

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, 2010

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

June 30, 2010

BOARD OF DIRECTORS

	<u>Term Expires December 31,</u>
Dick Gordon, Chair	2012
Gary Wheeler	2012
Al Densmore	2010
James Kuntz	2012
Ben Truwe	2010
Chris Corcoran	2012
Jill Stout	2010
Greg Jones	2012
Bob Strosser	2010

MANAGEMENT

Michael Dyal, Executive Director
John Huttli, Attorney
Alison Chan, Finance Director

AGENCY ADDRESS

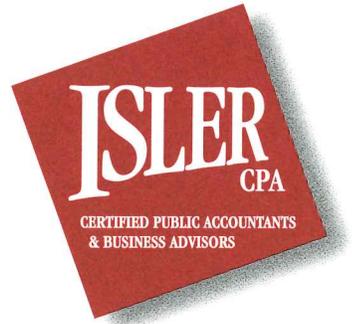
Medford Urban Renewal Agency
411 West 8th Street
Medford, OR 97501

MEDFORD URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2010

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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, 2010, 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, 2010, 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 - 5 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 Gary Iskra, CPA, a member of the firm
Eugene, Oregon
December 10, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS MEDFORD URBAN RENEWAL AGENCY

Fiscal Year Ended June 30, 2010

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, 2010. 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 \$30.2 million at June 30, 2010, and consisted mainly of cash and cash equivalents of \$7.3 million and capital assets of \$22.1 million.
- The Agency's liabilities totaled \$15.2 million at June 30, 2010, and consisted mainly of long-term debt of \$15.0 million.
- Net assets (assets minus liabilities) were \$15.0 million at June 30, 2010. Net assets increased by \$1.6 million.
- As of the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$7.3 million, an increase of \$2.8 million.
- The Agency's net capital assets decreased by \$1.3 million.
- Revenues for the fiscal year ended June 30, 2010, totaled \$4.8 million and consisted mainly of property taxes of \$4.6 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 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 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

Statements of Net Assets

The Agency's assets exceeded liabilities by \$15.0 million at June 30, 2010. 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	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 7,252	\$ 4,502
Other current assets	369	364
Capital assets, net	22,103	23,374
Other assets	469	509
Total assets	<u>30,193</u>	<u>28,749</u>
Liabilities		
Bonds and note payable	15,027	15,133
Other liabilities	140	206
Total liabilities	<u>15,167</u>	<u>15,339</u>
Net Assets		
Invested in capital assets, net of related debt	10,076	8,242
Restricted for debt service	3,566	3,348
Unrestricted	1,384	1,820
Total net assets	<u>\$ 15,026</u>	<u>\$ 13,410</u>

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 an increase in total net assets of \$1.6 million. Long-term debt decreased by \$0.1 million. This is a result of two offsetting issues. The Agency issued \$3.0 million in new debt which was offset by the Agency making the required on going debt payments. There was a decrease in other liabilities of \$0.1 million.

Statements of Activities

The Agency's Statements of Activities for fiscal year ended June 30, 2010 and June 30, 2009, follows:

Amounts in thousands	<u>2010</u>	<u>2009</u>
Revenues		
General Revenues:		
Property taxes	\$ 4,620	\$ 4,796
Investment earnings	66	136
Miscellaneous	88	225
	<u>4,774</u>	<u>5,157</u>
Expenses		
Community development	<u>3,158</u>	<u>2,758</u>
Change in net assets, before contributions	1,616	2,399
Capital contributions to other governments	<u>-</u>	<u>(3,081)</u>
Change in net assets	1,616	(682)
Net assets, beginning of the year	<u>13,410</u>	<u>14,092</u>
Net assets, end of the year	<u>\$ 15,026</u>	<u>\$ 13,410</u>

The cost of the Agency's activities totaled \$3.2 million for the year, an increase of \$0.4 million. This increase was due primarily to the ongoing capital projects carried over from fiscal year 2008-2009 to 2009-2010.

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 \$7.3 million, an increase of \$2.8 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 \$3.7 million, an increase of \$2.6 million during the current fiscal year. The general fund reported expenditures over budgeted amounts of \$16,732 for personnel services for the year ended June 30, 2010.

At the end of the current fiscal year, the reserved fund balance of the Debt Service Fund was \$3.6 million, an increase of \$0.2 million during the year.

CAPITAL ASSETS

As of June 30, 2010, the Agency had invested \$22.1 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of \$1.3 million.

Amounts in thousands	2010	2009
Land and improvements	\$ 3,383	\$ 3,383
Construction in progress	117	109
Buildings	290	290
Leasehold improvements	91	91
Parking structure	6,704	6,704
Infrastructure	1,813	1,814
Equipment	9	9
Improvements	16,598	16,598
Less accumulated depreciation	<u>(6,902)</u>	<u>(5,624)</u>
	<u>\$ 22,103</u>	<u>\$ 23,374</u>

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

DEBT ADMINISTRATION

At June 30, 2010, the Agency had \$14.7 million in Urban Redevelopment Bonds outstanding. These bonds were issued to finance improvements in the downtown Urban Renewal District. 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. This amount was based upon good faith estimates of the scope and costs of projects in the City Center Revitalization Plan.

For more detailed information on the Agency's long-term debt, refer to Note III. F. 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 twenty. 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 v. 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 2010-2011, the Agency projected the property tax levy to be \$4,802,200, which includes the Dividing the Taxes amount of \$2,575,000, Special Levy amount of \$2,227,000, and an allowance for discounts and uncollectibles of \$337,000, which is a 93% collection rate. The past years' delinquent taxes collections are budgeted to be \$158,000.

No new tax increment debt is proposed in the fiscal year 2010-2011. Debt service expenditures are projected to total \$5.3 million for 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 the Agency's Executive Director, Michael Dyal, at 411 West 8th 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, 2010

	<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	\$ 3,779,794	\$ 3,471,776	\$ 7,251,570	\$ -	\$ 7,251,570
Accounts receivable	2,186	-	2,186	-	2,186
Property taxes receivable	-	367,330	367,330	-	367,330
Interest receivable	-	155	155	-	155
Loans receivable	428,967	-	428,967	-	428,967
Bond issuance cost, net	-	-	-	40,163	40,163
Land and improvements	-	-	-	3,382,993	3,382,993
Construction in progress	-	-	-	117,078	117,078
Other capital assets, net of accumulated depreciation	-	-	-	18,603,255	18,603,255
Total assets	<u>\$ 4,210,947</u>	<u>\$ 3,839,261</u>	<u>\$ 8,050,208</u>	<u>\$ 22,143,489</u>	<u>\$ 30,193,697</u>
LIABILITIES					
Due to City of Medford	\$ 78,393	\$ -	\$ 78,393	\$ -	\$ 78,393
Deferred income	428,967	273,600	702,567	(702,567)	-
Accrued interest payable	-	-	-	62,546	62,546
Long-term debt:					
Due within one year	-	-	-	3,237,290	3,237,290
Due in more than one year	-	-	-	11,789,604	11,789,604
Total liabilities	<u>507,360</u>	<u>273,600</u>	<u>780,960</u>	<u>14,386,873</u>	<u>15,167,833</u>
FUND BALANCES / NET ASSETS					
Fund balances:					
Reserved for debt service	-	3,565,661	3,565,661	(3,565,661)	-
Unreserved fund balance	<u>3,703,587</u>	<u>-</u>	<u>3,703,587</u>	<u>(3,703,587)</u>	<u>-</u>
Total fund balances	<u>3,703,587</u>	<u>3,565,661</u>	<u>7,269,248</u>	<u>(7,269,248)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 4,210,947</u>	<u>\$ 3,839,261</u>	<u>\$ 8,050,208</u>		<u>-</u>
Net assets:					
Invested in capital assets, net of related debt				10,076,432	10,076,432
Restricted for debt service				3,565,661	3,565,661
Unrestricted				<u>1,383,771</u>	<u>1,383,771</u>
Total net assets				<u>15,025,864</u>	<u>15,025,864</u>
Total liabilities and net assets				<u>\$ 22,143,489</u>	<u>\$ 30,193,697</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

For the Year Ended June 30, 2010

	<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	\$ 959,129	\$ 3,666,620	\$ 4,625,749	\$ (6,189)	\$ 4,619,560
Investment earnings	40,391	25,675	66,066	-	66,066
Miscellaneous	59,275	-	59,275	(26,629)	32,646
Grants and contracts	20,081	-	20,081	-	20,081
Rental income	30,981	-	30,981	-	30,981
Intergovernmental	4,808	-	4,808	-	4,808
Total general revenues	<u>1,114,665</u>	<u>3,692,295</u>	<u>4,806,960</u>	<u>(32,818)</u>	<u>4,774,142</u>
URBAN RENEWAL EXPENDITURES / EXPENSES					
Current:					
Community development	734,905	-	734,905	394,799	1,129,704
Depreciation	-	-	-	1,278,087	1,278,087
Capital outlay	425,686	-	425,686	(425,686)	-
Debt service:					
Principal payments	59,693	3,046,000	3,105,693	(3,105,693)	-
Interest	3,656	728,820	732,476	5,112	737,588
Amortization	-	-	-	12,953	12,953
Total expenditures / expenses	<u>1,223,940</u>	<u>3,774,820</u>	<u>4,998,760</u>	<u>(1,840,428)</u>	<u>3,158,332</u>
Excess (deficiency) of revenues over (under) expenditures / expenses	<u>(109,275)</u>	<u>(82,525)</u>	<u>(191,800)</u>	<u>1,807,610</u>	<u>1,615,810</u>
OTHER FINANCING SOURCES/(USES)					
Transfers in (out)	(300,000)	300,000	-	-	-
Proceeds from issuance of long term debt	3,000,000	-	3,000,000	(3,000,000)	-
Total other financing sources	<u>2,700,000</u>	<u>300,000</u>	<u>3,000,000</u>	<u>(3,000,000)</u>	<u>-</u>
Net change in fund balance	2,590,725	217,475	2,808,200	(2,808,200)	-
Change in net assets				1,615,810	1,615,810
Fund balance / net assets:					
Beginning of year	1,112,862	3,348,186	4,461,048	(8,949,006)	13,410,054
End of year	<u>\$ 3,703,587</u>	<u>\$ 3,565,661</u>	<u>\$ 7,269,248</u>	<u>\$ (10,141,396)</u>	<u>\$ 15,025,864</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, 2010

	Budget			
	Original	Final	Actual	Variance with Budget
Revenues:				
Property taxes	\$ 1,097,300	\$ 1,097,300	\$ 959,129	\$ (138,171)
Intergovernmental	61,200	61,200	4,808	(56,392)
Investment earnings	99,800	99,800	40,391	(59,409)
Miscellaneous	23,100	23,100	59,275	36,175
Grants and contracts	200,000	200,000	20,081	(179,919)
Rental income	71,500	71,500	30,981	(40,519)
Total revenues	<u>1,552,900</u>	<u>1,552,900</u>	<u>1,114,665</u>	<u>(438,235)</u>
Expenditures:				
Personnel services	356,300	246,300	263,032	(16,732)
Materials and services	323,100	522,340	471,873	50,467
Capital outlay	4,790,200	4,790,200	425,686	4,364,514
Debt service	63,400	63,400	63,349	51
Contingency	175,600	86,360	-	86,360
Total expenditures	<u>5,708,600</u>	<u>5,708,600</u>	<u>1,223,940</u>	<u>4,484,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,155,700)</u>	<u>(4,155,700)</u>	<u>(109,275)</u>	<u>4,046,425</u>
Other financing sources:				
Transfers out	(375,000)	(375,000)	(300,000)	75,000
Proceeds from issuance of long term debt	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,000,000</u>	<u>(750,000)</u>
Net change in fund balance	<u>(780,700)</u>	<u>(780,700)</u>	<u>2,590,725</u>	<u>3,371,425</u>
Fund Balance:				
Beginning of year	<u>780,700</u>	<u>780,700</u>	<u>1,112,862</u>	<u>332,162</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,703,587</u>	<u>\$ 3,703,587</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, 2010

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Budget</u>
Revenues:			
Property taxes	\$ 4,069,500	\$ 3,666,620	\$ (402,880)
Investment earnings	<u>-</u>	<u>25,675</u>	<u>25,675</u>
Total revenues	<u>4,069,500</u>	<u>3,692,295</u>	<u>(377,205)</u>
Expenditures:			
Debt service	<u>4,013,700</u>	<u>3,774,820</u>	<u>238,880</u>
Excess revenues over (under) expenditures	<u>55,800</u>	<u>(82,525)</u>	<u>(138,325)</u>
Other financing sources (uses):			
Transfers in	<u>375,000</u>	<u>300,000</u>	<u>(75,000)</u>
Net change in fund balance	430,800	217,475	(213,325)
Fund Balance:			
Beginning of year	<u>3,200,000</u>	<u>3,348,186</u>	<u>148,186</u>
End of year	<u>\$ 3,630,800</u>	<u>\$ 3,565,661</u>	<u>\$ (65,139)</u>

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

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. At June 30, 2010 there were no employees of the Agency. The City of Medford is providing, without reimbursement, the staff support required to run the Agency. Prior to April 2010, the Agency was governed by a Board of Directors appointed by the City Council. In April of 2010 the Agency's Board of Directors were removed and replaced with a new board. The Agency is now governed by a board that is comprised of the members of the City of Medford 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, 2010, 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, 2010

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 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, 2010, 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, 2010

Note I - Summary of significant accounting policies (continued)

D. Assets, liabilities, and net assets, 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. 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. 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. The general fund reported expenditures over budgeted amounts of \$16,732 for personnel services for the year ended June 30, 2010.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

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 \$ 7,269,248

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.

Governmental capital assets, cost	\$ 29,005,291	
Less accumulated depreciation	<u>(6,901,965)</u>	22,103,326

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	702,567
--------------------------------	---------

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. 40,163

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, 2010 were:

Bonds and notes payable	(15,026,894)
Accrued interest payable	<u>(62,546)</u>

Net assets of governmental activities \$ 15,025,864

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

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	\$ 2,808,200
-------------------------------------------------	--------------

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 outlay	\$ 7,158	
Less current year depreciation	<u>(1,278,087)</u>	(1,270,929)

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	(32,818)
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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.

	(12,953)
--	----------

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	23,729
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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, 2010 were:

Principal payments	3,105,693	
Proceeds from issuance of long term debt	(3,000,000)	
Change in accrued interest	<u>(5,112)</u>	<u>100,581</u>

Change in net assets of governmental activities	<u>\$ 1,615,810</u>
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MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

Note III - Detailed notes on all funds

A. - Cash and cash equivalents

Cash and cash equivalents are comprised of the following at June 30, 2010:

	<u>2010</u>
Cash in bank (deposits with financial institutions)	\$ 10,840
State of Oregon Treasurer's Local Government Investment Pool	<u>7,240,730</u>
Total cash and cash equivalents	<u>\$ 7,251,570</u>

Deposits. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) administered by the Office of the State Treasurer for the State of Oregon. At June 30, 2010, the Authority's deposits at various financial institutions had a bank value of \$10,840.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2010, the Agency's deposits were fully insured.

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, 2010, the fair value of the Agency's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us>.

The LGIP's portfolio concentration of credit risk at June 30, 2010 included: U.S. Agency securities (42.41%), Commercial Paper (20.92%), Corporate Notes (26.60%), Temporary Liquidity Guarantee (9.56%), and Certificates of Deposits (0.51%). The credit risk associated with the investments was: AAA rating (48.71%), AA rating (14.97%), A rating (34.94%), BBB rating (.47%), not rated (.51%), and rating withdrawn (.40%).

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, 2010 were: 76.8% mature within 93 days, 7.3% mature from 94 days to one year, 15.5% mature from one year to three years, and 0.4% are in defaulted securities.

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. The Agency's policy for investing in individual issuers varies depending on the type of investments. Agency securities are restricted to no more than 33% for any one issuer. No more than 10% of the total portfolio of investments may be invested in a single issuer of banker's acceptances. Investments in commercial paper or corporate bonds of any one issuer may not exceed 5% of the investment portfolio. Repurchase agreements may not exceed 25% per issuer. Obligations of the states of Oregon, California, Idaho, and Washington are restricted to no more than 10% for any one issuer. On June 30, 2010 the Oregon Short-Term Fund had holdings of greater than 5% in the following issuers: Federal Home Loan Bank, 16%; Federal National Mortgage Association, 13%; Federal Home Loan Mortgage Corporation, 9%.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

Note III - Detailed notes on all funds (continued)

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 6/30/10</u>	<u>Final Payment Date</u>
December 1, 2003	\$ 759	\$ 106,867	December 1, 2013
August 11, 2003	506	71,384	October 1, 2013
March 15, 2004	1,733	250,716	June 1, 2013
		<u>\$ 428,967</u>	

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

C. - Capital assets

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

	<u>2009</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>2010</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 3,382,993	\$ -	\$ -	\$ 3,382,993
Construction in progress	109,920	7,158	-	117,078
Total capital assets, not being depreciated	<u>3,492,913</u>	<u>7,158</u>	<u>-</u>	<u>3,500,071</u>
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	<u>25,505,220</u>	<u>-</u>	<u>-</u>	<u>25,505,220</u>
Less accumulated depreciation for:				
Buildings	(67,133)	(14,516)	-	(81,649)
Leasehold improvements	(30,145)	(6,029)	-	(36,174)
Parking structure	(3,084,972)	(335,216)	-	(3,420,188)
Infrastructure	(783,786)	(90,674)	-	(874,460)
Equipment	(7,036)	(1,760)	-	(8,796)
Improvements	(1,650,806)	(829,892)	-	(2,480,698)
Total accumulated depreciation	<u>(5,623,878)</u>	<u>(1,278,087)</u>	<u>-</u>	<u>(6,901,965)</u>
Total capital assets, being depreciated, net	<u>19,881,342</u>	<u>(1,278,087)</u>	<u>-</u>	<u>18,603,255</u>
Total capital assets, net	<u>\$ 23,374,255</u>	<u>\$ (1,270,929)</u>	<u>\$ -</u>	<u>\$ 22,103,326</u>

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

Note III - Detailed notes on all funds (continued)

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, 2010. The schedule of future minimum lease payments for these leases is as follows:

Year ending <u>June 30,</u>	
2011	\$ 19,200
2012	19,200
2013	19,200
2014	6,400
2015	<u>6,400</u>
	<u>\$ 70,400</u>

E. - Interfund transfers

For the year ended June 30, 2010, the Agency made a \$300,000 transfer from the General Fund to the Debt Service Fund in order to adequately fund the debt reserve.

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

Note III - Detailed notes on all funds (continued)

F. - Long-term debt

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

	<u>Original Amount</u>	<u>Outstanding July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2010</u>	<u>Due Within One Year</u>
Urban Redevelopment Bonds						
1994A Series, interest 2.75% - 5.3%, maturing 9/1/2011	\$ 1,375,000	\$ 325,000	\$ -	\$ (100,000)	\$ 225,000	\$ 110,000
1994B Series, interest 2.75% - 5.3%, maturing 9/1/2011	2,575,000	605,000	-	(190,000)	415,000	200,000
1996A Series, interest 4.0% - 5.875%, maturing 9/1/2010	4,000,000	740,000	-	(360,000)	380,000	380,000
2002 Series, interest 3.0% - 4.5%, maturing 6/1/2013	9,050,000	3,785,000	-	(885,000)	2,900,000	925,000
2004 Series, interest 3.55%, maturing 6/15/2013	9,500,000	4,530,000	-	(1,075,000)	3,455,000	1,110,000
2005 Series A, interest 3.73% maturing on 6/15/2013	3,488,000	2,380,000	-	(297,000)	2,083,000	307,000
2007 Series A, interest 4.65% maturing on 6/15/2022	2,570,000	2,402,000	-	(139,000)	2,263,000	145,000
2009 Series A, interest 4.75% maturing on 6/15/2024	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	<u>-</u>
Urban Redevelopment Bonds subtotal	35,558,000	14,767,000	3,000,000	(3,046,000)	14,721,000	3,177,000
Loans Payable						
2004 Oregon Housing, interest 1.00%, maturing 8/1/2013	<u>600,000</u>	<u>365,587</u>	<u>-</u>	<u>(59,693)</u>	<u>305,894</u>	<u>60,290</u>
Total bonds and loans payable	36,158,000	15,132,587	3,000,000	(3,105,693)	15,026,894	3,237,290
Compensated absences	<u>-</u>	<u>23,729</u>	<u>-</u>	<u>(23,729)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 36,158,000</u>	<u>\$ 15,156,316</u>	<u>\$ 3,000,000</u>	<u>\$ 3,105,693</u>	<u>\$ 15,026,894</u>	<u>\$ 3,237,290</u>

The general fund and debt service fund have been used to liquidate long-term liabilities in prior years.

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 3,237,290	\$ 618,525
2012	3,365,893	490,557
2013	3,493,501	363,476
2014	467,299	227,759
2015	360,000	210,352
2016 - 2020	2,069,000	781,505
2021 - 2024	<u>2,033,911</u>	<u>246,388</u>
Total	<u>\$ 15,026,894</u>	<u>\$ 2,938,562</u>

MEDFORD URBAN RENEWAL AGENCY

Notes to Financial Statements

June 30, 2010

Note IV - Other information

A. Related party transactions

Amounts totaling \$904,449 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, 2010 was \$78,393. The Agency receives income from the City for administration of parking services. The amount received in 2010 was \$4,808. There was no amount receivable from the City at June 30, 2010.

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.

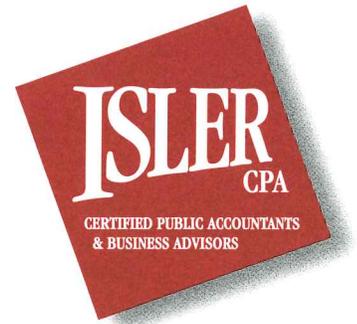
SUPPLEMENTAL INFORMATION

MEDFORD URBAN RENEWAL AGENCY

Schedule of Property Tax Transactions

For the Year Ended June 30, 2010

<u>Tax Year</u>	<u>Uncollected July 1, 2010</u>	<u>Levy Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2010</u>
2009 - 2010	\$ -	\$ 4,798,292	\$ (122,337)	\$ 21,911	\$ (4,497,980)	\$ 199,886
2008 - 2009	219,714	-	-	3,658	(126,368)	97,004
2007 - 2008	80,261	-	-	206	(38,390)	42,077
2006 - 2007	31,348	-	-	(241)	(19,049)	12,058
2005 - 2006	9,966	-	-	19	(5,548)	4,437
2004 - 2005	3,367	-	-	(23)	(659)	2,685
2003 - 2004	2,969	-	-	(9)	(403)	2,557
Prior	8,693	-	-	(1,291)	(776)	6,626
Total	\$ 356,318	\$ 4,798,292	\$ (122,337)	\$ 24,230	\$ (4,689,173)	\$ 367,330



**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, 2010, and have issued our report thereon dated December 10, 2010.

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 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 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.

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.

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, 2010, 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, 2010. 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.

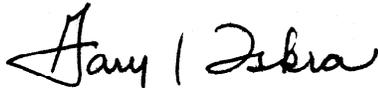
Public Contracts and Purchasing - The Agency's procedures for awarding public contracts were reviewed and found to be in accordance with ORS 279.

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

The results of our tests indicate that with respect to the items tested, Medford Urban Renewal Agency complied, in all material respects, with the provisions referred to above except for the following:

1. Over-expended appropriations as described in Note I.E. of the Agency's financial statements.

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.



by Gary Iskra, CPA, a member of the firm
Eugene, Oregon
December 10, 2010