

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

A Component Unit of the City of Springfield, Oregon

Annual Financial Statements
For the Year Ended June 30, 2019



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, 2019

Prepared by:
City of Springfield
Finance Department
Accounting Division

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Springfield Economic Development Agency

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2019

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	34-42
 Required Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
SEDA Glenwood Fund	45
SEDA Downtown Fund	46
 Supplementary Information:	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
SEDA Glenwood Capital Projects Fund	49
 Compliance Section:	
Independent Auditor’s Report Required by Oregon State Regulations	53-54

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Introductory Section

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

City of Springfield
 225 Fifth Street
 Springfield, Oregon 97477

Term Expiration

Christine Lundberg	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2020
Leonard Stoehr Secretary	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2020
Steve Moe	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2022
Joe Pishioneri	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2020
Marilee Woodrow Vice-Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2022
Sean VanGordon	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2022
Sheri Moore Chair	Springfield Council Representative	225 Fifth Street Springfield, OR 97477	December 2020
Joe Berney	Lane County Representative Cell: 541-729-3390 Joe.Berney@co.lane.or.us	Lane County 125 E. 8 th Avenue Eugene, OR 97401	December 2022

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 541-726-3700

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Financial Section

Independent Auditor's Report



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, 2019, 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, 2019, 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 are the responsibility of management and 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 subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 27, 2019, 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
December 27, 2019

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Springfield Economic Development Agency (SEDA/Agency) 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, 2019. 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, 2019 increased over the previous year by just under \$1 million from \$8.2 million to \$9.2 million. This increase in total assets was due to strong growth in property tax revenue combined with moderate growth in expenses.
- SEDA's total liabilities remained essentially flat from the fiscal year ended June 30, 2018 to June 30, 2019 with a small increase in current liabilities offset by a small decrease in noncurrent liabilities.
- The assets of SEDA exceeded its liabilities by \$3.74 million at the close of fiscal year 2019, with a \$3.69 million investment in capital assets, net of related debt and \$.05 million in unrestricted net position.

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 \$3.7 million at the close of fiscal year 2019. The largest portion of the Agency’s net position, \$3.6 million, 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, \$56,208, is unrestricted.

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

	June 30,	
	2019	2018
ASSETS		
Total current assets	\$1,793,477	\$6,419,010
Total noncurrent assets	7,408,749	1,821,027
Total assets	9,202,226	8,240,037
LIABILITIES		
Total current liabilities	74,229	48,353
Total noncurrent liabilities	5,383,333	5,462,987
Total liabilities	5,457,562	5,511,340
NET POSITION		
Net investment in capital assets	3,688,456	1,821,027
Unrestricted	56,208	907,670
Total net position	\$3,744,664	\$2,728,697

Springfield Economic Development Agency
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2019	2018
Program Revenues		
Charges for services	\$ 121,763	\$ 114,059
General Revenues		
Taxes	1,749,185	1,437,542
Intergovernmental revenue	113,803	4,668
Investment earnings	72,598	45,866
Miscellaneous revenue	125	897
Total revenues	2,057,474	1,603,032
Expenses		
Urban renewal development	874,029	716,144
Interest on debt	151,222	75,057
Depreciation	16,256	16,374
Total expenses	1,041,507	807,575
Changes in net position	1,015,967	795,457
Beginning net position	2,728,697	1,933,240
Ending net position	\$3,744,664	\$2,728,697

SEDA's total revenues increased by approximately \$0.45 million (28.3%) over the prior year and can be primarily attributed to an increase in property tax revenue of over \$300K; split between both districts. The growth in tax revenue is tied to growth in property values. Other factors include a \$100K award from Vertuelab, a public organization promoting clean tech innovation for climate action. The award was related to SEDA's plan to place a Mass Timber Parking structure in Glenwood. Additionally, there was an increase in investment earnings of \$27K.

SEDA's total expenses increased by approximately \$0.2 million (28.9%) over the prior year. One third of that amount, \$76K, represents the increase in interest on debt, as this was the first full year of interest expense on the note issued during FY18. In addition, the Downtown program spent \$20K for University of Oregon students to provide planning document reviews and downtown design concepts for the SEDA and \$50K in the form of a grant to support a major building renovation to a Main Street privately owned property.

Capital Asset and Debt Administration

Capital Assets. SEDA's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$7,408,749, an increase of \$5,587,722 over June 30, 2018. The increase substantially represents the purchase of a piece of property in the Glenwood district. Additional information on the Agency's capital assets can be found in Note E in the Basic Financial Statement section of this report.

Debt Administration. On October 12, 2016, SEDA entered into a direct placement note for \$2,000,000 from Bank of the Cascades (now known as First Interstate Bank) with tax increment revenue pledged as collateral. The note payable (Series 2016) bears a fixed interest rate of 3.08% through September 2021. The interest rate on this note will reset in October 2021 based on the 3-year Des-Moines Fixed-Rate Advances symmetrical index, plus 1.40 basis points. This note matures on November 1, 2024. The proceeds of the note was used for property acquisition for future development. During the year, the Agency paid the scheduled principal payment of \$236,089 and has an outstanding balance of \$1,389,460.

Additionally, on May 23, 2018, SEDA entered into a direct placement note for \$2,729,248 from First Interstate Bank with tax increment revenue pledged as collateral. The note payable (Series 2018) bears a fixed interest rate of 4.15% through September 2021. The interest rate on this note will reset in October 2021 based on the 3-year Des-Moines Fixed-Rate Advances symmetrical index, plus 1.40 basis points. This note matures on June 15, 2025. The proceeds of the note was used for property acquisition for future development. During the year, the Agency paid the scheduled principal payment of \$340,584 and has an outstanding balance of \$2,330,833.

Additional information on the Agency's long-term debt can be found in Note G in the Basic Financial Statement section of this report.

Budgetary Highlights

The two urban renewal districts that are part of the Springfield Economic Development Agency, 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 FY19, the difference between the original budget and the final amended budget for the Glenwood District was a net decrease of \$284,936. Details of this change are as follows:

- Increase of \$317,925 in program expenses
- Decrease of \$10,745 in debt service expenses
- Decrease of \$592,116 in reserves

For FY19, the difference between the original budget and the final amended budget for the Downtown District was an increase of \$264,635 in reserves.

For actual expenditures, the Glenwood District underspent the operating budget by \$388,239 and the capital budget by \$291,843. The Downtown District underspent the operating budget by \$116,448.

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 FY20 budget:

- Assessed (taxable) value for the two districts is expected to show moderate growth in the next year. The Glenwood District will benefit from the opening of a third hotel, however it’s opening is expected in late FY20 and the tax benefit is likely to be realized in FY21. Existing residential values in the Glenwood district remain low from the recession, and commercial properties remain flat. The Downtown District began a 1:1 building loan program during FY19, making the first loan of \$111K to Swallowtail Spirits. The building improvement is expected to be complete in early FY20 and will impact tax increment revenues for FY21.
- Interest rates continued to rise during FY19 but began a slow decline at the start of FY20. Interest income represents only about 1% of budgeted SEDA revenues.
- The Urban Renewal District Board has no immediate plans for either the Glenwood or Downtown District to borrow additional resources at this time.

Future Plans

In the Glenwood District, SEDA has completed acquisition of nearly 10 acres of land, including contiguous Franklin Boulevard and Riverfront parcels which is now available for development.

Phase II of the Franklin Boulevard improvement project will move forward in FY20.

In the Downtown District, SEDA will continue to offer low interest loans to help fund major building improvements. The loans require a 50% match of up to \$200,000.

The downtown parking program was expanded in FY19 and SEDA’s goal is to transition this program out of urban renewal by 2021.

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.

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Basic Financial Statements

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY

Statement of Net Position

June 30, 2019

ASSETS

Current assets:

Cash and investments	\$ 1,614,920
Unrestricted	57,016
Taxes receivable	650
Accounts	8,918
Accrued interest	111,973
Prepaid interest	<u>111,973</u>
Total current assets	<u>1,793,477</u>

Noncurrent assets:

Land	6,031,141
Work in progress	833,191
Building and improvements, net of accumulated depreciation	<u>544,417</u>
Total noncurrent assets	<u>7,408,749</u>

Total assets	<u>9,202,226</u>
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LIABILITIES

Current liabilities:

Accounts and contracts payable	72,729
Deposits	1,500

Noncurrent liabilities:

Due within one year:	
Notes payable	567,965
Due in more than one year:	
Advance from City of Springfield	1,663,040
Notes payable	<u>3,152,328</u>

Total liabilities	<u>5,457,562</u>
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NET POSITION

Net investment in capital assets	3,688,456
Unrestricted	<u>56,208</u>

Total net position	<u>\$ 3,744,664</u>
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The accompanying notes are an integral part of these statements.

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	<u>Program Revenue</u> Charges for Services	Net (Expense) Revenue and Changes in Net Position
Governmental activities:			
Urban renewal development	\$ 874,029	\$ 121,763	\$ (752,266)
Interest on debt	151,222	-	(151,222)
Depreciation	16,256	-	(16,256)
Total governmental activities	\$ 1,041,507	\$ 121,763	(919,744)
General revenues:			
Property taxes			1,749,185
Intergovernmental revenue			113,803
Investment earnings			72,598
Miscellaneous revenue			125
Total general revenues			1,935,711
Change in net position			1,015,967
Net position, beginning of year			2,728,697
Net position, end of year			\$ 3,744,664

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

SPRINGFIELD ECONOMIC DEVELOPMENT AGENCY
Balance Sheet
June 30, 2019

	Special Revenue		Capital Projects	Total
	Glenwood	Downtown		
ASSETS				
Cash and investments	\$ 772,242	\$ 842,445	\$ 233	\$ 1,614,920
Receivables:				
Taxes	35,048	21,968	-	57,016
Accounts	650	-	-	650
Accrued interest	6,759	2,159	-	8,918
Notes	-	111,973	-	111,973
Total assets	\$ 814,699	\$ 978,545	\$ 233	\$ 1,793,477
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,825	\$ 62,904	\$ -	\$ 72,729
Deposits	-	1,500	-	1,500
Total liabilities	9,825	64,404	-	74,229
Deferred inflows of resources:				
Unavailable revenue	33,626	21,052	-	54,678
Fund balances:				
Restricted	771,248	893,089	233	1,664,570
Total liabilities, deferred inflows of resources, and fund balances	\$ 814,699	\$ 978,545	\$ 233	

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.	7,408,749
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.	(5,383,333)
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.	54,678
Net position of governmental activities	\$ 3,744,664

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, 2019

	Special Revenue		Capital Projects	Total
	Glenwood	Downtown		
Revenues:				
Taxes	\$ 1,037,693	\$ 765,063	\$ -	\$ 1,802,756
Licenses, permits and fees	-	51,528	-	51,528
Intergovernmental revenue	113,453	350	-	113,803
Charges for services	25,800	-	-	25,800
Fines and forfeitures	-	44,435	-	44,435
Investment earnings	54,418	18,180	-	72,598
Miscellaneous revenue	-	125	-	125
Total revenues	<u>1,231,364</u>	<u>879,681</u>	<u>-</u>	<u>2,111,045</u>
Expenditures:				
Current operating:				
City manager's office	79,297	269,809	-	349,106
Finance	14,320	6,905	-	21,225
Capital projects	5,610,657	-	-	5,610,657
Debt service:				
Principal	576,673	-	-	576,673
Interest	151,222	-	-	151,222
Total expenditures	<u>6,432,169</u>	<u>276,714</u>	<u>-</u>	<u>6,708,883</u>
Net change in fund balances	(5,200,805)	602,967	-	(4,597,838)
Fund balance, beginning	<u>5,972,053</u>	<u>290,122</u>	<u>233</u>	<u>6,262,408</u>
Fund balance, ending	<u>\$ 771,248</u>	<u>\$ 893,089</u>	<u>\$ 233</u>	<u>\$ 1,664,570</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, 2019

Net change in fund balances - total governmental funds	\$ (4,597,838)
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.	5,587,722
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.	79,654
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>(53,571)</u>
Change in net position	<u>\$ 1,015,967</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, 2019

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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, accounts and investment interest.

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, 2019, the amount due to the City was \$1,663,040.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

New Accounting Pronouncements

During the fiscal year ended June 30, 2019, SEDA implemented the following GASB pronouncements:

GASB Statement No. 83 – Certain Asset Retirement Obligations. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. There was no effect to SEDA's financial statements as a result of implementing this pronouncement.

GASB Statement No. 88 – Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The objective of this Statement is to improve consistency in the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The adoption of Statement No. 88 resulted in SEDA disclosing additional information about its Notes Payable.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 \$7,408,749 difference are as follows:

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

Land	\$ 6,031,141
Work in progress	833,191
Building & improvements (net of accumulated depreciation)	<u>544,417</u>
Net adjustment	<u>\$ 7,408,749</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 \$5,383,333 difference are as follows:

Advance payable	\$ 1,663,040
Notes payable	<u>3,720,293</u>
Net adjustment	<u>\$ 5,383,333</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 \$54,678 difference are as follows:

Property taxes receivable	\$ 54,678
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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, 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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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 \$79,654 difference are as follows:

Proceeds of advance from City	\$ (497,019)
Principal repayment of note payable	<u>576,673</u>
Net adjustment	<u>\$ 79,654</u>

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 \$5,587,722 difference are as follows:

Capital outlay	\$ 5,603,978
Depreciation	<u>(16,256)</u>
Net adjustment	<u>\$ 5,587,722</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 (\$53,571) recognized revenue are as follows:

Decrease in receivables	<u>\$ (53,571)</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 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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 329,923	\$ 5,701,218	\$ -	\$ 6,031,141
Work in progress	930,431	15,532	(112,772)	833,191
Total capital assets, not being depreciated	<u>1,260,354</u>	<u>5,716,750</u>	<u>(112,772)</u>	<u>6,864,332</u>
Capital assets, being depreciated:				
Buildings and improvements	627,534	-	-	627,534
Less accumulated depreciation for:				
Buildings and improvements	(66,861)	(16,256)	-	(83,117)
Total capital assets, being depreciated, net	<u>560,673</u>	<u>(16,256)</u>	<u>-</u>	<u>544,417</u>
Total capital assets, net	<u>\$ 1,821,027</u>	<u>\$ 5,700,494</u>	<u>\$ (112,772)</u>	<u>\$ 7,408,749</u>

Depreciation expense was charged as follows:

SEDA Building and improvements	<u>\$ 16,256</u>
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NOTE F – INTERGOVERNMENTAL PAYABLE

Revolving Loan

An intergovernmental agreement to advance and repay funds (SEDA Revolving Loan) 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 advanced funds shall bear the same interest at the rate paid by the Local Government Investment Pool. Interest accrues

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE F – INTERGOVERNMENTAL PAYABLE - continued

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, there was no outstanding balance on the SEDA Revolving Loan due to the City.

SDC Deferral Program

In an effort to encourage development within the two urban renewal districts, SEDA implemented a program to pay the system development fees (SEDA SDC Deferral Program) on any new commercial or industrial development within the boundaries of the two districts. Additionally, the City has agreed to defer payment from SEDA up to the date the Agency sunsets. As of June 30th, the outstanding balance due to the City for the SEDA SDC Deferral Program is \$1,663,040.

NOTE G –LONG TERM DEBT

On October 12, 2016, SEDA borrowed \$2,000,000 from Bank of the Cascades (now known as First Interstate Bank) with tax increment revenue pledged as collateral. The note payable (Series 2016) bears a fixed interest rate of 3.08% through October 2021, at which time the interest rate will reset based on the 3-year FHLB Des Moines Fixed-Rate Advances symmetrical index, plus 1.40 basis points. The note requires monthly payments and will mature on November 1, 2024. The proceeds of the note have been used for property acquisition for future development.

On May 23, 2018, SEDA borrowed \$2,729,248 from First Interstate Bank with tax increment revenue pledged as collateral. The note payable (Series 2018) bears a fixed interest rate of 4.15% through October 2021, at which time the interest rate will reset based on the 3-year FHLB Des Moines Fixed-Rate Advances symmetrical index, plus 1.40 basis points. The note requires monthly payments and will mature on June 15, 2025. The proceeds of the note have been used for property acquisition for future development.

Both notes are direct placements and are subject to covenants regarding continuing disclosure and prepayment fees. The notes are not subject to any acceleration clauses and are not subject to finance related consequences due to events of default. Both notes also require that the SEDA maintain an unrestricted net position of at least \$125,000.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE G –LONG TERM DEBT - continued

<u>Governmental activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Notes payable:				
Bank of the Cascades, Series 2016*	\$ 1,625,548	\$ -	\$ 236,088	\$ 1,389,460
First Interstate Bank, Series 2018	2,671,418	-	340,585	2,330,833
Totals	<u>\$ 4,296,966</u>	<u>\$ -</u>	<u>\$ 576,673</u>	<u>\$ 3,720,293</u>

*Now known as First Interstate Bank

Principal amounts due on this note payable in each of the next six years and thereafter is as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2019-20	\$ 567,965
2020-21	619,807
2021-22	643,247
2022-23	667,592
2023-24	692,811
Thereafter	528,871
	<u>\$ 3,720,293</u>

NOTE H –SIGNIFICANT COMMITMENTS

At June 30, 2019, the SEDA was obligated under a contract with Republic Parking for downtown parking enforcement. The contract runs through December 31, 2021 with \$314,365 remaining to be paid. The SEDA was also obligated under a contract with The Farkas Group for consulting on Glenwood development; that contract has \$92,840 remaining to be paid.

Required Supplementary Information

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, 2019

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Taxes	\$ 919,844	\$ 919,844	\$ 1,037,693	\$ 117,849	\$ -	\$ 1,037,693
Intergovernmental revenue	-	-	113,453	113,453	-	113,453
Charges for services	25,800	25,800	25,800	-	-	25,800
Investment earnings	4,800	4,800	58,144	53,344	(3,726)	54,418
Total revenues	950,444	950,444	1,235,090	284,646	(3,726)	1,231,364
Expenditures:						
Current operating:						
City manager's office	92,784	457,784	76,575	381,209	2,722	79,297
Finance	68,425	21,350	14,320	7,030	-	14,320
Capital projects	5,902,500	5,902,500	5,610,657	291,843	-	5,610,657
Debt service:						
Principal	585,485	595,430	594,863	567	(18,190)	576,673
Interest	177,360	156,670	156,602	68	(5,380)	151,222
Total expenditures	6,826,554	7,133,734	6,453,017	680,717	(20,848)	6,432,169
Excess of revenues over (under) expenditures	(5,876,110)	(6,183,290)	(5,217,927)	965,363	17,122	(5,200,805)
Other financing sources (uses):						
Issuance of debt	3,647,000	400,000	-	(400,000)	-	-
Net change in fund balances	(2,229,110)	(5,783,290)	(5,217,927)	565,363	17,122	(5,200,805)
Fund balance, beginning of year	3,062,220	6,024,284	6,024,283	1	(52,230)	5,972,053
Fund balance, end of year	<u>\$ 833,110</u>	<u>\$ 240,994</u>	<u>\$ 806,356</u>	<u>\$ 565,362</u>	<u>\$ (35,108)</u>	<u>\$ 771,248</u>

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, 2019

	Original Budget	Revised Budget	Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Revenues:						
Taxes	\$ 662,748	\$ 662,748	\$ 765,063	\$ 102,315	\$ -	\$ 765,063
Licenses, permits and fees	50,000	50,000	51,528	1,528	-	51,528
Intergovernmental revenue	-	-	350	350	-	350
Fines and forfeitures	30,000	30,000	44,435	14,435	-	44,435
Investment earnings	700	700	17,001	16,301	1,179	18,180
Miscellaneous revenue	-	-	125	125	-	125
Total revenues	743,448	743,448	878,502	135,054	1,179	879,681
Expenditures:						
Current operating:						
City manager's office	497,910	497,910	381,782	116,128	(111,973)	269,809
Finance	7,225	7,225	6,905	320	-	6,905
Total expenditures	505,135	505,135	388,687	116,448	(111,973)	276,714
Excess of revenues over (under) expenditures	238,313	238,313	489,815	251,502	113,152	602,967
Fund balance, beginning of year	32,336	296,971	289,799	(7,172)	323	290,122
Fund balance, end of year	<u>\$ 270,649</u>	<u>\$ 535,284</u>	<u>\$ 779,614</u>	<u>\$ 244,330</u>	<u>\$ 113,475</u>	<u>\$ 893,089</u>

Supplementary Information

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, 2019

	Original Budget	Revised Budget	Budget Basis Actual	Variance	Adjustments to Budget Basis Actual	GAAP Basis Actual
Fund balance, beginning of year	\$ -	\$ -	\$ 233	\$ 233	\$ -	\$ 233
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ -</u>	<u>\$ 233</u>

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Compliance Section



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, 2019, and have issued our report thereon dated December 27, 2019.

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.

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
December 27, 2019