

# SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

A Component Unit of the City of Springfield, Oregon

Annual Financial Statements  
For the Year Ended June 30, 2014



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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, 2014

Prepared by:  
City of Springfield  
Finance Department  
Accounting Division

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Springfield Economic Development Agency

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2014

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# **Introductory Section**

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SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

City of Springfield  
 225 Fifth Street  
 Springfield, Oregon 97477

Principal officials as of June 30, 2014

Term Expiration

Bob Brew	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	Resigned, Vacant
Christine Lundberg	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Hillary Wylie, Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2014
Sean VanGordon, Vice Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2014
Sheri Moore, Secretary	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Marilee Woodrow	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2014
Dave Ralston	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2016
Sid W. Leiken	Lane County Representative	Lane County 125 E. 8 <sup>th</sup> Avenue Eugene, OR 97401	December 2015

ADMINISTRATION

John Tamulonis  
 Economic Development Manager  
 City of Springfield City Manager Office

Courtney Griesel  
 Urban Renewal & Economic Development Analyst  
 City of Springfield City Manager Office

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# **Financial Section**

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# **Independent Auditor's Report**

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## 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 (a component unit of the City of Springfield, Oregon) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency'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, 2014, 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***

***Management's Discussion and Analysis***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Required Supplementary Information***

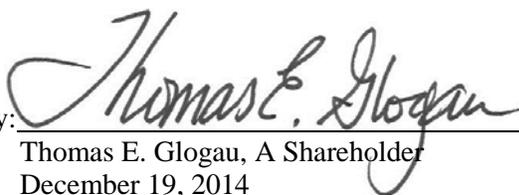
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SEDA's basic financial statements. The required supplementary budgetary information as listed in the table of contents is presented for purposes of additional analysis and is not a required 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 December 19, 2014, 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:   
Thomas E. Glogau, A Shareholder  
December 19, 2014

# **Management's Discussion and Analysis**

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## 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, 2014. Please read it in conjunction with SEDA financial statements, which begin on page 11.

### **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, 2014 were \$1.5 million and liabilities were \$0.4 million with a net position of \$1.1 million, compared to a net position at June 30, 2013 of \$0.1 million. This increase was primarily due to an increase in cash of \$0.4 million, an increase in net capital assets of \$0.7 million, an increase in receivables of approximately \$10,000, offset by an increase in notes payable of \$0.1 million.
- SEDA's general revenues for the year ended June 30, 2014, were \$1.0 million. This is an increase of 15.3% from fiscal year 2013 general revenues of \$0.9 million. This increase was primarily due to an increase in property tax revenue of \$0.1 million, an increase in lease revenue of approximately \$36,000. SEDA's program revenues for the current year were \$0.25 million where none existed in fiscal year 2013. The \$0.25 million consisted of capital contributions from the City for the purchase of property in fiscal year 2014.
- During the year ended June 30, 2014, SEDA had total expenses of \$0.3 million compared to \$0.5 million in the prior year. This decrease of \$0.2 million was primarily due to a prior year one-time \$0.2 million expense related to the Franklin Boulevard National Environmental Protection Act (NEPA) study included in the prior year offset by a \$25,000 increase in contractual services in the current year.
- In furtherance of its mission, SEDA purchased property, a building and land parcel, for \$0.7 million with the intent of transferring this asset to the City at a future date to construct improvements. As of June 30, 2014, no transfer to the City has occurred.

## Overview of the Financial Statements

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 and are designed to provide readers with a broad overview of the Agency's finances. As such, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The 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 the financial position of the Agency is improving or deteriorating.

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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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.

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.

**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 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.

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

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.

Required supplementary information. SEDA adopts an annual appropriated budget for all its funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the SEDA Glenwood Fund and the SEDA Downtown 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 Summary and Analysis**

The overall financial results for SEDA improved for 2014 compared to 2013. Increasing property tax revenues and decreasing expenses were both factors in this financial improvement for SEDA in the current year. This revenue increase occurred due to a property tax exemption expiring for the bakery Franz and Williams Bread, a large contributor to SEDA's property tax revenue base. The decrease in expenses for the current year occurred due to a one-time expense occurring in the prior year that was not included in the current year. This one-time expense of \$0.2 million was related to the Franklin Boulevard NEPA study.

The net position of SEDA (assets less liabilities) improved 1853.77% or \$1,007,693 for 2014. At June 30, 2014, SEDA's assets exceeded liabilities by \$1,062,052. This increase in net position was primarily due to an increase in cash and receivables of \$455,893 and an increase in net capital assets of \$707,092 offset by an increase in notes payable of \$150,966. The favorable increase in cash and receivables was due to an increase in property tax revenues and \$410,000 in

loan proceeds received from the City offset by a loan repayment of \$283,019 and a property purchase of building and land for \$708,457 for the purpose of future development. At a future date, this asset will be transferred to the City, however, as of June 30, 2014, this asset remains on SEDA's financial records.

The following condensed financial statements serve as the key financial data.

**Springfield Economic Development Agency  
NET POSITION**

	June 30,	
	2014	2013
<b>ASSETS</b>		
Total current assets	\$ 524,153	\$ 68,260
Total noncurrent assets	956,092	249,000
Total assets	1,480,245	317,260
<b>LIABILITIES</b>		
Total current liabilities	8,193	3,867
Total noncurrent liabilities	410,000	259,034
Total liabilities	418,193	262,901
<b>NET POSITION</b>		
Net investment in capital assets	546,092	-
Restricted	515,960	54,359
Total net position	\$1,062,052	\$ 54,359

Restricted net position at June 30, 2014 and June 30, 2013, respectively, were \$515,960 and \$54,359. The Agency has not issued long-term debt; however, the Agency is indebted to the City in the amount of \$410,000.

**Springfield Economic Development Agency**  
**STATEMENT OF ACTIVITIES**

	Years Ended June 30,	
	<u>2014</u>	<u>2013</u>
Program Revenues		
Charges for services	\$ 42,463	\$ 6,275
Capital grants and contributions	250,000	-
General Revenues		
Taxes	985,896	857,228
Intergovernmental revenue	3,110	2,807
Investment earnings	959	533
Miscellaneous revenue	3,536	1,000
Total revenues	<u>1,285,964</u>	<u>867,843</u>
Expenses		
Urban renewal development	276,169	448,043
Interest on debt	737	2,871
Depreciation	1,365	-
Total expenses	<u>278,271</u>	<u>450,914</u>
Revenues over expenses	1,007,693	416,929
Transfer of capital asset to primary government	-	(701,422)
Changes in net position	1,007,693	(284,493)
Beginning net position	<u>54,359</u>	<u>338,852</u>
Ending net position	<u>\$1,062,052</u>	<u>\$ 54,359</u>

**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 single family home residential, 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.

Both districts have been in the planning stages of their growth since their formation, but the Glenwood District, having been in existence longer, is beginning to see additional or new

development being initiated by outside developers. Planning and visioning activities continue to be completed while the City is preparing to expand its own capital infrastructure efforts.

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 three main areas of concentration are transportation, downtown design standards and public meeting space.

For transportation, the City is involved in the Main Street Visioning project that is looking at the entire stretch of Main Street from the bridges on the west end to the boundary of the City on the east. The most westerly portion of this exercise is the core downtown area. Deciding not to attempt to change the downtown traffic from two one-way streets into two-way streets, the City is concentrating on downtown becoming more pedestrian friendly. This involves improvements in downtown parking, pedestrian bump-outs at intersections, and low level and improved street lighting.

To assist downtown business owners, there has been several committees formed, consisting of property and business owners, to help bring a consistent look to the area and encourage improvements that will help in raising rental rates. In part, because of this effort, the downtown area is experiencing its lowest vacancy rate in many years.

The City has identified three parcels of land in the downtown area that is the preferred site for public plaza with each parcel in different ownership. During the FY14 year, the Agency completed the purchase of one of the three parcels identified. The parcel had a leasable building with tenants at the time of the purchase and plans are to continue to keep the building occupied until such time the plaza is ready for construction.

The Downtown District is primarily funded through tax revenue generated by tax increment financing with the change in available resources directly related to the change in assessed valuation of each of the district.

For the Glenwood District, established in 2005, the Agency is beginning to move from the initial planning stages into the infrastructure improvement phase of its development. Two significant projects are:

1. During the past year the City completed the construction of a sanitary trunk-line along McVay Highway. This line, running from the edge of the current urban growth boundary to the connection to the trunk-line, provides this area's connection to the treatment plant which allows the development of light industrial property along the river. Interest has already been shown for connecting to the new line.
2. The multi-year project for improvement to Franklin Boulevard has entered the next phase with the completion of the NEPA study and the securing of the first \$10 million for construction. These funds include a \$6.3 million grant from the federal government.

Currently, the City is acquiring the necessary right-of-way for the construction with expectations to actually begin construction in 2016.

Property purchased by the Glenwood District several years ago for both future development and enhancement of the City's stormwater program was partitioned and sold in part to a private developer two years ago. This past fall a new hotel was completed and opened on the site with pedestrian ties to the new bike path and possible plans for a second hotel on the adjacent site. 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.

When the Council adopted an update to the Glenwood Refinement Plan last year, expectations rose on the potential for the area. The update of the plan concentrated on a special zone comprised of 47 acres of riverfront property that is expected to be the first area of redevelopment for the Glenwood District. The 47 acre parcel has an adopted master plan and the staff is working with multiple property owners in an attempt to market large portions of this site for single-development opportunities. Along with many other factors, this plan recognizes certain zoning changes for key riverfront property that is intended to help potential developers and the City guide much of the anticipated growth that will occur in this area.

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 Downtown District has an outstanding balance with the City of \$410,000 and the Glenwood District has no outstanding loan balance.

### **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 FY15 budget:

- Assessed (taxable) value for the two districts is expected to trend relatively flat next year. The Glenwood District will remain relatively flat for FY15 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 be below 1% with short-term rates staying below .5%.
- 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.

## **Future Plans**

In the Glenwood District, SEDA continues to work with local developers to identify opportunities to begin development along the Willamette riverfront. To accomplish this, there have been two priorities provided by the Board for staff to concentrate their efforts on. They are:

1. Completion of the codification of all of the new planning and building regulations that are proposed for the area, making it both easier and consistent for potential developers to plan their projects
2. Proceed with the planning for the 1.5 mile riverfront path which will include compliance with the Willamette Greenway setback requirements, working with property owners on the placement of the path, and seek funding for the eventual construction of the path.

The Glenwood District is expecting to see its first development in the master planned 47 acres soon with several property owners showing preliminary plans for consideration. Also, a major annexation of light industrial property has occurred signaling the readiness of the site.

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. The initial installation of the new downtown lighting standards has begun and should be completed by spring. The implementation of the downtown parking program is anticipated during the next fiscal year.

## **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.

# **Basic Financial Statements**

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SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

Statement of Net Position

June 30, 2014

ASSETS

Current assets:

Cash and investments	\$ 463,885
Taxes receivable	58,780
Accrued interest	1,488

Total current assets 524,153

Noncurrent assets:

Land	329,923
Building and improvements, net of accumulated depreciation	626,169

Total noncurrent assets 956,092

Total assets 1,480,245

LIABILITIES

Current liabilities:

Accounts and contracts payable	8,193
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Noncurrent liabilities:

Due to City of Springfield	410,000
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Total liabilities 418,193

NET POSITION

Net Investment in capital assets	546,092
Restricted	515,960

Total net position \$1,062,052

The accompanying notes are an integral part of these statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY  
Statement of Activities  
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants and Contributions	
Governmental activities:				
Urban renewal development	\$ 276,169	\$ 42,463	\$ 250,000	\$ 16,294
Interest on debt	737	-	-	(737)
Depreciation	1,365	-	-	(1,365)
Total governmental activities	<u>\$ 278,271</u>	<u>\$ 42,463</u>	<u>\$ 250,000</u>	<u>14,192</u>
General revenues:				
Property taxes				985,896
Intergovernmental revenue				3,110
Investment earnings				959
Miscellaneous revenue				3,536
Total general revenues				<u>993,501</u>
Change in net position				1,007,693
Net position, beginning of year				<u>54,359</u>
Net position, end of year				<u>\$ 1,062,052</u>

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

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY  
Balance Sheet  
June 30, 2014

	Special Revenue		
	Glenwood	Downtown	Total
<b>ASSETS</b>			
Cash and investments	\$ 296,879	\$ 167,006	\$ 463,885
Accounts receivable:			
Taxes	42,805	15,975	58,780
Accrued interest	1,488	-	1,488
Total assets	\$ 341,172	\$ 182,981	\$ 524,153
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Accounts and contracts payable	\$ 6,417	\$ 1,776	\$ 8,193
Deferred inflows of resources:			
Unavailable revenue	41,672	15,550	57,222
Fund balances:			
Restricted	293,083	165,655	458,738
Total liabilities and fund balances	\$ 341,172	\$ 182,981	

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.	956,092
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.	(410,000)
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.	57,222
Net position of governmental activities	\$ 1,062,052

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

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY  
 Urban Renewal Agency  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2014

	<u>Special Revenue</u>		
	<u>Glenwood</u>	<u>Downtown</u>	<u>Total</u>
Revenues:			
Property taxes	\$ 710,408	\$ 265,275	\$ 975,683
Intergovernmental revenue	2,918	192	3,110
Charges for services	14,300	28,163	42,463
Capital grants and contributions	-	250,000	250,000
Investment earnings	861	98	959
Miscellaneous revenues	3,536	-	3,536
Total revenues	<u>732,023</u>	<u>543,728</u>	<u>1,275,751</u>
Expenditures:			
Current operating:			
City manager's office	137,195	90,235	227,430
Finance	11,350	6,150	17,500
Development & public works	31,239	-	31,239
Capital projects	-	708,457	708,457
Debt service:			
Principal	286,034	-	286,034
Interest	737	-	737
Total expenditures	<u>466,555</u>	<u>804,842</u>	<u>1,271,397</u>
Excess of revenues over (under) expenditures	265,468	(261,114)	4,354
Other financing sources (uses):			
Issuance of debt	<u>27,000</u>	<u>410,000</u>	<u>437,000</u>
Net change in fund balances	292,468	148,886	441,354
Fund balance, beginning	<u>615</u>	<u>16,769</u>	<u>17,384</u>
Fund balance, ending	<u>\$ 293,083</u>	<u>\$ 165,655</u>	<u>\$ 458,738</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, 2014

Net change in fund balances - total governmental funds	\$ 441,354
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.	707,092
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.	(150,966)
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>10,213</u>
Change in net position	<u><u>\$ 1,007,693</u></u>

The accompanying notes are an integral part of these statements.

## **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 soon

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

### 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.

### Accounts Receivable

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

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 accounts for funds received but not yet repaid. SEDA receives operating funds from the City as expenditures and accounts payable become due. SEDA then repays these loans with tax proceeds. At June 30, 2014, the amount due to the City was \$410,000.

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.

**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 \$956,092 difference are as follows:

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

Land	\$ 329,923
Building & improvements (net of accumulated depreciation)	<u>626,169</u>
Net adjustment	<u>\$ 956,092</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 \$410,000 difference are as follows:

Notes payable	<u>\$ 410,000</u>
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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 deferred in governmental funds.” The details of this \$57,222 difference are as follows:

Property taxes	<u>\$ 57,222</u>
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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) 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 \$150,966 difference are as follows:

Proceeds of loan from City	\$ (437,000)
Repayment of debt principal	<u>286,034</u>
Net adjustment	<u>\$ (150,966)</u>

**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 \$707,092 difference are as follows:

Capital outlay	\$ 708,457
Depreciation	<u>1,365</u>
Net adjustment	<u>\$ 707,092</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 \$10,213 difference are as follows:

Increase in property taxes receivable	<u>\$ 10,213</u>
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**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 1<sup>st</sup> 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.

**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.

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**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 249,000	\$ 80,923	\$ -	\$ 329,923
Capital assets, being depreciated:				
Buildings and improvements	-	627,534	-	627,534
Less accumulated depreciation for:				
Buildings and improvements	<u>-</u>	<u>(1,365)</u>	<u>-</u>	<u>(1,365)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>626,169</u>	<u>-</u>	<u>626,169</u>
Total capital assets, net	<u>\$ 249,000</u>	<u>\$ 707,092</u>	<u>\$ -</u>	<u>\$ 956,092</u>

Depreciation expense was charged as follows:

SEDA Building and improvements	<u>\$ 1,365</u>
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**NOTE F – NOTES 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 30<sup>th</sup>, the outstanding balance due to the City is \$410,000.

**NOTE G – NEW PRONOUNCEMENTS**

SEDA implemented the following pronouncement during the fiscal year:

*GASB Statement No. 65* “Items Previously Reported as Assets and Liabilities.” The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

SEDA will implement new GASB pronouncement no later than the required fiscal year. Management has not determined the effect on the financial statements from implementing any of the following pronouncements.

**NOTE G – NEW PRONOUNCEMENTS – Continued**

*GASB Statement No. 68*, “Accounting and Financial Reporting for Pensions; an amendment of [GASB Statement No. 27](#),” replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The statement is effective for fiscal years beginning after June 15, 2014.

*GASB Statement No. 69*, “Government Combinations and Disposals of Government Operations,” establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of government operations, and provides guidance for determining the gain or loss on a disposal of government operations. The statement is effective for fiscal years beginning after December 15, 2013.

**NOTE H – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 19, 2014, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

# **Required Supplementary Information**

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SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

SEDA GLENWOOD FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(NONGAAP BUDGETARY BASIS) - BUDGET AND ACTUAL

Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Taxes	\$ 650,000	\$ 650,000	\$ 710,408	\$ 60,408	\$ -	\$ 710,408
Intergovernmental revenue	100	100	2,918	2,818	-	2,918
Charges for services	-	-	14,300	14,300	-	14,300
Investment earnings	15,375	15,375	275	(15,100)	586	861
Miscellaneous revenue	-	-	-	-	3,536	3,536
<b>Total revenues</b>	<b>665,475</b>	<b>665,475</b>	<b>727,901</b>	<b>62,426</b>	<b>4,122</b>	<b>732,023</b>
Expenditures:						
Current operating:						
City manager's office	284,672	284,672	133,659	151,013	3,536	137,195
Finance	11,850	11,850	11,350	500	-	11,350
Development & public works	60,000	60,000	31,239	28,761	-	31,239
Capital projects	50,000	50,000	-	50,000	-	-
Debt service:						
Principal	639,200	639,200	286,034	353,166	-	286,034
Interest	5,800	5,800	737	5,063	-	737
<b>Total expenditures</b>	<b>1,051,522</b>	<b>1,051,522</b>	<b>463,019</b>	<b>588,503</b>	<b>3,536</b>	<b>466,555</b>
Excess of revenues over (under) expenditures	(386,047)	(386,047)	264,882	650,929	586	265,468
Other financing sources (uses):						
Proceeds of debt issuance	400,000	400,000	27,000	(373,000)	-	27,000
<b>Net change in fund balances</b>	<b>13,953</b>	<b>13,953</b>	<b>291,882</b>	<b>277,929</b>	<b>586</b>	<b>292,468</b>
Fund balance, beginning of year	3,463	3,463	483	(2,980)	132	615
<b>Fund balance, end of year</b>	<b>\$ 17,416</b>	<b>\$ 17,416</b>	<b>\$ 292,365</b>	<b>\$ 274,949</b>	<b>\$ 718</b>	<b>\$ 293,083</b>

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, 2014

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
<b>Revenues:</b>						
Taxes	\$ 144,000	\$ 144,000	\$ 265,275	\$ 121,275	\$ -	\$ 265,275
Intergovernmental revenue	100	100	192	92	-	192
Charges for services	-	-	28,163	28,163	-	28,163
Capital grants and contributions	-	-	250,000	250,000	-	250,000
Investment earnings	44,100	44,100	249	(43,851)	(151)	98
Miscellaneous revenue	51,000	51,000	-	(51,000)	-	-
<b>Total revenues</b>	<b>239,200</b>	<b>239,200</b>	<b>543,879</b>	<b>304,679</b>	<b>(151)</b>	<b>543,728</b>
<b>Expenditures:</b>						
<b>Current operating:</b>						
City manager's office	159,641	159,641	90,235	69,406	-	90,235
Finance	18,650	18,650	6,150	12,500	-	6,150
Capital Projects	950,000	950,000	708,457	241,543	-	708,457
<b>Debt service:</b>						
Principal	138,750	138,750	-	138,750	-	-
Interest	1,250	1,250	-	1,250	-	-
<b>Total expenditures</b>	<b>1,268,291</b>	<b>1,268,291</b>	<b>804,842</b>	<b>463,449</b>	<b>-</b>	<b>804,842</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,029,091)</b>	<b>(1,029,091)</b>	<b>(260,963)</b>	<b>768,128</b>	<b>(151)</b>	<b>(261,114)</b>
<b>Other financing sources (uses):</b>						
Proceeds of debt issuance	1,030,000	1,030,000	410,000	(620,000)	-	410,000
<b>Net change in fund balances</b>	<b>909</b>	<b>909</b>	<b>149,037</b>	<b>148,128</b>	<b>(151)</b>	<b>148,886</b>
Fund balance, beginning of year	4,525	4,525	16,679	12,154	90	16,769
<b>Fund balance, end of year</b>	<b>\$ 5,434</b>	<b>\$ 5,434</b>	<b>\$ 165,716</b>	<b>\$ 160,282</b>	<b>\$ (61)</b>	<b>\$ 165,655</b>

# **Compliance Section**

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## 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 (a component unit of the City of Springfield, Oregon) as of and for the year ended June 30, 2014, and have issued our report thereon dated December 19, 2014.

#### ***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 the excess of revenues over expenditures for the second preceding year did not equal the beginning balance for the first preceding year the SEDA Glenwood Capital Projects fund in the adopted budget for the fiscal year ending June 30, 2015.

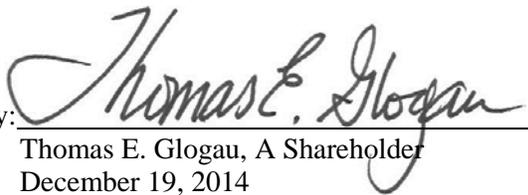
***Internal Control***

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 mayor and council members 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:   
Thomas E. Glogau, A Shareholder  
December 19, 2014