

MEDFORD URBAN RENEWAL AGENCY
(A Component Unit of the City of Medford, Oregon)

**FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION**
with Independent Auditors' Report

Year Ended June 30, 2009

MEDFORD URBAN RENEWAL AGENCY
(A Component Unit of the City of Medford, Oregon)

June 30, 2009

BOARD OF DIRECTORS

Name and Position

Mr. Gregory Yechout, Chair
Mr. Skip Patterson, Vice Chair
Mr. Bill Dames, Secretary
Mr. Chris Corcoran, Council Representative
Mr. Dick Entinger
Mr. Dick Gordon, Council Representative
Mr. Jim Kuntz, Council Representative
Ms. Claudette Moore
Mr. Eric Stark

BUDGET COMMITTEE MEMBERS

| <u>Name</u> | <u>Term Expires January 31,</u> |
|---------------------------|---------------------------------|
| Ms. Sally Densmore, Chair | 2011 |
| Mr. Thomas Basgen | 2011 |
| Mr. Chris Corcoran | 2012 |
| Mr. Bill Dames | 2012 |
| Ms. Barbara Davidson | 2010 |
| Ms. Cathy deWolfe | 2010 |
| Mr. Dick Entinger | 2012 |
| Mr. Scott Henselman | 2011 |
| Mr. James Kelly | 2011 |
| Mr. Jim Kuntz | 2012 |
| Mr. Joel Marks | 2012 |
| Ms. Claudette Moore | 2012 |
| Ms. Phyllis Nelson | 2011 |
| Mr. Skip Patterson | 2012 |
| Mr. George Schroeder | 2012 |
| Mr. Eric Stark | 2012 |
| Mr. Gregory Yechout | 2012 |

MANAGEMENT

| <u>Name</u> | <u>Position</u> |
|--------------------|--------------------|
| Ms. Jackie Rodgers | Executive Director |

AGENCY ADDRESS

Medford Urban Renewal Agency
45 South Holly Street
Medford, OR 97501
(541) 774-2700

MEDFORD URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2009

Table of Contents

| | <u>Page</u> |
|--|-------------|
| Financial Section: | |
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 2 |
| Financial Statements: | |
| Governmental Funds Balance Sheet / Statement of Net Assets | 7 |
| Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities | 8 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund | 9 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund | 10 |
| Notes to Financial Statements | 11 - 19 |
| Supplemental Information: | |
| Schedule of Property Tax Transactions | 20 |
| Comments and Disclosures of Independent Auditors' Required by State Statute | 21 - 22 |



Independent Auditors' Report

Board of Directors
Medford Urban Renewal Agency
Medford, Oregon

We have audited the accompanying financial statements of the governmental activities and each major fund of the Medford Urban Renewal Agency (the Agency), a component unit of the City of Medford, Oregon, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Medford Urban Renewal Agency as of June 30, 2009, 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.

The Management's Discussion and Analysis on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information on page 20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isler CPA

by Paul Nielson, a member of the firm
Eugene, Oregon
December 9, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS
MEDFORD URBAN RENEWAL AGENCY**

Fiscal Year Ended June 30, 2009

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Medford Urban Renewal Agency (the Agency) for the fiscal year ended June 30, 2009. 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 Agency's assets totaled \$28.7 million at June 30, 2009, and consisted mainly of cash and cash equivalents of \$4.5 million and capital assets of \$23.4 million.
- The Agency's liabilities totaled \$15.3 million at June 30, 2009, and consisted mainly of long-term debt of \$15 million.
- Net assets (assets minus liabilities) were \$13.4 million at June 30, 2009. Net assets decreased by \$682 thousand.
- As of the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$4.5 million, a decrease of \$1.6 million.
- The Agency's net capital assets decreased by \$2.1 million.
- Revenues for the fiscal year ended June 30, 2009, totaled \$5.2 million and consisted mainly of property taxes of \$4.8 million.

FINANCIAL STATEMENTS

The Agency'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. Notes to the basic financial statements

The Agency 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 Agency as a whole and about its activities. Following the basic financial statements is the Schedule of Property Tax Transactions and reports 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 Assets and the Statement of Activities and are designed to present the financial picture of the Agency 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 Assets includes all assets of the Agency (including infrastructure) as well as all liabilities (including long-term debt). Net assets are the difference between assets and liabilities, which is one way to measure the Agency's financial health, or financial position. Over time, increases or decreases in the Agency's net assets may be an indicator of whether its financial health is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 Agency has two governmental funds: the Urban Renewal Capital Fund (reported as the General Fund) and the Urban Renewal Debt Service Fund.

The Governmental Funds' statements emphasize available financial resources rather than net income. 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

Statement of Net Assets

The Agency's assets exceeded liabilities by \$13.4 million at June 30, 2009. The largest portion of its net assets was cash and cash equivalents and capital assets net of related debt. A condensed version of the Statement of Net Assets follows:

| Amounts in thousands | 2009 | 2008 |
|---|-----------|-----------|
| Assets | | |
| Cash and cash equivalents | \$ 4,502 | \$ 6,648 |
| Other current assets | 364 | 319 |
| Capital assets, net | 23,374 | 25,487 |
| Other assets | 509 | 554 |
| Total assets | 28,749 | 33,008 |
| Liabilities | | |
| Bonds and note payable | 15,133 | 18,114 |
| Other liabilities | 206 | 802 |
| Total liabilities | 15,339 | 18,916 |
| Net Assets | | |
| Invested in capital assets, net of related debt | 8,242 | 7,373 |
| Unrestricted | 5,168 | 6,719 |
| Total net assets | \$ 13,410 | \$ 14,092 |

At the end of the current fiscal year, the Agency reports a positive balance in unrestricted net assets and in net assets invested in capital assets, net of related debt. There was a decrease in total net assets of \$682 thousand. Long-term debt decreased by \$3.0 million. This is due primarily to the Agency making the annually required debt payments. There was a decrease in other liabilities of \$596 thousand. This is primarily due to the Agency being involved in capital improvement projects that were in the construction phase at the end of the 2007-2008 fiscal year. These projects included the RCC/SOU/Bartlett Street Streetscape project and the relocation and new construction of the Greyhound Bus Depot as required per the Commons Project DDA.

Statement of Activities

The Agency's Statement of Activities for fiscal year ended June 30, 2009, follows:

| Amounts in thousands | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| Revenues | | |
| General Revenues: | | |
| Property taxes | \$ 4,796 | \$ 4,474 |
| Investment earnings | 136 | 372 |
| Miscellaneous | <u>225</u> | <u>386</u> |
| | 5,157 | 5,232 |
| Expenses | | |
| Urban renewal | <u>2,758</u> | <u>3,221</u> |
| Change in net assets, before contributions | 2,399 | 2,011 |
| Capital contributions to other governments | <u>(3,081)</u> | <u>-</u> |
| Change in net assets | (682) | 2,011 |
| Net assets, beginning of the year | <u>14,092</u> | <u>12,081</u> |
| Net assets, end of the year | <u>\$ 13,410</u> | <u>\$ 14,092</u> |

The cost of the Agency's activities totaled \$2.8 million for the year, a decrease of \$0.5 million. This decrease was due primarily to the ongoing capital projects that carried over from fiscal year 2007-2008 to 2008-2009. These projects included the Commons project (Greyhound Bus Depot relocation and construction) and the RCC/SOU/Bartlett Street Streetscape project. Both projects are capital improvements being constructed by the Agency; however, upon completion, ownership will be transferred from the Agency to the appropriate party involved. The Greyhound Bus Depot ownership was transferred to the Rogue Valley Transit District and the Bartlett Street Streetscape project ownership was transferred to the City of Medford, as represented by the \$3.1 million capital contribution to other governments.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Agency's governmental funds reported combined ending fund balances of \$4.5 million, a decrease of \$1.6 million.

The General Fund is the chief operating fund of the Agency. At the end of the current fiscal year, the fund balance of the General Fund was \$1.1 million, a decrease of \$1.9 million during the current fiscal year.

At the end of the current fiscal year, the fund balance of the Debt Service Fund was \$3.3 million, an increase of \$351.4 thousand during the year.

CAPITAL ASSETS

As of June 30, 2009, the Agency had invested \$23.4 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of \$2.1 million.

| Amounts in thousands | 2009 | 2008 |
|-------------------------------|------------------|------------------|
| Land and improvements | \$ 3,383 | \$ 4,279 |
| Construction in progress | 109 | 48 |
| Buildings | 290 | 290 |
| Leasehold improvements | 91 | 91 |
| Parking structure | 6,704 | 6,704 |
| Infrastructure | 1,814 | 1,814 |
| Equipment | 9 | 9 |
| Improvements | 16,598 | 16,598 |
| Less accumulated depreciation | (5,624) | (4,346) |
| | <u>\$ 23,374</u> | <u>\$ 25,487</u> |

For more detailed information on the Agency's capital asset activity, refer to Note III. C. on page 17 of the financial statements.

DEBT ADMINISTRATION

At June 30, 2009, the Agency had \$15 million in Urban Redevelopment Bonds outstanding. These bonds were issued to finance improvements in the downtown Urban Renewal District. Bonds were issued in 1994 (bond 1994A) to refinance existing debt issued in 1991; and in 2002 to refinance existing debt issued in 1997 and 2000. In accordance with the City Center Revitalization Plan adopted by the Agency, the maximum amount of indebtedness that the Agency may issue or incur is \$67,307,013 (measured in estimated 2013 dollars). This amount was based upon good faith estimates of the scope and costs of projects in the City Center Revitalization Plan. Subsequent to year end, the Agency issued \$3 million in bonds.

For more detailed information, refer to Note III. E. on page 18 of the financial statements.

ECONOMIC FACTORS

The mission of the Urban Renewal Agency's Board is to eliminate blight and depreciating property values in areas within the Agency's jurisdiction, and in the process, attract aesthetically pleasing, job producing private investments that will improve and stabilize property values and protect the area's historic places and values.

The City Center Revitalization Plan (CCRP) was adopted in 1988. The Plan identified a blighted area of 576.51 acres within Medford's downtown core area and set forth a revitalization strategy involving nineteen public projects to be completed over a twenty-five year period. In May of 2006, a substantial amendment was made to the CCRP extending the life of the agency and increasing the number of projects to 20. Future growth is projected to result almost exclusively from appreciation in property values, improvement of existing buildings and redevelopment of selected sites.

The current City Center Vision Plan was completed in 1995. The Vision Plan defined an image of the community's future for the downtown and developed a pragmatic approach to attaining that future.

Agency expenditures are based on both the City Center Revitalization Plan, which defines the Agency's mission, and the City Center Vision Plan, which provides the basic framework for the revitalization of the City Center.

The "tax increment financing" method is being used to provide funds for the Agency. Under this method, a base year value within the urban renewal area is established (1988, 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 Agency only to pay indebtedness incurred to finance the urban renewal projects.

In December 2001, the Oregon Supreme Court issued its Shilo vs Multnomah County et al decision. The effect of this decision was that all revenues received by tax increment financing programs are considered "Other Government" revenues regardless of the levy origin and are subject to compression testing under Measure 5 at \$10 per \$1,000 of taxable assessed value. To date there is no material loss from compression to the Agency's tax increment financing revenues.

The base value of the Area was established in 1988 but adjusted in 1997 as a result of Senate Bill 1215. Future revenues are derived from assessed value growth in the district. To maintain its relative share of assessed valuation growth, the district must encourage for-profit development at urban densities.

NEXT YEAR'S BUDGET

For Fiscal Year 2009-2010, the Agency projected the property tax levy to be \$5,166,700, which includes the Dividing the Taxes amount of \$2,756,300, Special Levy amount of \$2,383,200, and an allowance for discounts and uncollectibles of \$27,200. The Special Levy is a projected tax rate of \$0.3855 per \$1,000 of taxable assessed value. The actual amount derived from the Special Levy is expected to be balanced by past years' delinquent taxes collected and an estimated current collection rate of 93%.

Tax increment debt in the amount of \$6,083,600 is proposed in the fiscal year 2009-2010 budget to finance capital projects. Debt service expenditures are projected to total \$7,644,500 for the new and existing debt.

REQUEST FOR INFORMATION

The Agency's financial statements are designed to present users with a general overview of the Agency's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Jackie Rodgers, Medford Urban Renewal Agency Executive Director, at 45 South Holly Street, Medford, Oregon 97501. The Agency's telephone number is (541) 774-2700.

MEDFORD URBAN RENEWAL AGENCY

Governmental Funds Balance Sheet / Statement of Net Assets

June 30, 2009

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Adjustments (Note II A)</u> | <u>Statement of Net Assets</u> |
|--|----------------------------|------------------------------|----------------------------|------------------------------------|------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,216,133 | \$ 3,286,079 | \$ 4,502,212 | \$ - | \$ 4,502,212 |
| Insurance proceeds receivable | 7,741 | - | 7,741 | - | 7,741 |
| Property taxes receivable | 81,921 | 274,396 | 356,317 | - | 356,317 |
| Loans receivable | 455,596 | - | 455,596 | - | 455,596 |
| Bond issuance cost, net | - | - | - | 53,116 | 53,116 |
| Land and improvements | - | - | - | 3,382,993 | 3,382,993 |
| Construction in progress | - | - | - | 109,920 | 109,920 |
| Other capital assets, net of accumulated depreciation | - | - | - | 25,505,220 | 25,505,220 |
| | - | - | - | <u>(5,623,878)</u> | <u>(5,623,878)</u> |
| Total assets | <u>\$ 1,761,391</u> | <u>\$ 3,560,475</u> | <u>\$ 5,321,866</u> | <u>\$ 23,427,371</u> | <u>\$ 28,749,237</u> |
| LIABILITIES | | | | | |
| Accounts payable and other current liabilities | \$ 32,225 | \$ - | \$ 32,225 | \$ - | \$ 32,225 |
| Due to City of Medford | 93,208 | - | 93,208 | - | 93,208 |
| Deferred income | 523,096 | 212,289 | 735,385 | (735,385) | - |
| Accrued interest payable | - | - | - | 57,434 | 57,434 |
| Compensated absences | - | - | - | 23,729 | 23,729 |
| Long-term debt: | | | | | |
| Due within one year | - | - | - | 3,105,693 | 3,105,693 |
| Due in more than one year | - | - | - | 12,026,894 | 12,026,894 |
| Total liabilities | 648,529 | 212,289 | 860,818 | 14,478,365 | 15,339,183 |
| FUND BALANCES / NET ASSETS | | | | | |
| Fund balances: | | | | | |
| Unreserved fund balance | <u>1,112,862</u> | <u>3,348,186</u> | <u>4,461,048</u> | <u>(4,461,048)</u> | - |
| Total liabilities and fund balances | <u>\$ 1,761,391</u> | <u>\$ 3,560,475</u> | <u>\$ 5,321,866</u> | | - |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | | | | 8,241,668 | 8,241,668 |
| Unrestricted | | | | <u>5,168,386</u> | <u>5,168,386</u> |
| Total net assets | | | | <u>13,410,054</u> | <u>13,410,054</u> |
| Total liabilities and net assets | | | | <u>\$ 23,427,371</u> | <u>\$ 28,749,237</u> |

See accompanying notes to financial statements.

MEDFORD URBAN RENEWAL AGENCY

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

Year Ended June 30, 2009

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Total</u> | <u>Adjustments (Note II B)</u> | <u>Statement of Activities</u> |
|--|---------------------|------------------------------|---------------------|------------------------------------|------------------------------------|
| GENERAL REVENUES | | | | | |
| Property taxes | \$ 833,939 | \$ 3,945,209 | \$ 4,779,148 | \$ 16,585 | \$ 4,795,733 |
| Investment earnings | 76,876 | 58,672 | 135,548 | - | 135,548 |
| Miscellaneous | 74,031 | - | 74,031 | 26,540 | 100,571 |
| Rental Income | 72,220 | - | 72,220 | - | 72,220 |
| Intergovernmental | 52,892 | - | 52,892 | - | 52,892 |
| | <u>1,109,958</u> | <u>4,003,881</u> | <u>5,113,839</u> | <u>43,125</u> | <u>5,156,964</u> |
| URBAN RENEWAL EXPENDITURES / EXPENSES | | | | | |
| Current: | | | | | |
| General government | 579,063 | - | 579,063 | 164,546 | 743,609 |
| Depreciation | - | - | - | 1,278,086 | 1,278,086 |
| Capital outlay | 2,387,348 | - | 2,387,348 | (2,387,348) | - |
| Debt service: | | | | | |
| Principal payments | 59,101 | 2,922,000 | 2,981,101 | (2,981,101) | - |
| Interest | 4,248 | 730,447 | 734,695 | (17,505) | 717,190 |
| Amortization | - | - | - | 19,031 | 19,031 |
| | <u>3,029,760</u> | <u>3,652,447</u> | <u>6,682,207</u> | <u>(3,924,291)</u> | <u>2,757,916</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,919,802)</u> | <u>351,434</u> | <u>(1,568,368)</u> | <u>3,967,416</u> | <u>2,399,048</u> |
| CONTRIBUTIONS | | | | | |
| Capital contributions to other governments | - | - | - | (3,080,691) | (3,080,691) |
| Net change in fund balance | <u>(1,919,802)</u> | <u>351,434</u> | <u>(1,568,368)</u> | <u>1,568,368</u> | <u>-</u> |
| Change in net assets | | | | <u>(681,643)</u> | <u>(681,643)</u> |
| Fund balance / net assets: | | | | | |
| Beginning of year | <u>3,032,664</u> | <u>2,996,752</u> | <u>6,029,416</u> | <u>8,062,281</u> | <u>14,091,697</u> |
| End of year | <u>\$ 1,112,862</u> | <u>\$ 3,348,186</u> | <u>\$ 4,461,048</u> | <u>\$ 8,949,006</u> | <u>\$ 13,410,054</u> |

See accompanying notes to financial statements.

MEDFORD URBAN RENEWAL AGENCY
GENERAL FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

| | <u>Original & Final Budget</u> | <u>Actual</u> | <u>Variance with Budget</u> |
|--|--|---------------------|---------------------------------|
| Revenues: | | | |
| Property taxes | \$ 813,200 | \$ 833,939 | \$ 20,739 |
| Intergovernmental | 57,700 | 52,892 | (4,808) |
| Investment earnings | 264,500 | 76,876 | (187,624) |
| Miscellaneous | 20,300 | 74,031 | 53,731 |
| Grants and contracts | 100,000 | - | (100,000) |
| Rental Income | <u>67,100</u> | <u>72,220</u> | <u>5,120</u> |
| Total revenues | <u>1,322,800</u> | <u>1,109,958</u> | <u>(212,842)</u> |
| Expenditures: | | | |
| Personnel services | 389,400 | 334,546 | 54,854 |
| Materials and services | 465,000 | 244,517 | 220,483 |
| Capital outlay | 5,172,300 | 2,387,348 | 2,784,952 |
| Debt service | 63,500 | 63,349 | 151 |
| Contingency | <u>213,600</u> | <u>-</u> | <u>213,600</u> |
| Total expenditures | <u>6,303,800</u> | <u>3,029,760</u> | <u>3,274,040</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(4,981,000)</u> | <u>(1,919,802)</u> | <u>3,061,198</u> |
| Other financing sources: | | | |
| Transfers out | (55,800) | - | 55,800 |
| Bond proceeds | <u>2,500,000</u> | <u>-</u> | <u>(2,500,000)</u> |
| Net change in fund balance | <u>(2,536,800)</u> | <u>(1,919,802)</u> | <u>616,998</u> |
| Fund Balance: | | | |
| Beginning of year | <u>2,536,800</u> | <u>3,032,664</u> | <u>495,864</u> |
| End of year | <u>\$ -</u> | <u>\$ 1,112,862</u> | <u>\$ 1,112,862</u> |

See accompanying notes to financial statements.

MEDFORD URBAN RENEWAL AGENCY
DEBT SERVICE FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

| | Original & Final Budget | Actual | Variance with Budget |
|--|----------------------------|--------------|-------------------------|
| Revenues: | | | |
| Property taxes | \$ 3,877,800 | \$ 3,945,209 | \$ 67,409 |
| Investment earnings | - | 58,672 | 58,672 |
| Total revenues | 3,877,800 | 4,003,881 | 126,081 |
| | | | |
| Expenditures: | | | |
| Debt service | 3,877,800 | 3,652,447 | 225,353 |
| Excess revenues over (under) expenditures | - | 351,434 | 351,434 |
| Other financing sources (uses): | | | |
| Transfers in | 55,800 | - | (55,800) |
| Net change in fund balance | 55,800 | 351,434 | 295,634 |
| | | | |
| Fund Balance: | | | |
| Beginning of year | 3,450,000 | 2,996,752 | (453,248) |
| End of year | \$ 3,505,800 | \$ 3,348,186 | \$ (157,614) |

See accompanying notes to financial statements.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies

A. Organization

Medford Urban Renewal Agency (the Agency) was organized in 1987 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Medford, Oregon, responsible for implementing various public improvement programs as identified in the revitalization plan of the City. The Agency is governed by a Board of Directors appointed by the City Council.

The "tax increment financing" method is being used to provide funds for the Agency. Under this method, a base year value within the urban renewal area is established (1988, 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 Agency only to pay indebtedness incurred to finance the urban renewal projects.

The Agency's financial statements include all activities and organizations with which the Agency exercises authoritative appointment of governing authority or where financial dependency on the Agency exists. The Agency has no potential component units but, as determined under generally accepted accounting principles, is considered to be a component unit of the City of Medford, Oregon, and, as such, is included in the basic financial statements of the City of Medford, Oregon, for the year ended June 30, 2009, copies of which can be obtained from the Finance Department of the City of Medford Oregon, which is located at 411 W 8th Street, Medford, Oregon 97501.

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

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

The basic financial statements listed in the table of contents provide information about the Agency's funds. These funds account for the general administration of the Agency'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 60 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 and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies (continued)

The government reports the following major governmental funds:

- The *Capital Projects Fund* (acts as the *general fund*) is the Agency's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in the debt service fund.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 Agency 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the statement of Net Assets and Statement of Activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Agency has elected not to apply FASB guidance issued subsequent to November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the basic financial statements.

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, and net assets

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).

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2009, the fair value of the City's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us>.

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.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies (continued)

3. Capital assets

Purchased or constructed capital assets are reported at cost. The Agency defines capital assets as assets with an initial cost of more than \$5,000, and an estimated life in excess of one year. Donated capital assets are recorded at their fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or extend assets' lives are not capitalized. Depreciation is computed using the straight-line method over 5 to 20 years.

4. Compensated absences

It is the Agency's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave. Earned but unpaid sick leave does not vest, and is therefore not accrued. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

5. 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. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond premiums and discounts, as well as bond issuance costs, are recognized during the current period.

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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

E. Pension Plan

The Agency's employees are employees of the City. Employees of the City participate in the Oregon Public Employees Retirement Fund (OPERF) administered by the Oregon Public Employees Retirement System (PERS). Detailed information concerning PERS can be found in the City of Medford's FY 2009 Comprehensive Annual Financial Report (Notes to Basic Financial Statements).

F. Budget

A budget is prepared and legally adopted for all funds on the modified accrual basis of accounting. 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.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

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

A. -Explanation of Differences Between the Government-wide Statement of Net Assets and the Governmental Fund Balance Sheet.

Reconciliation of total fund balances of the Agency's Governmental Funds to total net assets.

| | |
|------------------------------------|--------------|
| Fund balances - Governmental Funds | \$ 4,461,048 |
|------------------------------------|--------------|

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Agency as a whole.

| | | |
|--------------------------|--------------------|------------|
| Cost of capital assets | \$ 28,998,133 | |
| Accumulated depreciation | <u>(5,623,878)</u> | 23,374,255 |

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 deferred revenue in the governmental funds, and thus are not included in the fund balance.

| | |
|--------------------------------|---------|
| Adjustment of deferred revenue | 735,385 |
|--------------------------------|---------|

| | |
|---|--------|
| In a prior year the Agency paid bond issuance costs, this transaction was recorded as an expenditure in the governmental funds when the transaction occurred. | 53,116 |
|---|--------|

Long-term liabilities applicable to the Agency'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 assets. Balances at June 30, 2009 were:

| | |
|--------------------------|-----------------|
| Bonds and notes payable | (15,132,587) |
| Accrued interest payable | (57,434) |
| Compensated absences | <u>(23,729)</u> |

| | |
|---------------------------------------|----------------------|
| Net assets of governmental activities | <u>\$ 13,410,054</u> |
|---------------------------------------|----------------------|

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note II - Reconciliation of Government-wide and Fund Financial Statements (continued)

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 Agency's Governmental Funds to total net assets.

| | |
|---|----------------|
| Net change in fund balance - Governmental Funds | \$ (1,568,368) |
|---|----------------|

Governmental funds report capital outlay 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 amount by which depreciation exceeds capital outlay in the current period is:

| | | |
|--|--------------------|-------------|
| Capital expenditures | \$ 61,402 | |
| Capital assets contributed other governments | (895,563) | |
| Less current year depreciation | <u>(1,278,086)</u> | (2,112,247) |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

| | |
|----------------------------|--------|
| Change in deferred revenue | 43,125 |
|----------------------------|--------|

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.

| |
|----------|
| (19,031) |
|----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

| | |
|-------------------------------|-----------------|
| Change in compensated absence | <u>(23,728)</u> |
|-------------------------------|-----------------|

Long-term liabilities applicable to the Agency'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 assets. Balances at June 30, 2009 were:

| | | |
|----------------------------|---------------|-----------|
| Principal payments | 2,981,101 | |
| Change in accrued interest | <u>17,505</u> | 2,998,606 |

| | |
|---|---------------------|
| Change in net assets of governmental activities | <u>\$ (681,643)</u> |
|---|---------------------|

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note III - Detailed notes on all funds

A. - Cash and cash equivalents

Cash and cash equivalents are comprised of the following at June 30, 2009:

| | | |
|--|----|-------------------------|
| Cash on hand (petty cash) | \$ | 200 |
| Cash in bank (deposits with financial institutions) | | 29,223 |
| State of Oregon Treasurer's Local Government Investment Pool | | <u>4,472,789</u> |
| Total cash and cash equivalents | \$ | <u><u>4,502,212</u></u> |

Interest rate risk. While the Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, it has historically invested only in the LGIP. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2009 were: 75% mature within 93 days, 12% mature from 94 days to one year, and 13% mature from one year to three years.

Concentration of credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. On June 30, 2009 the Oregon Short-Term Fund had holdings of greater than 5% in the following issuers: Federal Home Loan Bank, 13%; Federal National Mortgage Association, 7%; Federal Home Loan Mortgage Corporation, 8%.

Credit risk. The Agency has no investment policy, but, in practice, limits investments to the LGIP, which is not rated.

B - Loan receivables

The Agency entered into loan agreements whereby the Agency provided local businesses in downtown Medford monies for rehabilitation construction costs. Each loan bears an interest rate of 2% and is collateralized by a deed of trust.

| <u>Issue Date</u> | <u>Monthly Payment</u> | <u>Balance 6/30/09</u> | <u>Final Payment Date</u> |
|-------------------|------------------------|------------------------|---------------------------|
| December 1, 2003 | \$ 759 | \$ 113,767 | December 1, 2013 |
| August 11, 2003 | 506 | 75,976 | October 1, 2013 |
| March 15, 2004 | 1,733 | <u>265,853</u> | June 1, 2013 |
| | | <u>\$ 455,596</u> | |

No allowance has been established by the Agency because all loans receivable are considered entirely collectible.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note III - Detailed notes on all funds (continued)

C. - Capital assets

Components of capital assets consist of the following at June 30:

| | As Previously Reported Balance July 1, 2008 | Additions | Transfers and Retirements | 2009 |
|---|--|-----------------------|------------------------------|----------------------|
| Capital assets, not being depreciated: | | | | |
| Land and improvements | \$ 4,278,556 | \$ - | \$ (895,563) | \$ 3,382,993 |
| Construction in progress | 48,518 | 61,402 | - | 109,920 |
| Total capital assets, not being depreciated | 4,327,074 | 61,402 | (895,563) | 3,492,913 |
| Capital assets, being depreciated: | | | | |
| Buildings | 290,324 | - | - | 290,324 |
| Leasehold improvements | 90,441 | - | - | 90,441 |
| Parking structure | 6,704,335 | - | - | 6,704,335 |
| Infrastructure | 1,813,475 | - | - | 1,813,475 |
| Equipment | 8,793 | - | - | 8,793 |
| Improvements | 16,597,852 | - | - | 16,597,852 |
| Total capital assets being depreciated | 25,505,220 | - | - | 25,505,220 |
| Less accumulated depreciation for: | | | | |
| Buildings | (52,617) | (14,516) | - | (67,133) |
| Leasehold improvements | (24,116) | (6,029) | - | (30,145) |
| Parking structure | (2,749,757) | (335,215) | - | (3,084,972) |
| Infrastructure | (693,112) | (90,674) | - | (783,786) |
| Equipment | (5,277) | (1,759) | - | (7,036) |
| Improvements | (820,913) | (829,893) | - | (1,650,806) |
| Total accumulated depreciation | (4,345,792) | (1,278,086) | - | (5,623,878) |
| Total capital assets, being depreciated, net | 21,159,428 | (1,278,086) | - | 19,881,342 |
| Total capital assets, net | \$ 25,486,502 | \$ (1,216,684) | \$ (895,563) | \$ 23,374,255 |

D. - Operating lease

The Agency leases building and office facilities and other equipment under noncancelable operating leases that expire in June 2014. Rent expense was approximately \$17,600 for the year ended June 30, 2009. The schedule of future minimum lease payments for these leases is as follows:

| | |
|-------------------------|------------------|
| Year ending June 30, | |
| 2010 | \$ 19,200 |
| 2011 | 19,200 |
| 2012 | 19,200 |
| 2013 | 19,200 |
| 2014 | 6,400 |
| | <u>\$ 83,200</u> |

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note III - Detailed notes on all funds (continued)

E. - Long-term debt

Bonds and loan payable transactions for the year are as follows:

| | <u>Original Amount</u> | <u>Outstanding July 1, 2008</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding June 30, 2009</u> | <u>Due Within One Year</u> |
|--|----------------------------|-------------------------------------|------------------|-----------------------|--------------------------------------|--------------------------------|
| Urban Redevelopment Bonds | | | | | | |
| 1994A Series, interest 2.75% - 5.3%, maturing 9/1/2011 | \$ 1,375,000 | \$ 420,000 | \$ - | \$ (95,000) | \$ 325,000 | \$ 100,000 |
| 1994B Series, interest 2.75% - 5.3%, maturing 9/1/2011 | 2,575,000 | 785,000 | - | (180,000) | 605,000 | 190,000 |
| 1996A Series, interest 4.0% - 5.875%, maturing 9/1/2010 | 4,000,000 | 1,075,000 | - | (335,000) | 740,000 | 360,000 |
| 2002 Series, interest 3.0% - 4.5%, maturing 6/1/2013 | 9,050,000 | 4,635,000 | - | (850,000) | 3,785,000 | 885,000 |
| 2004 Series, interest 3.55%, maturing 6/15/2013 | 9,500,000 | 5,570,000 | - | (1,040,000) | 4,530,000 | 1,075,000 |
| 2005 Series A, interest 3.73% maturing on 6/15/2013 | 3,488,000 | 2,669,000 | - | (289,000) | 2,380,000 | 297,000 |
| 2007 Series A, interest 4.65% maturing on 6/15/2022 | <u>2,570,000</u> | <u>2,535,000</u> | <u>-</u> | <u>(133,000)</u> | <u>2,402,000</u> | <u>139,000</u> |
| Urban Redevelopment Bonds subtotal | 32,558,000 | 17,689,000 | - | (2,922,000) | 14,767,000 | 3,046,000 |
| Loans Payable | | | | | | |
| 2004 Oregon Housing, interest 1.00%, maturing 8/1/2013 | <u>600,000</u> | <u>424,689</u> | <u>-</u> | <u>(59,102)</u> | <u>365,587</u> | <u>59,693</u> |
| Total bonds and loans payable | 33,158,000 | 18,113,689 | - | (2,981,102) | 15,132,587 | 3,105,693 |
| Compensated absences | <u>-</u> | <u>21,209</u> | <u>2,520</u> | <u>-</u> | <u>23,729</u> | <u>-</u> |
| Total | <u>\$ 33,158,000</u> | <u>\$ 18,134,898</u> | <u>\$ 2,520</u> | <u>\$ (2,981,102)</u> | <u>\$ 15,156,316</u> | <u>\$ 3,105,693</u> |

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|----------------------|---------------------|
| 2010 | \$ 3,105,693 | \$ 609,768 |
| 2011 | 3,237,290 | 476,004 |
| 2012 | 3,365,894 | 348,055 |
| 2013 | 3,493,502 | 220,975 |
| 2014 | 228,119 | 85,258 |
| 2015 - 2019 | 1,016,089 | 297,375 |
| 2020 - 2023 | <u>686,000</u> | <u>64,775</u> |
| Total | <u>\$ 15,132,587</u> | <u>\$ 2,102,210</u> |

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2009

Note IV - Other information

A. Related party transactions

Amounts totaling \$493,380 for labor and fringe benefit costs, administrative expenditures for accounting, administration and other professional services, and certain amounts included in capital outlay were paid by the City of Medford and later reimbursed by the Agency. The amount payable to the City at June 30, 2009 was \$93,208. The Agency receives income from the City for administration of parking services. The amount received in 2009 was \$52,892. There was no amount receivable from the City at June 30, 2009.

During 2009, the Agency made capital contributions of fixed assets to the City of Medford and to the Rogue Valley Transportation District (RVTD). Assets transferred to the City consisted of \$1,612,502 of current year capital outlay expenditures for the Bartlett Street project. \$1,468,189 in assets transferred to RVTD consisted of \$895,563 of assets capitalized in 2008 and \$572,626 of current year capital outlay expenditures for the Greyhound Bus Depot relocation project. These amounts are presented as a capital contribution to other governments on the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities.

B. Commitments

On September 6, 2006 the Agency approved a resolution to form a public/private partnership in the development of the downtown urban renewal area. The development will include a partnership with Lithia Real Estate Inc. and the City of Medford, and will include the development of additional parking spaces in downtown, renovation of current downtown city streets being affected and acquisition of certain designated properties in the project area. The development is under negotiation, with a projected total cost of 14.1 million dollars to the Agency. The financing for the project is expected to come from tax increment financing.

C. Risk management

The Agency is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; and bodily injury, for which the Agency carries commercial insurance. The Agency does not engage in risk financing activities where the risk is retained (self-insurance). There have been no significant reductions in insurance coverage from the prior year for any category of risk and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

D. Subsequent events

On August 5, 2009, the Agency issued Series 2009 Tax Exempt Second Lien Renewal Bonds in the amount of \$3,000,000 maturing June 15, 2024. The bonds bear interest at a rate of 4.75% payable annually on June 15. Principal payments begin June 15, 2014.

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------|---------------------|---------------------|
| 2010 | \$ - | \$ 122,708 |
| 2011 | - | 142,500 |
| 2012 | - | 142,500 |
| 2013 | - | 142,500 |
| 2014 | 178,000 | 142,500 |
| 2015 - 2019 | 1,021,000 | 577,648 |
| 2020 - 2024 | <u>1,801,000</u> | <u>299,060</u> |
| Total | <u>\$ 3,000,000</u> | <u>\$ 1,569,416</u> |

SUPPLEMENTAL INFORMATION

MEDFORD URBAN RENEWAL AGENCY

Schedule of Property Tax Transactions

Year Ended June 30, 2009

| Tax Year | Uncollected July 1, 2009 | Levy Extended by Assessor | Discounts Allowed | Adjustments | Collections | Uncollected June 30, 2009 |
|--------------|-----------------------------|---------------------------------|----------------------|-----------------|-----------------------|------------------------------|
| 2008 - 2009 | \$ - | \$ 5,063,232 | \$ (119,050) | \$ - | \$ (4,724,468) | \$ 219,714 |
| 2007 - 2008 | 176,942 | - | - | 1,714 | (98,395) | 80,261 |
| 2006 - 2007 | 55,214 | - | - | (652) | (23,214) | 31,348 |
| 2005 - 2006 | 27,108 | - | - | (166) | (16,976) | 9,966 |
| 2004 - 2005 | 8,474 | - | - | (186) | (4,921) | 3,367 |
| 2003 - 2004 | 3,795 | - | - | (189) | (637) | 2,969 |
| 2002 - 2003 | 3,128 | - | - | (124) | (755) | 2,249 |
| Prior | 6,169 | - | - | 699 | (425) | 6,443 |
| Total | \$ 280,830 | \$ 5,063,232 | \$ (119,050) | \$ 1,096 | \$ (4,869,791) | \$ 356,317 |



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITORS'
REQUIRED BY STATE STATUTE

To the Board of Directors
Medford Urban Renewal Agency
Medford, Oregon

Oregon Administrative Rules 162-10-0030 through 162-10-0310 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

Report on Internal Control

We have audited the basic financial statements of Medford Urban Renewal Agency (the Agency), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009.

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.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Compliance

Compliance with laws, regulations, contracts and grants applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-0230 through 162-10-0310, included but were not limited to the following:

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records. The Agency's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Compliance with Legal or Other Requirements:

Collateral - The entity has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Indebtedness - We noted no defaults in principal, interest, sinking fund, of redemption provisions with respect to any of the entity's long-term debt, and no breach of the debt agreements at June 30, 2009, including restrictions on the use of monies available to retire indebtedness.

Budget - The Agency appears to have complied in all material respects with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, of the current year, and the preparation and adoption of its budget for the year ending June 30 of the subsequent year.

Insurance - We have reviewed the entity's legally required insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

Programs Funded from Outside Sources - The Agency did not receive or spend amounts during the fiscal year.

Investments - Public funds appear to be invested in compliance with ORS 295.

Public Contracts and Purchasing - The Agency's procedures for awarding public contracts were reviewed and found to be in accordance with ORS 279.

Schedule of Accountability for Independently Elected Officials - There are no elected officials collecting or receiving money.

This report is intended for the information of management, the Agency's board of directors and the State of Oregon, Secretary of State, Audits Division. However, this report is a matter of public record and its distribution is not limited.



Paul Nielson, a member of the firm
Eugene, Oregon
December 9, 2009