

CENTRAL POINT DEVELOPMENT COMMISSION

(A Component Unit of the City of Central Point, Oregon)

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
with Independent Auditor's Report

Year Ended June 30, 2017

CENTRAL POINT DEVELOPMENT COMMISSION
(A Component Unit of the City of Central Point, Oregon)

June 30, 2017

BOARD OF DIRECTORS

	<u>Term Expires December 31,</u>
Hank Williams, Chair	2020
Bruce Dingler	2018
Michael Quilty	2018
Brandon Thueson	2018
Taneea Browning	2020
Allen Broderick	2020
Rob Hernandez	2020

CITY MANAGER /EXECUTIVE DIRECTOR

Chris Clayton

FINANACE DIRECTOR

Steven Weber
Central Point Development Commission
140 South Thrid Street
Central Point, OR 97502

CENTRAL POINT DEVELOPMENT COMMISSION

Fiscal Year Ended June 30, 2017

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Independent Auditors' Report

Board of Directors
Central Point Development Commission
Central Point, Oregon

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Eugene, OR 97403
541.342.5161
www.islercpa.com

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Central Point Development Commission (the Commission), a component unit of the City of Central Point, Oregon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission'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 of 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 of 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 the entity'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 the entity'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 the General Fund of the Central Point Development Commission as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the Debt Service Fund for the year then ended in conformity 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 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 the required supplementary 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated February 22, 2018 on our consideration of the Commission'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.

Isler CPA

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive, flowing style.

by Paul R Nielson, CPA, a member of the firm
Eugene, Oregon
February 22, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS CENTRAL POINT DEVELOPMENT COMMISSION

Fiscal Year Ended June 30, 2017

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Central Point Development Commission (the Commission) for the fiscal year ended June 30, 2017. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The Commission's assets totaled \$3.71 million at June 30, 2017, and consisted mainly of cash and cash equivalents of \$3.69 million.
- The Commission's liabilities totaled \$3.66 million at June 30, 2017, which consisted mainly of an advance from the City of Central Point.
- Net position (assets minus liabilities) was \$53 thousand at June 30, 2017. Net position decreased by \$228 thousand.
- As of the end of the current fiscal year, the Commission's fund reported a combined fund balance surplus of \$3,685 thousand.
- Governmental fund expenditures exceeded revenues by \$3,413 thousand.
- Revenues for the fiscal year ended June 30, 2017, totaled \$203 thousand and consisted mainly of property taxes of \$198 thousand.

FINANCIAL STATEMENTS

The Commission's basic financial statements are presented using the integrated approach as prescribed by GASB Statement No. 34. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. General Fund Budget to Actual Statements
4. Notes to the basic financial statements

The Commission has combined the government-wide and fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column.

The basic financial statements present financial information about the Commission as a whole and about its activities. Following the basic financial statements is the report by the independent certified public accountants, as required by statute.

Government-wide Financial Statements

The government-wide financial statements are comprised of the Statement of Net Position and the Statement of Activities and are designed to present the financial picture of the Commission in a manner similar to a private-sector business (i.e. from the economic resources measurement focus using the accrual basis of accounting).

The Statement of Net Position includes all assets of the Commission as well as all liabilities (including long-term debt). Net position is the difference between assets and liabilities, which is one way to measure the Commission's financial health, or financial position. Over time, increases or decreases in the Commission's net position may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's 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 change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Fund Financial Statements

Funds are used to segregate resources for specific activities or objectives. The Commission has one governmental fund; the Development Commission's General Fund.

The Governmental Fund statements emphasize available current financial resources rather than change in net position. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets and liabilities are included in the notes that should be read in conjunction with the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statements of Net Position

The Commission's assets exceeded liabilities by \$53 million at June 30, 2017. The largest portions of its net position were capital assets net of related debt and cash and cash equivalents. A condensed version of the Statement of Net Position follows:

Amounts in thousands	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 3,687	\$ 272
Other current assets	<u>25</u>	<u>9</u>
Total assets	<u>3,712</u>	<u>281</u>
Liabilities		
Advance from the City of Central Point	3,634	-
Other liabilities	<u>25</u>	<u>-</u>
Total liabilities	<u>3,659</u>	<u>-</u>
Net Position		
Unrestricted	<u>53</u>	<u>281</u>
Total net position	<u>\$ 53</u>	<u>\$ 281</u>

At the end of the current fiscal year, the Commission reports a positive balance in all categories of net position. There was a decrease in total net position of \$228 thousand. The decrease in net position is primarily due to the increase in community development expenditures funded from the advance from the City of Central Point.

Statements of Activities

The Commission's Statements of Activities for fiscal year ended June 30, 2017 and June 30, 2016, follows:

Amounts in thousands	<u>2017</u>	<u>2016</u>
Revenues		
Property taxes	\$ 198	\$ 197
Investment earnings	<u>5</u>	<u>2</u>
Total Revenue	<u>203</u>	<u>199</u>
Expenses		
Community Development	409	45
Interest	<u>22</u>	<u>7</u>
Total Expenditures	<u>431</u>	<u>52</u>
Increase (decrease) in net position	(228)	147
Net position, beginning of the year	<u>281</u>	<u>134</u>
Net position, end of the year	<u>\$ 53</u>	<u>\$ 281</u>

The cost of the Commission's community development activities totaled \$409 thousand for the year, an increase of \$364 thousand from the prior year.

Financial Analysis of the Government's Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund. The focus of the Commission's General Fund is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund and the only fund of the Commission. At the end of the current fiscal year, the fund balance of the General Fund was \$3.69 million, an increase of \$3.41 million during the current fiscal year.

DEBT ADMINISTRATION

At June 30, 2017, the Commission had a \$3,634,000 advance from the City of Central Point. The advance was issued to finance improvements in the East Pine Streetscaping project. In accordance with the Downtown and East Pine Street Corridor Revitalization Plan adopted by the Commission, the maximum amount of indebtedness that the Commission can issue or incur is \$43,177,530. This amount was based upon good faith estimates of the scope and costs of projects in the Downtown and East Pine Street Corridor Revitalization Plan.

Amounts in thousands	<u>Beginning of year</u>	<u>Additions</u>	<u>Payments</u>	<u>End of year</u>	<u>Current portion</u>
Advance from City of Central Point	<u>\$ -</u>	<u>\$3,634,000</u>	<u>\$ -</u>	<u>\$ 3,634,000</u>	<u>\$ 99,353</u>

For more detailed information on the Commission's long-term debt, refer to Note III. D. of the financial statements.

ECONOMIC FACTORS

It is the primary mission of the Central Point Development Commission's Board to eliminate blight and depreciating property values within the urban renewal district. This mission will be accomplished through the strategic implementation of projects and activities that consciously maximize both public and private investments within the Urban Renewal Area, investments that are designed to target, facilitate and strengthen the economic and aesthetic vitality of the urban renewal district as the City's traditional mixed-use urban core. The end result is both the physical and economic revitalization of the urban renewal area with public assets, new private sector jobs, and revitalized neighborhoods providing for a full range of housing opportunities.

The current *Downtown and East Pine Street Corridor Revitalization Plan* was completed in 2012. This Plan was intended to further the objectives of the City's strategic planning goals, strategies and actions as set forth in *Central Point Forward, Fair City Vision 2020*, as adopted by the City and Commission.

Commission expenditures are based on the *Downtown and East Pine Street Corridor Revitalization Plan*, which defines the Commission's mission, and identifies fourteen goals and objectives to be accomplished by the Plan.

The "tax increment financing" method is being used to provide funds for the Commission. Under this method, a base year value within the urban renewal area was established 2011. Any increase in the assessed value over that base year cannot be used by the assessor to compute tax rates for local taxing bodies. The assessor computes the tax rate on the base year value of the area, then applies that rate to the increase in assessed value. The tax on the increased value can be used by the Commission only to pay indebtedness incurred to finance the urban renewal projects.

REQUEST FOR INFORMATION

The Commission's financial statements are designed to present users with a general overview of the Commission's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Commission's Executive Director, at 140 South 3rd Street, Central Point, OR, 97502.

CENTRAL POINT DEVELOPMENT COMMISSION

Governmental Funds Balance Sheet / Statement of Net Position

June 30, 2017

	<u>General Fund</u>	<u>Adjustments (Note II A)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 3,686,909	\$ -	\$ 3,686,909
Property taxes receivable	11,032	-	11,032
Due from the City of Central Point	<u>13,490</u>	<u>-</u>	<u>13,490</u>
Total assets	<u>\$ 3,711,431</u>	<u>\$ -</u>	<u>\$ 3,711,431</u>
LIABILITIES			
Accounts payable	\$ 16,932	\$ -	\$ 16,932
Accrued Interest	-	7,995	7,995
Long-term debt:			
Advance from the City of Central Point			
Due within one year	-	99,353	99,353
Due in more than one year	<u>-</u>	<u>3,534,647</u>	<u>3,534,647</u>
Total liabilities	16,932	3,641,995	3,658,927
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - property taxes	9,472	(9,472)	-
FUND BALANCES / NET POSITION			
Fund balances:			
Unassigned	<u>3,685,027</u>	<u>(3,685,027)</u>	-
Total liabilities, deferred inflows of resources, and fund balances	<u>3,711,431</u>		-
Net position:			
Unrestricted		<u>52,504</u>	<u>52,504</u>
Total net position		<u>52,504</u>	<u>52,504</u>
Total liabilities and net position		<u>\$ -</u>	<u>\$ 3,711,431</u>

See accompanying notes to financial statements.

CENTRAL POINT DEVELOPMENT COMMISSION

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund
Balance / Statement of Activities

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Adjustments (Note II B)</u>	<u>Statement of Activities</u>
GENERAL REVENUES			
Taxes	\$ 197,169	\$ 799	\$ 197,968
Investment earnings	<u>5,037</u>	<u>-</u>	<u>5,037</u>
Total general revenues	<u>202,206</u>	<u>799</u>	<u>203,005</u>
URBAN RENEWAL EXPENDITURES/ EXPENSES			
Current:			
Community development	409,187	-	409,187
Materials and services	1,277	-	1,277
Debt service:			
Interest	<u>12,827</u>	<u>7,995</u>	<u>20,822</u>
Total expenditures / expenses	<u>423,291</u>	<u>7,995</u>	<u>431,286</u>
OTHER FINANCING SOURCES/(USES)			
Debt proceeds	<u>3,634,000</u>	<u>(3,634,000)</u>	<u>-</u>
Total other financing sources	<u>3,634,000</u>	<u>(3,634,000)</u>	<u>-</u>
Change in fund balance/net position	3,412,915	(3,641,196)	(228,281)
Fund balance / net position:			
Beginning of year	<u>272,112</u>	<u>8,673</u>	<u>280,785</u>
End of year	<u>\$ 3,685,027</u>	<u>\$ (3,632,523)</u>	<u>\$ 52,504</u>

See accompanying notes to financial statements.

CENTRAL POINT DEVELOPMENT COMMISSION
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Basis
 Budget and Actual
 For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:				
Taxes	\$ 327,500	\$ 327,500	\$ 197,169	\$ (130,331)
Investment earnings	100	100	5,037	4,937
Total revenues	<u>327,600</u>	<u>327,600</u>	<u>202,206</u>	<u>(125,394)</u>
Expenditures:				
Capital outlay	1,588,010	1,588,010	409,187	1,178,823
Materials and services	120,300	120,300	1,277	119,023
Debt service	397,400	397,400	12,827	384,573
Personal services	39,000	39,000	-	39,000
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>2,194,710</u>	<u>2,194,710</u>	<u>423,291</u>	<u>1,771,419</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,867,110)</u>	<u>(1,867,110)</u>	<u>(221,085)</u>	<u>1,646,025</u>
Other financing sources:				
Debt proceeds	<u>1,700,000</u>	<u>1,700,000</u>	<u>3,634,000</u>	<u>1,934,000</u>
Net change in fund balance	(167,110)	(167,110)	3,412,915	3,580,025
Fund balance:				
Beginning of year	<u>167,110</u>	<u>167,110</u>	<u>272,112</u>	<u>105,002</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,685,027</u>	<u>\$ 3,685,027</u>

See accompanying notes to financial statements.

CENTRAL POINT DEVELOPMENT COMMISSION

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies

A. Organization

Central Point Development Commission (the Commission) was organized in 2011 under the provisions of ORS Chapter 457 as the urban renewal Commission in the City of Central Point, Oregon ("City"), responsible for implementing various public improvement programs as identified in the Downtown and East Pine Street Corridor Revitalization Plan. The Commission's Board of Directors consists of the City of Central Point City Council.

The "tax increment financing" method is being used to provide funds for the Commission. Under this method, a base year value within the urban renewal area is established (2011, in this case). Any increase in the assessed value over that base year cannot be used by the assessor to compute tax rates for local taxing bodies. The assessor computes the tax rate on the base year value of the area, then applies that rate to the increase in assessed value. The tax on the increased value can be used by the Commission only to pay indebtedness incurred to finance the urban renewal projects.

The East Pine Streetscape Construction Plan will remain in force until fall of 2037, or until the maximum amount of indebtedness permitted under the Plan (\$43,177,530) has been reached and all related debt service retired, whichever comes first.

The Commission's financial statements include all activities and organizations with which the Commission exercises authoritative appointment of governing authority or where financial dependency on the Commission exists. The Commission has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City of Central Point, Oregon, and, as such, is included in the basic financial statements of the City for the year ended June 30, 2017, copies of which can be obtained from the Finance Department of the City of Central Point Oregon, which is located at 140 S Third Street, Central Point, 97502.

B. Measurement focus, basis of accounting, and financial presentation

The Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances display information about the Commission, including all of its financial activities. The Commission's activities are financed primarily through property taxes.

The basic financial statements listed in the table of contents provide information about the Commission's funds. These funds account for the general administration of the Commission's urban renewal areas and for the acquisition and rehabilitation of property within the designated urban renewal areas. The financial statements are initially (left-most columns) reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes receivable which have been collected and received within 30 days subsequent to year end are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable are offset by deferred inflow of resources because they are not deemed available to finance operations of the current period. Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

CENTRAL POINT DEVELOPMENT COMMISSION

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies (continued)

B. Measurement focus, basis of accounting, and financial presentation (continued)

The government reports the following major governmental fund:

- The *General Fund* is the Commission's primary operating fund. It accounts for all financial resources of the general government.

On the same basic financial statements as listed in the table of contents, the balances are reported (right-most columns) using the *economic resources measurement focus* and the *accrual basis of accounting* using an "adjustments" column. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission receives value without giving equal value in exchange, include property taxes. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

C. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

1. Cash and cash equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and deposits in the State of Oregon's Treasurer's Local Government Investment Pool (LGIP).

2. Property taxes receivable

Real and personal property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding are considered delinquent on May 16. Management has determined that an allowance for uncollectible accounts is not required for property taxes.

3. Long-term liabilities

In the basic financial statements, under the current financial resources measurement focus and the modified accrual basis of accounting, the face amount of debt issued is reported as other financing sources.

In the basic financial statements under the economic resources measurement focus and accrual basis of accounting, long-term debt and other long-term obligations are reported as liabilities.

CENTRAL POINT DEVELOPMENT COMMISSION

Notes to Financial Statements

June 30, 2017

Note I - Summary of significant accounting policies (continued)

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

4. 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 government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

Nonspendable - resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for sale.

Restricted - constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grants, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned - resources that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be "reserved" during the adoption of the annual budget.

Unassigned - resources that have not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

All of the Commission's fund balance is reported as unassigned fund balance.

E. Budget

An annual budget is prepared and legally adopted for the General Fund in accordance with state statutes. The budget is adopted by the Board, appropriations made, and the tax levy is declared no later than June 30. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations at the principal object levels - personnel, materials and services (including contractual payments), capital outlay, debt service, and operating contingency - are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations between object levels require the approval of the Board. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board, at a regular Board meeting, may adopt supplemental budgets of less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires hearings before the public, publication in newspapers, and approval by the Board.

CENTRAL POINT DEVELOPMENT COMMISSION

Notes to Financial Statements

June 30, 2017

Note II - Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of differences between the Government-wide Statement of Net Position and the Governmental Fund Balance Sheet.

Reconciliation of total fund balances of the Commission's governmental funds to total net position.

Fund balances - governmental funds	\$ 3,685,027
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Because the focus of governmental funds is on short-term financing, some assets, such as receivables, will not be available to pay for current-period expenditures. Receivables are offset by unavailable revenue in the governmental funds, and thus are not included in the fund balance.

Adjustment of unavailable revenue	9,472
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Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2017 were:

Advance from the City of Central Point	(3,634,000)	
Accrued Interest Payable	<u>(7,995)</u>	<u>(3,641,995)</u>

Net position of governmental activities	<u>\$ 52,504</u>
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B. Explanation of differences between the Government-wide Statement of Activities and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance.

Reconciliation of total fund balances of the Commission's governmental funds to total net position.

Net change in fund balance - governmental funds	\$ 3,412,915
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Change in unavailable revenue	799
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Long-term liabilities applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Balances at June 30, 2017 were:

Advance from the City of Central Point	(3,634,000)	
Change in accrued interest	<u>(7,995)</u>	<u>(3,641,995)</u>

Change in net position of governmental activities	<u>\$ (228,281)</u>
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CENTRAL POINT DEVELOPMENT COMMISSION

Notes to Financial Statements

June 30, 2017

Note III - Detailed notes on all funds

A. Cash and cash equivalents

The Commission participates in the City of Central Point's cash and investment pool. At June 30, 2017, the City's cash and investments were maintained in deposits at a local financial institution and the State of Oregon's Local Government Investment Pool ("LGIP"). The Commission's portion of this pool is displayed in the Statement of Net Position and the Balance Sheet as "Cash and cash equivalents." Detail information for the Commission's pooled cash and investments can be found in the City of Central Point's June 30, 2017 Financial Statements and notes to the financial statements.

B. Advance from the City of Central Point.

On May 4, 2017, the City of Central Point issued a \$9,766,000 Full Faith and Credit Financing Agreement 2017. A portion of the proceeds of this note were loaned to the Commission. The City of Central Point loaned 3,634,000 to the Commission for the East Pine street and downtown core area projects. The payable to the City is due in annual installments. Interest payments are due semi-annually. The interest rate is 2.64% for the entirety of the loan. Loan activity and balances for the year ended June 30, 2017 was as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Payments</u>	<u>End of year</u>	<u>Current portion</u>
Long-term loan from City of Central Point	<u>\$ -</u>	<u>\$ 3,634,000</u>	<u>\$ -</u>	<u>\$ 3,634,000</u>	<u>\$ 99,353</u>

Annual debt service requirements to maturity at year end are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 99,353	\$ 94,626
2019	179,356	90,947
2020	193,868	86,021
2021	210,241	80,686
2022	225,497	74,935
2023 - 2027	1,354,099	274,251
2028 - 2031	<u>1,371,586</u>	<u>83,471</u>
Total	<u>\$ 3,634,000</u>	<u>\$ 784,937</u>

Note IV - Other information

A. Commitments

As part of East Pine Street and downtown area improvement projects, the Commission entered into a contract for the work to be done on these projects. Under the agreement the Commission agreed to pay \$3,634,000 for the contracted services. The projected did not start in the year ended June 30, 2017. The Commission's remaining payments for the project are \$3,634,000.

B. Risk management

The Commission is exposed to various risks of loss related to torts; theft; errors and omissions; injuries to employees; and natural disasters. The Commission purchases commercial insurance for general and property liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

To the Board of Directors
Central Point Development Commission
Central Point, Oregon

We have audited the basic financial statements of Central Point Development Commission (the Commission), as of and for the year ended June 30, 2017, and have issued our report thereon dated February 22, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of the Commission's 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**
- **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 the Commission 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.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Directors and the Secretary of State, Audits Division, of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a prominent loop at the end of the name.

By Paul R Nielson CPA, member of the firm
Eugene, Oregon
February 22, 2018