified statements to ensure that LRA's comply with Section 2715 of the 2010 National Defense Authorization Act.

| Local Redevelopment Authority Balance Sheet Date (\$ in thousands) | | | | |
|--|--------------------------|---------------------|----------------------|---------------------|
| <u>Assets</u> | <u>EDC</u> | <u>Other</u> | <u>Grants</u> | <u>Total</u> |
| Cash | <u>(Operating</u> | <u>(*)</u> | | |
| Accounts receivable (Net of Allowance for Doubtful Accounts) | | | | |
| Inventory | | | | |
| Property, Plant and Equipment (Net of Depreciation) | | | | |
| Other Assets | | | | |
| Total Assets | | | | |
| <u>Liabilities and Fund Equity</u> | | | | |
| <u>Liabilities</u> | | | | |
| Accounts Payable | | | | |
| Contracts Payable | | | | |
| Accrued Liabilities | | | | |
| Deferred Revenue | | | | |
| Other Liabilities | | | | |
| Total Liabilities | | | | |
| <u>Fund Equity</u> | | | | |
| Investment in General Fixed Assets | | | | |
| Unrestricted/Undesignated Equity | | | | |
| Restricted/Designated Equity | | | | |
| Total Fund Equity | | | | |
| Total Liabilities and Fund Equity | | | | |
| (*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases. | | | | |
| The accompanying notes are an integral part of the financial statements. Notes should include, at a minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statement | | | | |

Framework for Financial Statements (cont'd)

Statement of Revenues and Expenses

| Local Redevelopment Authority Statement of Revenues and Expenses For the Period Ended [Date] (\$ in Thousands) | | | | |
|--|--|------------------|---------------|--------------|
| <u>Revenue</u> | <u>EDC</u> <u>(Operating</u> <u>Fund of</u> <u>Authority)</u> | <u>Other (*)</u> | <u>Grants</u> | <u>Total</u> |
| Sales Income Rent/Lease Income | | | | |
| Utility Income | | | | |
| Housing Income | | | | |
| Income from Sale of Property | | | | |
| Interest Income | | | | |
| Other Income | | | | |
| Total Revenue | | | | |
| <u>Expenditures</u> | | | | |
| Road Construction | | | | |
| Transportation management facilities | | | | |
| Storm and sanitary sewer construction | | | | |
| Police and fire protection facilities | | | | |
| Utility construction | | | | |
| Building rehabilitation | | | | |
| Historic property preservation | | | | |
| Pollution prevention equipment/facilities | | | | |
| Demolition | | | | |
| Disposal of hazardous materials | | | | |
| Landscaping and other site improvements | | | | |
| Planning and marketing | | | | |
| Total Expenditures | | | | |
| Net Revenues Less Expenditures | | | | |
| (*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases. | | | | |
| The accompanying notes are an integral part of the financial statements. Notes should include, at minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements. | | | | |

Framework for Financial Statements (cont'd)
Statement of Changes in Fund Equity

| Local Redevelopment Authority Statement of Changes in Fund Equity For the Period Ended [Date] (\$ in Thousands) | | | | |
|--|--|--|----------------------|---------------------|
| Net Revenues Less Expenditures Other Financing Sources (Uses) Transfers in Transfers out Total Other Financing Sources (Uses) Net of Revenues and Other Sources Less Expenditures Changes in Fund Equity Fund Equity at Beginning of Period Fund Equity at End of Period (*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases. The accompanying notes are an integral part of the financial statements. Notes should include, at minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements. | <u>EDC</u> <u>(Operating</u> <u>Fund of</u> <u>Authority)</u> | <u>Other</u> <u>(*)</u> | <u>Grants</u> | <u>Total</u> |

Framework for Financial Statements (cont'd)
Statement of Cash Flows

| Local Redevelopment Authority Statement of Cash Flows For the Period Ended [Date] (\$ in Thousands) | | | | |
|--|--|----------------------------|---------------|--------------|
| | <u>EDC</u> <u>(Operating</u> <u>Fund of</u> <u>Authority)</u> <u>XXX</u> | <u>Other</u> <u>(*)</u> | <u>Grants</u> | <u>Total</u> |
| Cash at Beginning of Year | | | | <u>XXX</u> |
| Cash Flows from Operating Activities | | | | |
| Cash received from: | | | | |
| Leases | | | | |
| Developer Fees | | | | |
| Other | | | | |
| Cash paid for: | | | | |
| Wages | | | | |
| Costs of Providing Services | | | | |
| Net Cash Flow From Operations | | | | |
| Cash Flows from Investing Activities | | | | |
| Cash received from: | | | | |
| Sale of Property or Equipment | | | | |
| Deposits received from developers | | | | |
| Collection of Principal on Loans | | | | |
| Cash paid for: | | | | |
| Purchase of Property and Equipment | | | | |
| Making loans to other entities | | | | |
| Net Cash Flow from Investing Activities | | | | |
| Cash Flows from Financing Activities | | | | |
| Cash received from: | | | | |
| Bond Proceeds | | | | |
| Borrowing | | | | |
| Cash paid for: | | | | |
| Repayment of Loans | | | | |
| Net Cash Flows from Financing Activities | | | | |
| Net Increase in Cash | | | | <u>XXX</u> |
| Cash at End of Year | <u>XXX</u> | | | <u>XXX</u> |
| (*) Other includes sales and/or any other source of revenues, expenditures, and/or benefits that are derived from the disposal and/or other use of transferred Federal property, such as, subleases. | <u>XXX</u> | | | |
| The accompanying notes are an integral part of the financial statements. Notes should include, at minimum, information about the methods used to calculate allowance for bad debts and depreciation and identify what or how parcels, if property was transferred in phases, are included in the statements. | | | | |

Enclosure 3 – Example of Explanations Included in Notes to Financial Statements

NOTE X – ARMY’S LESS THAN FAIR MARKET VALUE ECONOMIC DEVELOPMENT CONVEYANCE PROPERTY

The LRA Authority received _____ acres of the former _____ for consideration of \$XX,XXX.XX on XX Month ____ for a less than fair market value economic development conveyance.

For the year ended XXXX, the LRA earned \$XX million in revenue from the use of the property conveyed to it at less than fair market value by the Army. An example of a breakdown of the revenues received is:

\$XX million net proceeds from the sale of one parcel of property to XXXXX Company which plans to lease these buildings to industrial and office tenants.

\$XX million deferred revenue from a deposit made by XXXXX Company on another parcel of property, which plans to develop a retail shopping center on the site.

\$XX million net proceeds from an auction of personal and real property left by the Army as part of the property conveyed to the authority.

For the year ended XXXXX, the LRA incurred expenditures for:

Extending an interstate to provide access road.

Snow removal and grass cutting.

Advertising with XXXX newspaper or real estate firm.

Municipal services.

Salary and wages.

The LRA also issued a bond [or obtained a loan] of \$XX on XX month 2011 that has a 5-year term at 5 percent interest, compounded annually. Proceeds of this bond [loan] were used for XXX and will be used for XXX.

The LRA plans to redevelop the property conveyed to them at less than fair market value by the Army by building an industrial park. As of the XXXXXX, the LRA has sold (or leased) one of the parcel(s) and is in entering into agreements of sale for the other two parcels.

Enclosure 4 – Example of a Supplemental Schedule Detailing Sources of Revenue

Sale of Real Property

Local Redevelopment Authority

Years Ended

Fort Anywhere, Texas

June 2010 and 2011

| | ABC College | XYZ Publishing | WE Mfg | EFG Mfg (1) |
|------------------------|----------------------|------------------------|------------|----------------|
| Gen Prop Description | Child Dev. Center | Print Plant Bldg.18 | Bldg 650 | Bldg. 65 & 66 |
| Date orig. created | 5/22/10 | 7/18/10 | 1/26/11 | 7/15/11 |
| Contract Amount | \$250K | \$625K | \$1,150K | \$1,450K |
| Adjustment to Contract | | \$25K | | \$35K |
| Collected in FY 2010 | (\$150K) | (\$50K) | | |
| Collected in FY 2011 | \$0 | (\$600K) | (\$1,150K) | (\$1,000K) |
| Uncollected Balance | \$100K | | | \$485K |
| Due to Authority | | | | |
| FY ____ | \$100K | | | \$285K |
| FY ____ | \$0 | \$0 | \$0 | \$200K |

Add any Notes Here

(1) Collection of future amounts could be accelerated

Enclosure 5 – Mailing Addresses for Annual Financial Statements

The District should mail its annual financial statements to the following.

To Army at:

Office of Assistant Chief of Staff for Installation Management
Attn: BRAC Division (DAIM-ODB) c/o Gwen Bingham
600 Army Pentagon
Washington, DC 20310-0600

With a copy to:

DAIM-ODB (BRAC Division)
Attn: James E. Briggs, Program Manager
Taylor Building/NC3, Room 5000
2530 Crystal Drive
Arlington, VA 22202

With a copy to:

U.S. Army Corps of Engineers
CENWS-RE
Attn: Bruce Rhode
Chief, Real Estate Division
4735 E. Marginal Way South
Seattle, WA 98124-3755