

Village of Montour Falls  
408 West Main Street  
Montour Falls, NY 14865

# ARC Loan Program

## LOAN POLICIES

Updated September 2023

# TABLE OF CONTENTS

## Program Description

### Goals and Objectives

- 1.0 Eligibility
- 2.0 Standard Loan Conditions
- 3.0 Loan Application Process
- 4.0 Loan Closing and Disbursement Process
- 5.0 Repayment and Collection Procedures
- 6.0 Default
- 7.0 Compliance
- 8.0 Loan Servicing and Administration
- 9.0 Loan Administration
- 10.0 Loan Audit Requirements
- 11.0 Administrative Funding
- 12.0 Variances

## Program Description

The ARC loan program is a revolving loan fund, which was created to provide "gap financing" to start-up and expanding businesses located in the Village of Montour Falls. Applicants will be required to create a Business Climate Action Plan through Cornell Cooperative Extension (CCE).

As loans are repaid by the borrowers, the money is returned to the loan pool to provide loans to other potential loan clients. Hence, ARC loan programs will become a revolving loan fund.

ARC loan programs are not meant to be used as a substitute for conventional funding sources. Rather, its purpose is to fill the financing gaps which exist in the local lending community, and to provide financing which would not otherwise be available for economic development projects.

ARC loan programs will be administered in accordance with the RLF Plan, which was developed and approved by its funding agencies:

Appalachian Regional Commission (ARC) — the Village of Montour Falls affirms that it understands and does agree to operate its ARC RLF in accordance with ARC RLF policies as outlined in the ARC guidelines.

Accepted and Agreed to by:

  
\_\_\_\_\_  
Village of Montour Falls Mayor

9-21-23  
Date

## Goals and Objectives

The Village of Montour Falls recognizes that one of the major obstacles of business development in the Southern Tier Region is affordable financing. Generally, the conservative nature of banks, and the regulatory environment they must operate in, inhibits their ability to encourage business start-ups and expansions, which create jobs. As a result, the region's economic base suffers through loss of jobs, tax revenues and private investments.

The primary goal of the ARC loan is to provide financing to business development projects that directly impact employment and strengthen the economic base. The proposed projects will support and complement economic development activities which exist or are planned in the Region.

The economic development activities may include, but are not limited to the following:

1. Small business development, including the start-up or expansion of locally owned businesses.
2. Business and job retention.
3. Redevelopment of blighted land and vacant facilities for productive use.
4. Modernization and rehabilitation of existing industrial or manufacturing facilities.
5. Support for the use of new technologies, growth industries and/or high-tech firms.
6. Development of businesses owned and operated by minorities, women, and members of other economically disadvantaged groups.
7. Carbon reduction and energy efficiency projects.
8. Other economic adjustment activities, as appropriate.

The Village of Montour Falls recognizes that the effectiveness of the loan program also depends on its lending policies, which may include, but are not limited to the following:

1. Providing flexible repayment terms, such as deferral of initial principal or interest payments, or scheduling repayments based on the seasonality of the business.
2. Taking greater risks than banks traditionally take, especially if substantial economic development benefits will result if the project succeeds.
3. Providing attractive interest rates.
4. Providing flexible loan terms.
5. Providing a short turn-around time for processing loan requests.
6. Reducing the risk for the commercial lender by taking a subordinate lien position.

## 1.0 Eligibility

### 1.1.0 Eligible Borrowers

- 1.1.1 The following types of businesses are eligible for ARC financing: for-profit sole proprietorships, partnerships, corporations, or limited liability companies.
- 1.1.2 For-profit industrial or commercial firms where opportunities for job creation are greatest, will receive first priority for ARC loans.
- 1.1.3 Site of investment must be located in the Village of Montour Falls.
- 1.1.4 Private developers, whose projects create benefits within the region.

### 1.2.0 Eligible Projects

- 1.2.1 Small business development, including the start-up or expansion of locally owned businesses.
- 1.2.2 Business retention.
- 1.2.3 Redevelopment of blighted land and vacant facilities for productive use.
- 1.2.4 Modernization and rehabilitation of existing industrial and manufacturing facilities.
- 1.2.5 Support for the use of new technologies, growth industries and/or high-tech firms.
- 1.2.6 Development of businesses owned and operated by minorities, women, and members of other economically disadvantaged groups.
- 1.2.7 Tourism related projects.
- 1.2.8 All projects must include a climate adaptation or efficiency component.

### 1.3.0 Eligible Activities

- 1.3.1 ARC loans will finance industrial, retail, wholesale, and commercial activities, including assistance for light manufacturing and service industries, where opportunities for private sector jobs are greatest.
- 1.3.2 Acquisition and/or improvement of land, building, plant and equipment; including new construction or renovation of existing facilities; demolition and site preparation; purchase of inventory, supplies, furniture, and fixtures; and working capital.
- 1.3.3 In accordance with federal regulations, real estate development projects are eligible provided the developer provides evidence of signed leases that meet the required loan to job ratio.
- 1.3.4 The real estate development project must be requested at a minimum of \$2,000 and may not exceed the maximum \$10,000 ARC lending limit, regardless of the number of applicants (tenants) within the project. A 10% cash equity will also be required. Projects may exceed the \$10,000 threshold but will be awarded on a case per case basis. With application requests of up to \$5,000, a Personal Guarantee is required. Any request from \$5,001 to \$10,000 will require Collateral.

This does not preclude the Village of Montour Falls from lending to a developer on the initial project and subsequently lending to a tenant, provided all guidelines are met and the jobs created by the tenant are also not counted by the developer.

#### 1.4.0 Ineligible Activities

1.4.1 Speculative activities, such as land banking and the construction of speculative buildings.

1.4.2 Any activities located outside of the Village of Montour Falls.

1.4.3 Loans for the purpose of investing in high interest accounts, certificates of deposit or other investments, or furnishing surety bonds, deposits, or other securities for project activities.

1.4.4 Loans which assist in the relocation of jobs from one labor market to another.

1.4.5 Loans which would create a potential conflict of interest or the appearance of one.

1.4.6 Loans cannot be used to purchase or finance equity in private businesses; subsidized interest payments on existing loans; refinance existing commercial loans; or provide the equity required to qualify for loans from other programs.

1.4.7 Loans that refinance existing debt solely for the purpose of reducing the risk to existing lenders.

1.4.8 Loans that establish revolving lines of credit for borrowers.

#### 1.5.0 Ineligible Borrowers

1.5.1 Former members of the Board, former members of the staff and former members of the Loan Review Committee are prohibited from applying for a Village of Montour Falls ARC loan for one year from the date of termination of their service. Loan activities that directly benefit these individuals or people related to them by blood, marriage, or law is prohibited for a period of one year from the date of termination of service of such related person.

1.5.2 Any non-profit entity is ineligible to apply for ARC financing, with the exception of non-profit childcare centers. They must seek funding through the SBA microloan program offered through REDEC.

## 2.0 Standard Loan Conditions

### 2.1.0 Loan Types

2.1.1 All loans will be secured loans.

2.1.2 Fixed asset loans for the acquisition and/or improvement of land, buildings, plant and equipment; including new construction or renovation of existing facilities, demolition, and site preparation.

2.1.3 Working capital loans for the start-up of new businesses or conduct of ongoing businesses.

### 2.2.0 Borrowing Limits

2.2.1 There is a \$10,000 maximum per loan.

2.2.2 There is a minimum loan amount of \$2,000.

2.2.3 For any projects requiring over \$10,000, the ARC Loan Committee will review on a case per case basis and may approve awards at a higher limit. Any such request, must demonstrate that their proposed project will be a significant economic benefit as a result of the project.

2.2.4 All loans up to \$5,000 will require a Personal Guarantee.

2.2.5 All loans from \$5,001 to \$10,000 will require Collateral.

### 2.3.0 Loan Terms

2.3.1 Generally loan terms will not exceed three to seven years for working capital and/or machinery/equipment; and seven to ten years for real estate related activities. Loan terms may be blended if funds are used for more than one use.

### 2.4.0 Interest Rate

2.4.1 Interest rate on each individual loan will be fixed for the length of the loan. The Village of Montour Falls ARC's interest rate policy for determining the actual interest rate levied will be evaluated on a periodic basis to ensure the rate remains affordable and competitive and assists the Village of Montour Falls in achieving the goals of its RLF.

2.4.2 The interest rate will be no less than four percentage points below the current US Treasury Rate and no more than the maximum interest rate allowed by state law. The current prime rate will be derived from the US Treasury.

### 2.5.0 Equity Investment

2.5.1 The Village of Montour Falls requires a minimum of ten (10%) percent cash equity investment.

## 2.6.0 Matching Private Investment

2.6.1 Owner cash equity and financing from private sources must comprise a minimum of fifty percent (50%) of the total project cost. As a general rule, an ARC loan combined with other public financing sources will not participate at a higher level of participation than private financing.

2.6.2 Private investment, which includes but is not limited to bank financing and stock issues, will be considered as private sources of debt financing, but will not be considered eligible equity investment. A borrower may not borrow funds from any lender for the purpose of meeting the equity requirement of a project.

## 2.7.0 Collateral

2.7.1 The ARC loan will be secured by collateral when the loan amount is from \$5,001 to \$10,000 and the Village of Montour Falls will negotiate collateral positions to secure the loan.

2.7.2 Collateral will generally be based on the use of ARC funds and may include, but is not limited to, mortgages on real estate; liens on business assets including furniture, fixtures, and equipment; inventory; accounts receivable; and general intangibles.

2.7.3 The Village of Montour Falls will accept a subordinated lien position, when deemed necessary.

2.7.4 The Village of Montour Falls will require personal guarantees of principals with 20% or more ownership; and spousal guarantees as allowed by law under the Equal Opportunity Act.

2.7.5 Each borrower must obtain and provide evidence of adequate casualty/hazard and other forms of business insurance as appropriate. The insurance must designate the Village of Montour Falls as loss payee or mortgage, as appropriate.

## 2.8.0 Repayment

2.8.1 Generally, ARC loans will be amortized in equal monthly installments, with loan payments due the first day of each month.

2.8.2 Payments will be applied first to interest and any late fees, and then principal, until both interest and principal are fully paid.

2.8.3 There is no penalty for early loan repayment and the borrower may pay a greater sum against the principal indebtedness at the time of any scheduled payment.

2.8.4 Prompt repayment is the responsibility of the borrower. The Village of Montour Falls will not provide borrowers with booklets or payment coupons.

2.8.5 Any payment which is returned to the Village of Montour Falls due to insufficient funds will incur a penalty of \$25.00, plus the overdraft fee charged by the bank shall be imposed.



2.8.6 Loan repayments will automatically be set up on automatic ACH payments, unless a request to submit monthly loan payments via another method is requested and approved by the Village of Montour Falls Loan Committee.

2.8.7 If requested by the applicant and approved by the Loan Committee, monthly payments may be mailed or delivered to the Village Clerk. Any payment received later than ten (10) days after the due date, regardless of postmark date, will be assessed a late fee of 5% of the loan payment, or \$25.00, whichever is greater.

2.8.8 The Village of Montour Falls may elect, in the future, to accept credit card payments.

### 2.9.0 Loan Closings

2.9.1 Any and all closing costs are the responsibility of and shall be paid by the borrower.

2.9.2 Closing costs must be paid at the time of closing.

2.9.3 No loan funds will be disbursed until the loan has been formally closed.

## 3.0 Loan Application Process

### 3.1.0 Pre-Application

3.1.1 The Village of Montour Falls utilizes a pre-application to screen potential applicants and ensure the project meets the basic eligibility criteria.

3.1.2 Potential applicants may also be referred to the Small Business Development Center or other EDO for assistance with their business plan.

3.1.3 All applicants must first create a Business Climate Action Plan through CCE before applying for loan funds through the Village of Montour Falls.

### 3.2.0 Loan Application

3.2.1 Loan applicants must submit a signed and completed loan application, accompanied by supporting documentation, including a written business plan.

3.2.2 Completed loan applications must be submitted by the first Monday of the month for submission and the second Monday for Loan Review.

### 3.3.0 Loan Application Fee

3.3.1 There is \$250 due at application for all loan requests. This must be paid at submission of application and covers credit report fees, etc.

### 3.4.0 Loan Application Review Process

3.4.1 The Village of Montour Falls has retained Community Progress, Inc. to perform an analysis of each loan application which consists of the following: an analysis of the financial statements to determine if the project is financially sound; and an analysis of the business and the proposed project to ensure the loan requests meet the established guidelines.

3.4.2 The analysis conducted by CPI includes the following:

- Financial Analysis- review of balance sheets and income statements to determine if potential problems exist relating to the company's long-term profitability and ability to take on new debt; to detect unusual increases or decreases in revenues and expenses on comparison of past, present, and projected financial statements; and comparison of debt/equity and profitability ratios to industry standards.
- Cash Flow Analysis- to determine if the projected condition of the business will enable the company to afford the new debt service; and if market and economic trends support the projections.
- Collateral Analysis- determination of value of assets offered as collateral and verification of ownership; including identification of any circumstances which would preclude immediate foreclosure on pledged assets in event of default.
- Employment Analysis- includes a listing of current employment and projected job creation and/or retention.

- Credit Analysis- review of history of the business, principals and management personnel; credit reports on principal owners; and review of other financing sources.

3.4.3 After CPI review, staff prepares a written loan summary outlining the loan request, proposed project and analysis.

### 3.5.0 Loan Review Committee

3.5.1 A completed loan application and written loan summary are provided to the Loan Review Committee generally two business days prior to the Loan Review Committee meeting.

3.5.2 The Loan Review Committee reviews the loan application to determine the viability of the project; the credit worthiness of the business; and the economic impact of the project.

3.5.3 The Loan Review Committee makes a recommendation outlining the terms and conditions of the loan.

3.5.4 A loan must have a majority vote to be approved by the Loan Committee.

3.5.5 Loan approvals or requests for changes in terms/conditions may be conducted via electronic mail, with documentation of the decision maintained in the loan file.

3.5.6 The Loan Review Committee will have at least three members on it at all times to review and approval all loans. Loan Committee members will have significant experience in commercial lending, economic development, or small business management. Current committee members are Bruce Boughton, Amanda Rodriguez Demaria, Michel Ray, and Rebecca Carroll.

- Mr. Boughton is Assistant Vice President of Chemung Canal Trust Company. Mr. Boughton has nearly 30 years of experience in commercial lending.
- Ms. Demaria is owner of Ascend Collaborative Development. Ms. Demaria has over fifteen years of community and economic development working with small businesses at all stages. Ms. Demaria also has experience with nonprofit lending utilizing federal funds.
- Ms. Ray is Branch Manager of Visions Federal Credit Union in Watkins Glen NY. Ms. Ray has sixteen years of experience in commercial lending.
- Ms. Carroll is Owner of Statements Accounting and Consulting Services in Montour Falls, NY. Ms. Carroll has twenty years experience in business accounting and business consulting.

### 3.6.0 Confidentiality

3.6.1 All ARC loan committee members, Village employees and CPI staff are prohibited from disclosing to any unauthorized persons confidential information, data or records pertaining to or concerning the affairs of the ARC loan, its customers or potential customers, except as otherwise provided pursuant to a court order or other legal process. Within the Village of Montour Falls' ARC program, disclosure of such information, data or records is to be limited to a "need to know" basis to those whose duties require and

permit them to have access to the information to make accurate and informed decisions. Such persons are responsible for maintaining its confidentiality.

### 3.7.0 Conflict of Interest

3.7.1 Any Loan Review Committee member having actual conflicts of interest, or where the appearance of conflict is present, must declare the conflict and abstain from voting on the loan request.

### 3.8.0 Decision

3.8.1 Loan approvals are recorded in the minutes of the Loan Review Committee. The terms and conditions of the approval are outlined in the minutes and the minutes are approved at the next meeting.

3.8.2 Any loan applicant whose loan request is denied is provided with written notification of the denial and reasons for the loan denial.

3.8.3 A loan which has been approved is generally notified by telephone the business day following the loan decision. The loan client is then provided with two (2) original written commitment letters. The loan client has thirty (30) days to sign and return one of the commitment letters. The loan will then be closed in (14) days once a commitment letter has been returned signed.

3.8.4 The ARC loan commitment will remain in effect for sixty (60) days after receipt of the signed commitment, after which time it will expire unless an extension has been requested and provided.

3.8.5 There is a two percent (2 %) commitment for all loans and is due with the acceptance of the loan commitment.

## 4.0 Loan Closing and Disbursement Process

### 4.1.0 Loan Closing Process

4.1.1 General closing requirements including evidence of property/casualty insurance.

4.1.2 CPI staff prepares the following draft closing documents: promissory note, security agreement, statements and assurances form.

4.1.3 The borrower is responsible for all closing costs, including attorney fees, if any.

4.1.4 The Village of Montour Falls will file UCC-I liens electronically at the time the loan is originated. This lien fee will be the responsibility of the loan recipient.

### 4.2.0 Loan Disbursement Process

4.2.1 Based on the project and use of ARC funds, loan proceeds are either disbursed in full at loan closing or drawdown as needed by the loan client within a specified period of time.

4.2.2 Documentation of the use of loan funds must be provided to CPI within a specified period of time after loan closing.

## 5.0 Loan Repayment and Collection Procedures

### 5.1.0 Loan Repayment Procedure

5.1.1 The Village of Montour Falls' standard loan repayment policy is that all loan payments are due on the first day of each month. CPI may, at the request of the borrower, change the due date.

5.1.2 Borrowers will be charged interest only with payments due the first day of each month on loans that have been partially disbursed, until the loan has been disbursed in full.

5.1.3 There is a ten (10) day grace period for loan repayments. Any loan payment received after the 10<sup>th</sup> day, regardless of the postmark, will be assessed a late fee of 5% of the loan payment, or \$25.00 whichever is greater.

5.1.4 There are no payment coupons or books provided. It is the responsibility of the borrower to remit payment on time.

5.1.5 Borrowers will automatically be set up on automatic electronic transfer for loan payments, unless a request to remit payment via another method is requested and approved by The Village of Montour Falls.

5.1.6 If a borrower cancels the ACH automatic debit or the ACH payment is returned by the bank more than twice during the life of the loan, the interest rate will automatically increase by one-half of a percentage point for the remaining life of the loan.

### 5.2.0 Loan Collection Procedures

5.2.1 CPI monitors loan repayments monthly. Borrowers are notified in writing when a payment is ten (10) days past due. The past due notice includes the loan payment and late fee which are due.

5.2.2 CPI follows up the late notices with either a telephone call or email.

5.2.3 If CPI does not receive a response from the borrower after written notification and attempts to contact them by telephone, a site visit may be deemed necessary.

5.2.4 The Loan Review Committee is provided written monthly updates on the status of each active loan and any corrective actions taken during the month.

5.2.5 CPI will monitor active loans on a monthly basis and look for any negative trends that may be occurring. Contact is also maintained with the participating bank, when warranted.

5.2.6 CPI will make every effort to work with delinquent borrowers so that an equitable solution can be worked out to realize full repayment.

5.2.7 CPI, with approval from the Loan Review Committee, restructures the loan including, but not limited to; interest only payments for a specified period of time, and extending the term of the loan, if viability of repayment is documented.

5.2.8 In the event of restructuring, additional collateral may be requested.

5.2.9 In the event CPI is unable to negotiate a workable solution or a loan client is unresponsive, the loan will be declared in default.

5.2.10 When a loan is declared in default, The Village of Montour Falls will initiate legal action, with the assistance of legal counsel.

5.2.11 The Village of Montour Falls will not hesitate to take legal action against personal.

## 6.0 Default

6.1.0 Conditions outlining what constitutes a default of the ARC/ARC loan are outlined in the promissory note and/or credit agreement.



## 7.0 Compliance

### 7.1.0 Matching Private Investment

7.1.1 The Village of Montour Falls, may at its discretion, authorize CPI to finance up to a maximum of fifty percent (50%) of the total project cost. (The level of participation is based on the type of project/business). The loan applicant must provide to CPI documentation of financing commitments from other sources.

7.1.2 All loan applicants must demonstrate the need for ARC funds and that credit is not otherwise available on terms and conditions that would permit the successful completion of the project.

Loan applicants must provide documentation, which may include:

- a) Commitment letter from a bank or other private financing source which outlines the terms and conditions of the loan.
- b) Bank turndown letter, if obtainable, which lists the reasons for denial.

### 7.2.0 Federal and State Compliance

7.2.1 All loan borrowers must comply with federal and state regulations including:

- Non discrimination — Title VI of the Civil Rights Act; Title IX of the Education Amendments of 1972; Section 504 of the Rehabilitation Act of 1973; Age Discrimination Act of 1975; The Americans with Disabilities Act of 1990.
- Flood insurance.
- Environmental Regulations.

7.2.2 Davis — Bacon, in all projects where ARC funds are used for construction and/or renovations, all laborers and mechanics employed by contractors or subcontractors shall be paid in accordance with the Davis — Bacon Act.

7.2.3 CPI will maintain current information on Davis — Bacon wage rate for the region and ensure that borrowers are complying with Davis-Bacon.

## 8.0 Loan Servicing and Administration

### 8.1.0 Request for Financial Information

8.1.1 The Village of Montour Falls requires that borrowers provide copies of annual financial statements or tax returns. CPI, on behalf of the Village of Montour Falls may, at its discretion, request financial statements on a more frequent basis (i.e. semi-annual, etc.).

### 8.2.0 Site Visits

8.2.1 CPI will conduct annual site visits of all active loan clients to monitor performance, job impact, and collateral determination.

### 8.3.0 Insurance Requirements

8.3.1 CPI will require that all program participants list the Village of Montour Falls as a Loss Payee.

### 8.4.0 FDIC

8.4.1 The Village of Montour Falls will maintain all bank accounts in financial institutions, which are FDIC insured. The Village of Montour Falls and its accountants will be responsible for monitoring the accounts on a monthly basis to ensure to the best of its ability that accounts do not exceed the FDIC limit.

### 8.5.0 UCC-I Financing Statements

8.5.1 CPI will maintain a database of all UCC-I filings and will work with the Village of Montour Falls to renew the UCC-I as required by the New York State Department of State. The UCC-I filing maintains collateral. The UCC-I filing matches the collateral identified in the Security Agreement.

## 9.0 Loan Administration

### 9.1.0 Reports to Federal Agencies

9.1.1 The Village of Montour Falls will submit financial reports on a timely basis, as required by the federal agencies.

9.1.2 The Village of Montour Falls will submit annual financial statements prepared by a certified public accountant, to all of its respective federal agencies.

### 9.2.0 Local Share

9.2.1 For programs which require a local share contribution, all local share contributions shall be verified, and documentation provided in an acceptable form.

### 9.3.0 Records and Retention

9.3.1 The Village of Montour Falls' loan files and related documents and records are retained during the active term of the loan and for a three-year period from the date of final disposition of the loan. The date of final disposition is defined as:

Full payment of the principal, interest, fee, penalties, and other costs associated with the loan; or Final settlement or write-off of any unpaid amounts associated with the loan.

### 9.4.0 Accounting

9.4.1 The Village of Montour Falls will maintain adequate accounting records and source documentation to substantiate the amount and percent of RLF income expended for eligible RLF administrative costs.

9.4.2 The Village of Montour Falls will maintain a separate bank account for this funding source with ARC; utilizing one main checking account.

9.4.3 The Village of Montour Falls will be responsible for maintaining income and expense statements for the ARC Program, as well as view and approve each expense incurred during the prior month.

9.4.4 The Village of Montour Falls will prepare an annual budget. Copies of the annual budget are submitted to each funding agency and CPI on an annual basis.

9.4.6 The Village of Montour Falls' accounting records and documentation will be available for inspection, as required.

### 9.5.0 Plan Revisions

9.5.1 Any/all changes will initially be reviewed by the Loan Review Committee to determine needed changes.

9.5.2 A change to the plan must have a majority vote in order to be approved by the Loan Review Committee.

9.5.3 If the original plan changes materially, the Village of Montour Falls (the grantee) will submit the revised plan to ARC.



## 10.0 Loan Audit Requirements

### 10.1.0 Auditing

10.1.1 The following requirements pertain to any grantee, subgrantee, or recipient or subrecipient of federal financial assistance, regardless of which federal agency makes the award, as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Part 200, Subpart F.

10.1.2 A grantee that expends \$750,000 or more in its fiscal year in federal awards or financial assistance, including but not limited to the ARC contribution, shall have a single or program specific audit conducted for that year. Grantees should notify auditors that the Catalog of Federal Domestic Assistance number for ARC programs is 23.011, Appalachian State Research, Technical Assistance and Demonstration Projects.

10.1.3 To determine when a federal award is expended, the grantee must examine when the activity related to the federal award occurs. See 2 CFR 200.502(a). Generally, the activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and the terms and conditions of federal awards, such as:

- expenditure/expense transactions associated with awards (including grants, cost reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations);
- the disbursement of funds to subrecipients;
- the use of loan proceeds under loan and loan guarantee programs;
- the receipt of property or surplus property;
- the receipt or use of program income;
- the distribution or use of food commodities;
- the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

10.1.4 The following guidelines must be used to calculate the value of the federal awards expended under loan programs:

- Value of new loans made or received during the audit period; plus
- Beginning of the audit period balance of loans from previous years or which the federal government imposes continuing compliance requirements; plus
- Any interest subsidy, cash, or administrative cost allowance received. 2 CFR 200.502(b).

10.1.5 Grantees that expend less than \$750,000 a fiscal year in federal awards, including ARC's contribution, are exempt from the single audit for that year. Records must be available for review or audit by appropriate officials of ARC, including the OIG. No program income or grant funds will be expended for audit in these cases.

10.1.6 Audits must be performed by a public accountant or a federal, state or local government audit organization which meets the general standards specified in Generally Accepted Government Auditing Standards issued by the Comptroller General of the

United States (known as the Yellow Book). Audits must conform to these standards. Auditors are required to follow the provisions of 2 CFR Part 200, subpart F, and the Compliance Supplement at Appendix XI to 2 CFR Part 200.

## 11.0 Administrative Funding

11.1.1 RLF income can be used to pay for eligible and reasonable administrative costs.

11.1.2 All principal repayments on loans will be returned to the RLF for future lending.

11.1.3 For ARC, income (interest earned and loan processing fees) that is not used for administrative costs during its fiscal year in which it is earned must be added to the RLF capital base for future lending.

11.1.4 In the event of the sale, collection, or liquidation of a defaulted loan, proceeds will be applied to loan interest and unpaid principal. Any proceeds in excess of the unpaid principal will be treated as income.

11.1.5 Loan repayments will be held in interest bearing short-term accounts and the interest earned will be used to cover administrative costs or returned to the RLF for future lending.

11.1.6 The Village of Montour Falls recognizes that once all ARC funds are disbursed and the loan program is in a truly revolving phase that the Village of Montour Falls is subject to excess retention policy.

11.1.7 The Village of Montour Falls will comply with applicable OMB cost principles and with RLF audit guidelines when charging costs against RLF income.

11.1.8 The Village of Montour Falls will maintain records to document administrative costs that are paid from interest earned, loan processing fees, and/or excess proceeds as the result of sale, collection, or liquidation of a defaulted loan.

## 12.0 Variances

12.1.0 The terms and conditions contained in these policies shall be applied uniformly to all applicants and/or borrowers and based on the guidelines of each respective funding agency.