

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

A Component Unit of the City of Springfield, Oregon

Annual Financial Statements
For the Year Ended June 30, 2016



This page intentionally left blank.

Springfield Economic Development Agency
Springfield Urban Renewal Agency
(A Component Unit of the City of Springfield)
Annual Financial Report
(With Independent Auditor's Report Thereon)

For the Fiscal Year Ended June 30, 2016

Prepared by:
City of Springfield
Finance Department
Accounting Division

This page intentionally left blank.

Springfield Economic Development Agency

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2016

Table of Contents

	Page
Principal Officials	9
 FINANCIAL SECTION	
Independent Auditor’s Report	15-16
Management’s Discussion and Analysis	19-25
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements:	
Balance Sheet – Governmental Funds	31
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Notes to Basic Financial Statements	34-39
 Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
SEDA Glenwood Fund	43
SEDA Downtown Fund	44
 Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
SEDA Glenwood Capital Projects Fund	47
 Compliance Section:	
Independent Auditor’s Report Required by Oregon State Regulations	51-52

This page intentionally left blank.

Introductory Section

This page intentionally left blank.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

City of Springfield
225 Fifth Street
Springfield, Oregon 97477

Principal officials as of June 30, 2016

Term Expiration

Christine Lundberg	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Dave Ralston	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Hillary Wylie	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2018
Joe Pishioneri	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Marilee Woodrow, Secretary	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2018
Sean VanGordon, Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2018
Sheri Moore, Vice Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Sid W. Leiken	Lane County Representative	Lane County 125 E. 8 th Avenue Eugene, OR 97401	December 2019

ADMINISTRATION

Courtney Griesel
Community & Economic Development Manager
City of Springfield City Manager Office

This page intentionally left blank.

Financial Section

This page intentionally left blank.

Independent Auditor's Report

This page intentionally left blank.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Governing Board
Springfield Economic Development Agency
225 Fifth Street
Springfield, Oregon 97477

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Springfield Economic Development Agency of the City of Springfield, Oregon (“SEDA”) (a component unit of the City of Springfield, Oregon) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise SEDA’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Springfield Economic Development Agency of the City of Springfield, Oregon as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the schedules of revenues, expenditures and changes in fund balance – budget and actual for the SEDA Glenwood and SEDA Downtown funds (“the budgetary schedules”) 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 management’s discussion and analysis described in the preceding paragraph 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SEDA’s basic financial statements. The budgetary schedules described above were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subject 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 budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SEDA’s basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual – SEDA Glenwood Capital Projects fund as seen in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 9, 2017, on our consideration of SEDA's 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.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Ryan T. Pasquarella, A Shareholder
February 9, 2017

Management's Discussion and Analysis

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Springfield Economic Development Agency (SEDA) is a legally separate body, acting as the Urban Renewal Agency of the City of Springfield.

Our discussion and analysis of the financial performance of SEDA provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with SEDA financial statements, which begin on page 29.

Mission

The mission of the Springfield Economic Development Agency, the Urban Renewal Agency for the City of Springfield, is to eliminate blight in areas within the Agency's jurisdiction. The Agency's goal is to foster a business climate and quality of life which encourages private investment in our community, creates jobs well-matched to the labor force and improves opportunities for business expansion and development, while providing for the health and safety of neighborhoods, residents, and the environment.

Financial Highlights

- SEDA's total assets at June 30, 2016 were \$2.6 million and liabilities were \$0.9 million with a net position of \$1.7 million, compared to a net position of \$1.3 million at June 30, 2015. This increase was primarily due to an increase in capital assets of \$0.5 million and a decrease in advances payable of \$0.1 million offset by an increase in accounts payable of \$0.4 million.
- SEDA's general revenues for the year ended June 30, 2016 were \$1.2 million, essentially unchanged from the prior year, while charges for services increased by approximately \$0.1 million. This was a significant increase from the prior year and primarily due to the implementation of a parking program in the Downtown District.
- During the year ended June 30, 2016, SEDA had total expenses of approximately \$0.9 million, similar to the prior year. While total agency expenses were relatively unchanged from the prior year, the two districts experienced significant changes in the projects funded. These projects and the amounts expended will be described in greater detail below in the financial analysis section.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of SEDA's condition and performance. The Agency's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

Government-wide financial statements. The government-wide financial statements report information about SEDA using the accrual basis of accounting. As such, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The Agency focuses on planning and development activities within the boundaries of the urban renewal district in the City of Springfield. The government-wide financial statements provide information on these activities, which is supported mainly by property taxes.

The government-wide financial statements include a statement of net position and a statement of activities. The statement of net position presents the financial position on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Agency is improving.

The statement of activities presents the results of the governmental activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event – giving rise to the change – occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. Examples of such items include earned, but uncollected, property taxes.

SEDA maintains two taxing districts within the urban renewal boundary: the Glenwood Urban Renewal District and the Springfield Downtown Urban Renewal District.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. SEDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of SEDA are governmental funds.

Governmental funds. Governmental funds are used to account for activities where emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

statements. They are an integral part of the financial statements and should be read in conjunction with them.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and other supplementary information including budgetary comparison statements for the SEDA Glenwood Fund, the SEDA Downtown Fund, and the SEDA Glenwood Capital Improvements Fund.

The financial statements were prepared by the City of Springfield’s staff from the detailed books and records of the SEDA. The financial statements were audited during the independent external audit process.

Financial Analysis

SEDA’s assets exceeded its liabilities by \$1.7 million at the close of fiscal year 2016. The largest portion of the Agency’s net position, \$1.3 million (81%), reflects an investment in capital assets, less any debt used to acquire those assets that is still outstanding. Consequently, these assets are not available for future spending. The remaining balance of net position, \$0.3 million (19%), is unrestricted and available in support the Agency’s mission.

**Springfield Economic Development Agency
STATEMENTS OF NET POSITION**

	June 30,	
	2016	2015
ASSETS		
Total current assets	\$1,128,452	\$1,074,877
Total noncurrent assets	1,464,728	939,719
Total assets	2,593,180	2,014,596
LIABILITIES		
Total current liabilities	461,290	83,507
Total noncurrent liabilities	473,713	621,180
Total liabilities	935,003	704,687
NET POSITION		
Net investment in capital assets	1,338,822	659,313
Unrestricted	319,355	650,596
Total net position	\$1,658,177	\$1,309,909

SEDA's total revenues increased by approximately \$50,000 (4%) from the prior year and is primarily due to a significant increase in charges for services that resulted from the implementation of a parking program in the Downtown District.

Springfield Economic Development Agency
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for services	\$ 76,302	\$ 2,385
General Revenues		
Taxes	1,198,682	1,227,245
Intergovernmental revenue	3,947	3,321
Investment earnings	4,549	1,775
Total revenues	<u>1,283,480</u>	<u>1,234,726</u>
Expenses		
Urban renewal development	917,038	969,382
Interest on debt	1,629	1,113
Depreciation	16,374	16,374
Total expenses	<u>935,041</u>	<u>986,869</u>
Changes in net position	348,449	247,857
Beginning net position	<u>1,309,728</u>	<u>1,061,871</u>
Ending net position	<u>\$1,658,177</u>	<u>\$1,309,728</u>

SEDA's total expenses decreased by approximately \$50,000 (5.3%) from the prior year. While a relatively minor decrease, the underlying expenditures reflected a significant change in the balance of expenditures between the two districts and the type of projects being funded by the Agency. While the Downtown District completed the first phase of a lighting project in the prior year, it experienced the first full year of expenditures related to the implementation of a parking program that was implemented at the very end of the prior year. This shift in projects resulted in a \$0.3 million decrease of expenditures in the District. While the Glenwood District experienced a relatively uneventful prior year, some major projects got underway in the current year with \$0.6 million in expenditures on the first phase of the Franklin Boulevard Reconstruction project as well another \$0.5 million in expenditures on architectural plans for a Cross Laminated Timber parking garage anticipated to be built sometime in the future. Altogether, these Glenwood District projects resulted in an increase in expenditures over the prior year of approximately \$1.0 million.

Budgetary Highlights

The two urban renewal districts that are part of the Springfield Economic Development Agency (SEDA), although located adjacent to each other, were formed four years apart and with different visions for redevelopment. The Glenwood District is much more varied in its make-up with residential single family homes, mobile home parks, vacant land for commercial development, and redevelopment opportunities for commercial development. The Downtown District is primarily an existing downtown commercial center with opportunities for redevelopment and public initiated projects.

Primarily funded through property tax revenue generated by tax increment financing, the change in available resources is directly related to the change in assessed valuation of each of the two districts.

For the Glenwood District, established in 2005, a significant milestone was recognized when the first major development, United Bakery, came out of the enterprise zone program and began paying property taxes into the District in FY13. Current taxes revenues are approximately \$0.8 million.

Property purchased by the Glenwood District several years ago for both future development and enhancement of the City's storm water program was partitioned and over time has been sold to a private developer. The first resulted in the construction of a hotel that opened in 2014. The City subsequently sold the remaining parcel to the same developer that currently has a second hotel under construction and scheduled to open in early 2017. The Glenwood District will see an increase in property taxes as well as the City seeing an increase in the amount of transient room tax collected from both facilities.

One of the most important projects for the redevelopment of the Glenwood area is the reconstruction of Franklin Boulevard. During FY13, the City was notified of a \$6 million transportation grant award that will be used to complete Phase I of the Franklin Boulevard reconstruction project. The total cost of Phase I will be approximately \$11 million. The construction contract is expected to go out to bid in the spring of 2017 with construction to begin later that summer.

The District still has in its plans the river front property comprised of 47 acres that is expected to be the first area of redevelopment for the Glenwood District. Along with many other factors, this effort recognizes certain zoning changes for key riverfront property that is needed to help potential developers and the City guide much of the anticipated growth that will occur in this area. The 47-acre parcel has an adopted master plan and the staff is working on options for being able to market large portions of this site for single-development opportunities. One alternative is that the District is planning to execute its first external borrowing exercise for approximately \$2 million that will allow the SEDA to obtain ownership of key parcels prior to issuing a development request for proposals.

The Downtown District, along with the continued planning effort for its downtown vision, is working with property owners to initiate programs that serve the local businesses and encourage

modest improvements to create a more inviting experience for visitors to the downtown core area.

The Downtown District has only been operating since FY09 and its success stories are different than the Glenwood District. The Downtown District completed its Downtown Urban Renewal Master Plan two years ago and continues to work towards the implementation of some of the key elements. The areas that were selected to receive the most immediate attention were:

- Secure the necessary property for the location of a downtown public plaza – the first of three parcels was purchased in FY14 and the City continues the effort to complete the entire site acquisition.
- Traffic calming in the core area of downtown – the initial study was completed with recommendation not to proceed with the two-way street design. Additional major changes to the traffic flow pattern are not expected until the distant future.
- Work with downtown business owners on programs to assist with streetscape appearance – the City has expanded its building side mural program that has seen two very distinct murals added to include the Springfield High School graduate and author Ken Kesey as well as the TV family of Homer Simpson. The Downtown District has seen the expansion of the Springfield School District A3 High School to a second facility.
- The City completed Phase I of its Downtown Pedestrian Lighting Project in FY14 and began the design work for Phase II in FY16. The actual construction is planned for FY17.

SEDA has an agreement for both districts with the City of Springfield that allows for the borrowing of funds from a revolving loan fund, up to a total maximum of \$1.5 million. Each district must repay outstanding loans each year with current property tax revenue up to the amount of available tax revenue at which point additional funds may be borrowed. As of the end of the current fiscal year, the Glenwood District has no outstanding balance with the City while the Downtown District has an outstanding balance of \$125,906.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the long-term impacts of the local economy were examined in conjunction with business decisions made by the City. The following are the major assumptions used in developing the FY17 budget:

- Assessed (taxable) value for the two districts is expected to trend relatively flat next year. The Glenwood District will remain relatively flat for FY17 with no major new construction expected to come onto the tax rolls, existing residential values remaining low from the recession, and commercial properties remaining flat. The Downtown District, still looking for a rise in overall leased square footage rates, is expected to show little change in the existing assessed valuation.
- Interest rates will rise slowly but short-term rates should go above 1.0 %.
- Limited inflation will be a factor during the next fiscal year; however, it appears that the federal intent is to maintain some control over the overall inflation rate.

- The economic response towards building and construction activity is expected to remain slow for the next year, resulting in a continued low collection of fees related to planning and building. Several construction projects are seen occurring within the City but not within the urban renewal districts.

Future Plans

In the Glenwood District, SEDA continues to work with local developers to identify opportunities to begin development along the Willamette riverfront. The Glenwood District will be modifying its approach on the 47 acres and will be pursuing the acquisition of certain key parcels from current owners to better assemble land under a single owner for potential developers. The City continues work on Phase II of the Glenwood Refinement Plan, concentrating on the commercially zoned areas. The final financing package for the first phase of the Franklin Boulevard Improvement Project should be completed. SEDA continues to work with potential developers to make ready other acreage for activity.

In the Downtown District, SEDA funding has been limited while the City continues to work on the four initial priorities that came from for the Downtown Urban Renewal Master Plan. The City's partnering with NEDCO to help engage downtown business owners and other citizens has produced excellent results with four standing committees working on different aspects of downtown improvements.

Requests for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the SEDA and to show the accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Springfield, Accounting Manager, 225 Fifth Street, Springfield, Oregon 97477.

This page intentionally left blank.

Basic Financial Statements

This page intentionally left blank.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

Statement of Net Position

June 30, 2016

ASSETS

Current assets:

Cash and investments	\$1,045,143
Taxes receivable	80,808
Accrued interest	2,501

Total current assets 1,128,452

Noncurrent assets:

Land	329,923
Work in progress	541,384
Building and improvements, net of accumulated depreciation	593,421

Total noncurrent assets 1,464,728

Total assets 2,593,180

LIABILITIES

Current liabilities:

Accounts and contracts payable	459,790
Deposits	1,500

Total current liabilities 461,290

Noncurrent liabilities:

Advance from City of Springfield	473,713
----------------------------------	---------

Total liabilities 935,003

NET POSITION

Net investment in capital assets	1,338,822
Unrestricted	319,355

Total net position \$1,658,177

The accompanying notes are an integral part of these statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	<u>Program Revenue</u> Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Urban renewal development	\$ 917,038	\$ 76,302	\$ (840,736)
Interest on debt	1,629	-	(1,629)
Depreciation	16,374	-	(16,374)
Total governmental activities	\$ 935,041	\$ 76,302	(858,739)
General revenues:			
Property taxes			1,198,692
Intergovernmental revenue			3,947
Investment earnings			4,549
Total general revenues			1,207,188
Change in net position			348,449
Net position, beginning of year			1,309,728
Net position, end of year			\$ 1,658,177

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
Balance Sheet
June 30, 2016

	Special Revenue		Capital Projects	Total
	Glenwood	Downtown		
ASSETS				
Cash and investments	\$ 958,514	\$ 72,597	\$ 14,032	\$ 1,045,143
Accounts receivable:				
Taxes	56,754	24,054	-	80,808
Accrued interest	2,222	279	-	2,501
Total assets	\$ 1,017,490	\$ 96,930	\$ 14,032	\$ 1,128,452
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 421,172	\$ 24,819	\$ 13,799	\$ 459,790
Deposits	-	1,500	-	1,500
Total liabilities	421,172	26,319	13,799	461,290
Deferred inflows of resources:				
Unavailable revenue	55,525	23,574	-	79,099
Fund balances:				
Restricted	540,793	47,037	233	588,063
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,017,490	\$ 96,930	\$ 14,032	

Reconciliation to the Statement of Net Position:

Capital assets are not financial resources in governmental funds, but are reported in the statement of net position at their net depreciable value.	1,464,728
All liabilities are reported in the statement of net position. However, if they are not due and payable in the current period, they are not recorded in the governmental funds.	(473,713)
The statement of net position reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.	79,099
Net position of governmental activities	\$ 1,658,177

The accompanying notes are an integral part of the financial statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	Special Revenue		Capital Projects	Total
	Glenwood	Downtown		
Revenues:				
Taxes	\$ 846,100	\$ 342,064	\$ -	\$ 1,188,164
Licenses, permits and fees	-	50,710	-	50,710
Intergovernmental revenue	3,570	377	-	3,947
Charges for services	4,325	71	-	4,396
Fines and forfeitures	-	21,196	-	21,196
Investment earnings	4,056	493	-	4,549
Total revenues	<u>858,051</u>	<u>414,911</u>	<u>-</u>	<u>1,272,962</u>
Expenditures:				
Current operating:				
City manager's office	645,787	197,224	-	843,011
Finance	12,303	6,650	-	18,953
Capital projects	-	10,425	579,000	589,425
Debt service:				
Principal	-	280,500	-	280,500
Interest	-	1,629	-	1,629
Total expenditures	<u>658,090</u>	<u>496,428</u>	<u>579,000</u>	<u>1,733,518</u>
Excess of revenues over (under) expenditures	<u>199,961</u>	<u>(81,517)</u>	<u>(579,000)</u>	<u>(460,556)</u>
Other financing sources (uses):				
Proceeds from advance	-	126,000	-	126,000
Transfer in	-	-	579,000	579,000
Transfer out	(579,000)	-	-	(579,000)
Total other financing sources (uses)	<u>(579,000)</u>	<u>126,000</u>	<u>579,000</u>	<u>126,000</u>
Net change in fund balances	(379,039)	44,483	-	(334,556)
Fund balance, beginning	<u>919,832</u>	<u>2,554</u>	<u>233</u>	<u>922,619</u>
Fund balance, ending	<u>\$ 540,793</u>	<u>\$ 47,037</u>	<u>\$ 233</u>	<u>\$ 588,063</u>

The accompanying notes are an integral part of these statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to Governmental Activities on the Statement of Activities
 For the Fiscal Year Ended June 30, 2016

Net change in fund balances - total governmental funds	\$ (334,556)
Capital outlay is reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlays over their estimated useful lives as depreciation expense.	525,010
Proceeds (Repayments) from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the statement of activities, but are reported as increases and decreases in noncurrent liabilities in the statement of net position.	147,467
Governmental funds defer revenues that do not provide current financial resources. However, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.	<u>10,528</u>
Change in net position	<u><u>\$ 348,449</u></u>

The accompanying notes are an integral part of these statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Springfield Economic Development Agency (SEDA) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The SEDA is the urban renewal agency of the City of Springfield, Oregon (City). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

Reporting Entity

SEDA, under the criteria of the Governmental Accounting Standards Board, is presented as a blended component unit of the City because the City's council members make up the voting majority of the governing body. The City has the ability to impose its will on the SEDA as determined on the basis of budget adoption, taxing authority, and funding.

Organization and Operation

SEDA was organized November 15, 2004 under the provisions of the Oregon Revised Statutes, Chapter 457, to undertake urban renewal projects and activities pursuant to the Glenwood Urban Renewal Plan. In 2007, Springfield voters approved a Downtown Urban Renewal District to further downtown development in Springfield.

The accounts of SEDA are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures and deferred inflows and outflows.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of SEDA.

The Statement of Net Position presents information on SEDA's assets and liabilities, with the difference between the two reported as net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for all governmental funds.

Measurement Focus and Basis of Accounting, and Financial Statement Presentation

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.

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 become both measurable and available. Revenues are considered to be available when they are collectible within the current period or

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

soon enough thereafter to pay liabilities of the current period. For this purpose, SEDA considers revenues to be available if they are collected within thirty days of the end of the fiscal year.

The major revenue source for SEDA is property taxes. Real and personal property taxes were levied as of July 1 for the fiscal year on values assessed as of January 1. Property taxes are an enforceable lien on both real and personal property as of July 1 and are due and payable in three installments: November 15, February 15 and May 15. All property taxes are billed and collected by Lane County and remitted to SEDA. In the governmental fund financial statements, property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (30 days). Otherwise, they are reported as unavailable. In the government-wide financial statements, property tax revenues are fully recognized at the time of the levy.

Budgetary Accounting

SEDA adopts an annual budget. The budget is adopted on the modified accrual basis of accounting. All of the unexpended and unencumbered appropriations in the budget remaining at the end of the fiscal year, lapse. During the year, management is authorized to transfer budgeted amounts between line items within the operating budget.

Governmental Funds

Governmental funds finance all of the functions of SEDA. The measurement focus is upon determination of changes in current financial resources, rather than upon net income determination. SEDA has two special revenue funds and one capital projects fund.

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental fund type fund balances are reported in the following classifications.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Definitions of Governmental Fund Types

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” means that the revenue sources for the fund must be from restricted or committed sources, specifically that a substantial portion of the revenue must be from these sources and be expended in accordance with those requirements.

Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital equipment and facilities.

Accounts Receivable

Receivables on the Statement of Net Position include property taxes and investment interest.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets, which include property and property improvements, are reported in the government-wide financial statements. Capital assets are defined by SEDA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. In the case of donations, SEDA values these capital assets at the estimated fair value of the item at the date of its donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Depreciation and amortization of capital assets are computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related historical costs and accumulated depreciation, and resulting gains or losses are reflected in income. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Building & Improvements	10-50 years

Due to City of Springfield

A liability for funds received from the City is considered an advance and recorded as an advance payable. SEDA then repays this payable with tax proceeds. At June 30, 2016, the amount due to the City was \$473,713.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Indirect Expenses

SEDA's Statement of Revenues, Expenditures, and Changes in Fund Balances include reimbursement to the City for general services provided to SEDA. The charge for general service is based on direct costs incurred by the City of Springfield.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that “capital assets are not financial resources in governmental funds, but are reported in the statement of net position at their net depreciable value.” The details of this \$1,464,728 difference are as follows:

Capital assets (net of accumulated depreciation) reported in the Statement of Net Position:

Land	\$ 329,923
Work in progress	541,384
Building & improvements (net of accumulated depreciation)	<u>593,421</u>
Net adjustment	<u>\$ 1,464,728</u>

Another element of that reconciliation explains that “all liabilities are reported in the statement of net position; however, if they are not due and payable in the current period, they are not recorded in the governmental funds.” The details of this \$473,713 difference are as follows:

Advance payable	<u>\$ 473,713</u>
-----------------	-------------------

Another element of that reconciliation explains that “the statement of net position reports receivables at their net realizable value; however, receivables not available to pay for current-period expenditures are unavailable in governmental funds.” The details of this \$79,099 difference are as follows:

Property taxes	<u>\$ 79,099</u>
----------------	------------------

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of government activities as reported in the government-wide statement of activities. One element of that reconciliation explains that the issuance of long-term debt (e.g., bonds, leases, and advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$147,467 difference are as follows:

Proceeds of advance from City	\$ (133,033)
Repayment of principal	<u>280,500</u>
Net adjustment	<u>\$ 147,467</u>

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - Continued

Another element of that reconciliation explains that “Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$525,010 difference are as follows:

Capital outlay	\$ 541,384
Depreciation	<u>(16,374)</u>
Net Adjustment	<u>\$ 525,010</u>

Another element of the reconciliation states that “governmental funds defer revenues that do not provide current financial resources; however, the statement of activities recognizes such revenues at their net realizable value when earned, regardless of when received.” The details of this \$10,528 recognized revenue are as follows:

Increase in property taxes recognized	<u>\$ 10,528</u>
---------------------------------------	------------------

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Agency prepares its budget in accordance with the legal requirements set forth in Oregon Local Budget Law. The Board adopts the budget, makes appropriations, and declares the tax levy no later than July 1st of the following fiscal year.

In accordance with State law, an annual budget is adopted. The budget is prepared in accordance with the modified accrual basis of accounting. Appropriations which have not been spent at year-end lapse, although an amending resolution passed in the subsequent year specifically provides for the re-appropriation of prior-year encumbrances.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget always requires approval by the Board and may, under certain conditions, require a public hearing with appropriate prior notification through publication in a local newspaper. All budget amendments, including supplemental budgets, are subject to the limitations put forth in Oregon Budget Law.

Oregon state law requires disclosure of fund expenditures in excess of budgeted appropriations.

The following fund had over-expenditures in the indicated category:

Fund	Budget	Actual	Variance
SEDA Glenwood Fund			
City Manager’s Office - Operating	\$ 494,800	\$ 645,787	\$ (150,987)

NOTE D – CASH AND INVESTMENTS

SEDA participates in a cash and investment pool maintained by the City of Springfield for all funds under the City’s administrative control. The amount reported as cash and investments is SEDA’s share of the total City of Springfield cash and investment pool. SEDA does not maintain bank accounts or investments separate from the City’s investment pool. The bank deposits are collateralized pursuant to Oregon Revised Statutes, Chapter 295. The investment in the Oregon State Treasurer’s Investment Pool is not required to be categorized by level of risk because this investment is not evidenced by securities.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
A Component Unit of the City of Springfield, Oregon

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE D – CASH AND INVESTMENTS - Continued

State statutes authorize the City to invest in obligations of the U. S. Treasury and its agencies, bankers' acceptances, high grade commercial paper, the State of Oregon Local Government Investment Pool and repurchase agreements. Investments are stated at fair value.

NOTE E – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 329,923	\$ -	\$ -	\$ 329,923
Work in progress	-	541,384	-	541,384
Total capital assets, not being depreciated	<u>329,923</u>	<u>541,384</u>	<u>-</u>	<u>871,307</u>
Capital assets, being depreciated:				
Buildings and improvements	627,534	-	-	627,534
Less accumulated depreciation for:				
Buildings and improvements	<u>(17,739)</u>	<u>(16,374)</u>	<u>-</u>	<u>(34,113)</u>
Total capital assets, being depreciated, net	<u>609,795</u>	<u>(16,374)</u>	<u>-</u>	<u>593,421</u>
Total capital assets, net	<u><u>\$ 939,718</u></u>	<u><u>\$ 525,010</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,464,728</u></u>

Depreciation expense was charged as follows:

SEDA Building and improvements	<u><u>\$ 16,374</u></u>
--------------------------------	-------------------------

NOTE F –ADVANCE PAYABLE

An intergovernmental agreement to advance and repay funds needed for SEDA urban renewal projects was entered into with the City on November 29, 2005 (amended on July 21, 2008). The City and SEDA agreed to permit SEDA to borrow up to \$1.5 million from the City for costs of projects or project-related administrative expenses as authorized by law. Written requests must be received more than thirty days in advance to expected expenditures. Interest on borrowed or advanced funds shall bear the same interest at the rate paid by the Local Government Investment Pool. Interest accrues monthly on outstanding balances. In the event of an advance, SEDA shall transfer all tax increment revenues it receives necessary to repay the advance and accrued interest to the City within fifteen days after those tax increment revenues are received. Tax increment revenues paid by SEDA to the City shall be applied first, to pay accrued interest, and second, to reduce the outstanding balance. As of June 30th, the outstanding balance due to the City is \$125,906.

During the current fiscal year, in an effort to induce development within the Glenwood District, SEDA agreed to cover the cost of system development charges payable to the City of Springfield for new development within the current fiscal year. These SDCs amounted to \$347,807 and the City agreed to defer payment for up to ten years.

This page intentionally left blank.

Required Supplementary Information

This page intentionally left blank.

City of Springfield, Oregon
 SEDA GLENWOOD FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 (NONGAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
 Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Taxes	\$ 803,000	\$ 803,000	\$ 846,100	\$ 43,100	\$ -	\$ 846,100
Intergovernmental revenue	100	100	3,570	3,470	-	3,570
Charges for services	-	-	4,325	4,325	-	4,325
Investment earnings	2,000	2,000	4,784	2,784	(728)	4,056
Total revenues	805,100	805,100	858,779	53,679	(728)	858,051
Expenditures:						
Current operating:						
City manager's office	494,800	494,800	645,787	(150,987)	-	645,787
Finance	13,350	13,350	12,303	1,047	-	12,303
Debt service:						
Principal	360,000	-	-	-	-	-
Interest	200,000	-	-	-	-	-
Total expenditures	1,068,150	508,150	658,090	(149,940)	-	658,090
Excess of revenues over (under) expenditures	(263,050)	296,950	200,689	(96,261)	(728)	199,961
Other financing sources (uses):						
Transfers out	-	(579,000)	(579,000)	-	-	(579,000)
Net change in fund balances	(263,050)	(282,050)	(378,311)	(96,261)	(728)	(379,039)
Fund balance, beginning of year	488,263	917,856	917,856	-	1,976	919,832
Fund balance, end of year	\$ 225,213	\$ 635,806	\$ 539,545	\$ (96,261)	\$ 1,248	\$ 540,793

City of Springfield, Oregon
 SEDA DOWNTOWN FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 (NONGAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
 Year Ended June 30, 2016

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Taxes	\$ 264,000	\$ 339,000	\$ 342,064	\$ 3,064	\$ -	\$ 342,064
Licenses, permits and fees	-	47,000	50,710	3,710	-	50,710
Intergovernmental revenue	100	100	377	277	-	377
Charges for services	8,800	8,800	71	(8,729)	-	71
Fines and forfeitures	20,000	20,000	21,196	1,196	-	21,196
Investment earnings	100	100	718	618	(225)	493
Total revenues	293,000	415,000	415,136	136	(225)	414,911
Expenditures:						
Current operating:						
City manager's office	218,475	265,475	197,224	68,251	-	197,224
Finance	6,650	6,650	6,650	-	-	6,650
Capital projects	-	431,000	10,425	420,575	-	10,425
Debt service:						
Principal	185,000	280,500	280,500	-	-	280,500
Interest	1,500	2,500	1,629	871	-	1,629
Total expenditures	411,625	986,125	496,428	489,697	-	496,428
Excess of revenues over (under) expenditures	(118,625)	(571,125)	(81,292)	(489,561)	(225)	(81,517)
Other financing sources (uses):						
Advances from City of Springfield	120,000	576,875	126,000	(450,875)	-	126,000
Net change in fund balances	1,375	5,750	44,708	(940,436)	(225)	44,483
Fund balance, beginning of year	3,359	2,172	2,172	-	382	2,554
Fund balance, end of year	<u>\$ 4,734</u>	<u>\$ 7,922</u>	<u>\$ 46,880</u>	<u>\$ (940,436)</u>	<u>\$ 157</u>	<u>\$ 47,037</u>

Supplementary Information

This page intentionally left blank.

City of Springfield, Oregon
 SEDA GLENWOOD CAPITAL PROJECTS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 (NONGAAP BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended June 30, 2016

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Expenditures:						
Capital projects	\$ 3,100,000	\$ 3,579,233	\$ 579,000	\$ 2,521,000	\$ -	\$ 579,000
Other financing sources (uses):						
Transfer in	-	3,579,000	579,000	(3,000,000)	-	579,000
Net change in fund balances	(3,100,000)	(233)	-	233	-	-
Fund balance, beginning of year	3,100,000	233	233	-	-	233
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 233</u>

This page intentionally left blank.

Compliance Section

This page intentionally left blank.



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Governing Board
Springfield Economic Development Agency
225 Fifth Street
Springfield, Oregon 97477

We have audited, in accordance with auditing standards generally accepted in the United States of America, the governmental activities and each major fund of the Springfield Economic Development Agency of the City of Springfield, Oregon ("SEDA") (a component unit of the City of Springfield, Oregon) as of and for the year ended June 30, 2016, and have issued our report thereon dated February 9, 2017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SEDA's financial statements are free of material misstatement, we performed tests of its 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 which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe SEDA 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, except for the overexpenditure in excess of appropriations in the Glenwood fund.


Internal Control Over Financial Reporting

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

Restriction on Use

This report is intended solely for the information and use of the governing board and management of SEDA and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By:  _____
Ryan T. Pasquarella, A Shareholder
February 9, 2017