

**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, 2011

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

June 30, 2011

**BOARD OF DIRECTORS**

|                    | <u>Term Expires December 31,</u> |
|--------------------|----------------------------------|
| Dick Gordon, Chair | 2012                             |
| Al Densmore        | 2014                             |
| James Kuntz        | 2012                             |
| Chris Corcoran     | 2012                             |
| Greg Jones         | 2012                             |
| Bob Strosser       | 2014                             |
| Karen Blair        | 2014                             |
| John Michaels      | 2014                             |

**MANAGEMENT**

John W Hoke, Interim Executive Director  
John Huttli, Attorney  
Alison Chan, Finance Director

**AGENCY ADDRESS**

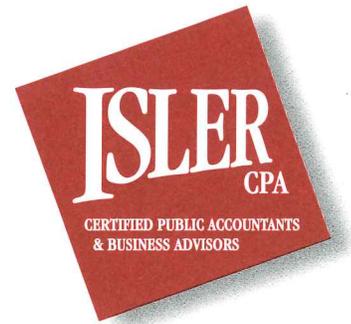
Medford Urban Renewal Agency  
411 West 8th Street  
Medford, OR 97501

**MEDFORD URBAN RENEWAL AGENCY**

Fiscal Year Ended June 30, 2011

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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, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's financial statements as a whole. The supplementary information on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Isler CPA

*Paul R. Nielson*

by Paul Nielson, CPA, a member of the firm  
Eugene, Oregon  
December 22, 2011

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

Fiscal Year Ended June 30, 2011

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, 2011. 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 \$28.2 million at June 30, 2011, and consisted mainly of cash and cash equivalents of \$5.1 million and capital assets of \$22.3 million.
- The Agency's liabilities totaled \$11.6 million at June 30, 2011, and consisted mainly of long-term debt of \$11.5 million.
- Net assets (assets minus liabilities) were \$15.7 million at June 30, 2011. Net assets increased by \$1.5 million.
- As of the end of the current fiscal year, the Agency's two funds reported a combined fund balance of \$5.0 million, a decrease of \$2.2 million.
- The Agency's net capital assets increased by \$0.2 million.
- Revenues for the fiscal year ended June 30, 2011, totaled \$4.8 million and consisted mainly of property taxes of \$4.7 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 \$15.7 million at June 30, 2011. The largest portions of its net assets were capital assets net of related debt and cash and cash equivalents. A condensed version of the Statement of Net Assets follows:

| Amounts in thousands                            | <u>2011</u>      | <u>2010</u>      |
|---|------------------|------------------|
| <b>Assets</b>                                   |                  |                  |
| Cash and cash equivalents                       | \$ 5,081         | \$ 7,252         |
| Other current assets                            | 391              | 369              |
| Capital assets, net                             | 22,269           | 22,103           |
| Other assets                                    | <u>426</u>       | <u>469</u>       |
| Total assets                                    | <u>28,167</u>    | <u>30,193</u>    |
| <b>Liabilities</b>                              |                  |                  |
| Bonds and note payable                          | 11,470           | 15,027           |
| Other liabilities                               | <u>168</u>       | <u>140</u>       |
| Total liabilities                               | <u>11,638</u>    | <u>15,167</u>    |
| <b>Net Assets</b>                               |                  |                  |
| Invested in capital assets, net of related debt | 11,599           | 10,076           |
| Restricted for debt service                     | 3,119            | 3,566            |
| Unrestricted                                    | <u>1,011</u>     | <u>1,384</u>     |
| Total net assets                                | <u>\$ 15,729</u> | <u>\$ 15,026</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 \$1.5 million. Long-term debt decreased by \$3.6 million. This is a result the Agency making scheduled debt payments.

Statements of Activities

The Agency's Statements of Activities for fiscal year ended June 30, 2011 and June 30, 2010, follows:

| Amounts in thousands                           | <u>2011</u>      | <u>2010</u>      |
|--|------------------|------------------|
| <b>Revenues</b>                                |                  |                  |
| General Revenues:                              |                  |                  |
| Property taxes                                 | \$ 4,744         | \$ 4,620         |
| Investment earnings                            | 48               | 66               |
| Miscellaneous                                  | <u>49</u>        | <u>88</u>        |
|  | 4,841            | 4,774            |
| <b>Expenses</b>                                |                  |                  |
| Community development                          | <u>2,330</u>     | <u>3,158</u>     |
|  | 2,511            | 1,616            |
| Change in net assets, before contributions     |                  |                  |
| Loss on sale and disposition of capital assets | <u>(90)</u>      | <u>-</u>         |
| Increase in net assets before transfers        | 2,421            | 1,616            |
| Transfers                                      | (918)            |                  |
| Net assets, beginning of the year              | <u>15,026</u>    | <u>13,410</u>    |
| Net assets, end of the year                    | <u>\$ 16,529</u> | <u>\$ 15,026</u> |

The cost of the Agency's community development activities totaled \$2.3 million for the year, a decrease of \$0.8 million.

## 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 \$5.0 million, a decrease of \$2.2 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 \$1.9 million, a decrease of \$1.8 million during the current fiscal year.

At the end of the current fiscal year, the reserved fund balance of the Debt Service Fund was \$3.1 million, a decrease of \$0.4 million during the year.

## CAPITAL ASSETS

As of June 30, 2011, the Agency had invested \$22.3 million in capital assets, net of depreciation as reflected in the following table, which represents a net decrease (additions less deductions and depreciation) of \$0.2 million.

| Amounts in thousands          | 2011             | 2010             |
|-------------------------------|------------------|------------------|
| Land and improvements         | \$ 4,794         | \$ 3,383         |
| Construction in progress      | 416              | 117              |
| Buildings                     | 290              | 290              |
| Leasehold improvements        | -                | 91               |
| Parking structure             | 6,327            | 6,704            |
| Infrastructure                | 1,813            | 1,813            |
| Equipment                     | -                | 9                |
| Improvements                  | 16,598           | 16,598           |
| Less accumulated depreciation | <u>(7,970)</u>   | <u>(6,902)</u>   |
|                               | <u>\$ 22,268</u> | <u>\$ 22,103</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, 2011, the Agency had \$11.2 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. D. 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 2011-2012, the Agency projected the property taxes to be received at \$4.4 million. The Agency projected capital outlay expenditures to be \$19.7 million and debt service expenditures of \$6.8 million.

A debt issuance by the City of Medford from which the Agency will receive the proceeds and for which the Agency will make the payments, in the amount of \$20 million, is proposed in the fiscal year 2011-2012.

## **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, at 411 West 8th Street, Medford, Oregon 97501.

**MEDFORD URBAN RENEWAL AGENCY**

Governmental Funds Balance Sheet / Statement of Net Assets

June 30, 2011

|  | <u>General Fund</u>        | <u>Debt Service<br/>Fund</u> | <u>Total</u>               | <u>Adjustments<br/>(Note II A)</u> | <u>Statement of<br/>Net Assets</u> |
|--|----------------------------|------------------------------|----------------------------|------------------------------------|------------------------------------|
| <b>ASSETS</b>  |                            |                              |                            |                                    |                                    |
| Cash and cash equivalents                                | \$ 2,042,574               | \$ 3,037,966                 | \$ 5,080,540               | \$ -                               | \$ 5,080,540                       |
| Accounts receivable                                      | 2,273                      | -                            | 2,273                      | -                                  | 2,273                              |
| Property taxes receivable                                | -                          | 388,415                      | 388,415                    | -                                  | 388,415                            |
| Loans receivable   | 401,288                    | -                            | 401,288                    | -                                  | 401,288                            |
| Bond issuance cost, net                                  | -                          | -                            | -                          | 26,025                             | 26,025                             |
| Land and improvements                                    | -                          | -                            | -                          | 4,793,519                          | 4,793,519                          |
| Construction in progress                                 | -                          | -                            | -                          | 416,459                            | 416,459                            |
| Other capital assets, net of<br>accumulated depreciation | -                          | -                            | -                          | 17,058,765                         | 17,058,765                         |
| <b>Total assets</b>                                      | <b><u>\$ 2,446,135</u></b> | <b><u>\$ 3,426,381</u></b>   | <b><u>\$ 5,872,516</u></b> | <b><u>\$ 22,294,768</u></b>        | <b><u>\$ 28,167,284</u></b>        |
| <b>LIABILITIES</b>                                       |                            |                              |                            |                                    |                                    |
| Accounts payable   | \$ 139,854                 | \$ -                         | \$ 139,854                 | \$ -                               | \$ 139,854                         |
| Accrued interest payable                                 | -                          | -                            | -                          | 28,181                             | 28,181                             |
| Deferred revenue   | 401,288                    | 307,556                      | 708,844                    | (708,844)                          | -                                  |
| Payroll and related accruals                             | 691                        | -                            | 691                        | -                                  | 691                                |
| Long-term debt:  |                            |                              |                            |                                    |                                    |
| Due within one year                                      | -                          | -                            | -                          | 3,035,892                          | 3,035,892                          |
| Due in more than one year                                | -                          | -                            | -                          | 8,433,683                          | 8,433,683                          |
| <b>Total liabilities</b>                                 | <b><u>541,833</u></b>      | <b><u>307,556</u></b>        | <b><u>849,389</u></b>      | <b><u>10,788,912</u></b>           | <b><u>11,638,301</u></b>           |
| <b>FUND BALANCES / NET ASSETS</b>                        |                            |                              |                            |                                    |                                    |
| Fund balances:   |                            |                              |                            |                                    |                                    |
| Restricted for debt service                              | -                          | 3,118,825                    | 3,118,825                  | (3,118,825)                        | -                                  |
| Unassigned   | <u>1,904,302</u>           | <u>-</u>                     | <u>1,904,302</u>           | <u>(1,904,302)</u>                 | <u>-</u>                           |
| <b>Total fund balances</b>                               | <b><u>1,904,302</u></b>    | <b><u>3,118,825</u></b>      | <b><u>5,023,127</u></b>    | <b><u>(5,023,127)</u></b>          | <b><u>-</u></b>                    |
| <b>Total liabilities and fund balances</b>               | <b><u>\$ 2,446,135</u></b> | <b><u>\$ 3,426,381</u></b>   | <b><u>\$ 5,872,516</u></b> |                                    | <b><u>-</u></b>                    |
| Net assets:  |                            |                              |                            |                                    |                                    |
| Invested in capital assets, net of related debt          |                            |                              |                            | 11,599,168                         | 11,599,168                         |
| Restricted for debt service                              |                            |                              |                            | 3,118,825                          | 3,118,825                          |
| Restricted for capital projects                          |                            |                              |                            | 800,000                            | 800,000                            |
| Unrestricted   |                            |                              |                            | <u>1,010,990</u>                   | <u>1,010,990</u>                   |
| <b>Total net assets</b>                                  |                            |                              |                            | <b><u>16,528,983</u></b>           | <b><u>4,929,815</u></b>            |
| <b>Total liabilities and net assets</b>                  |                            |                              |                            | <b><u>\$ 22,294,768</u></b>        | <b><u>\$ 16,568,116</u></b>        |

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, 2011

|  | <u>General Fund</u> | <u>Debt Service<br/>Fund</u> | <u>Total</u>        | <u>Adjustments<br/>(Note II B)</u> | <u>Statement of<br/>Activities</u> |
|--|---------------------|------------------------------|---------------------|------------------------------------|------------------------------------|
| <b>GENERAL REVENUES</b>  |                     |                              |                     |                                    |                                    |
| Property taxes   | \$ -                | \$ 4,710,540                 | \$ 4,710,540        | \$ 33,956                          | \$ 4,744,496                       |
| Investment earnings  | 28,074              | 19,673                       | 47,747              | -                                  | 47,747                             |
| Other revenue  | 29,518              | -                            | 29,518              | (27,679)                           | 1,839                              |
| Rental income  | 24,842              | -                            | 24,842              | -                                  | 24,842                             |
| Licenses, permits and fees   | 21,750              | -                            | 21,750              | -                                  | 21,750                             |
|  | <u>104,184</u>      | <u>4,730,213</u>             | <u>4,834,397</u>    | <u>6,277</u>                       | <u>4,840,674</u>                   |
| <b>URBAN RENEWAL EXPENDITURES/<br/>EXPENSES</b>                            |                     |                              |                     |                                    |                                    |
| Current:   |                     |                              |                     |                                    |                                    |
| Community development  | 191,797             | -                            | 191,797             | 287,513                            | 479,310                            |
| Depreciation   | -                   | -                            | -                   | 1,251,447                          | 1,251,447                          |
| Capital outlay   | 2,172,482           | -                            | 2,172,482           | (2,172,482)                        | -                                  |
| Debt service:  |                     |                              |                     |                                    |                                    |
| Principal  | -                   | 3,567,201                    | 3,567,201           | (3,567,201)                        | -                                  |
| Interest   | -                   | 609,848                      | 609,848             | (24,395)                           | 585,453                            |
| Amortization   | -                   | -                            | -                   | 14,138                             | 14,138                             |
|  | <u>2,364,279</u>    | <u>4,177,049</u>             | <u>6,541,328</u>    | <u>(4,210,980)</u>                 | <u>2,330,348</u>                   |
| Excess (deficiency) of revenues<br>over (under) expenditures /<br>expenses | <u>(2,260,095)</u>  | <u>553,164</u>               | <u>(1,706,931)</u>  | <u>4,217,257</u>                   | <u>2,510,326</u>                   |
| <b>OTHER FINANCING SOURCES/(USES)</b>                                      |                     |                              |                     |                                    |                                    |
| Proceeds from sale of capital asset  | 378,310             | -                            | 378,310             | (468,017)                          | (89,707)                           |
| City of Medford transfers in (out)   | 82,500              | (1,000,000)                  | (917,500)           | -                                  | (917,500)                          |
|  | <u>460,810</u>      | <u>(1,000,000)</u>           | <u>(539,190)</u>    | <u>(468,017)</u>                   | <u>(1,007,207)</u>                 |
| Change in fund balance/net<br>assets                                       | (1,799,285)         | (446,836)                    | (2,246,121)         | 3,749,240                          | 1,503,119                          |
| Fund balance / net assets:   |                     |                              |                     |                                    |                                    |
| Beginning of year  | <u>3,703,587</u>    | <u>3,565,661</u>             | <u>7,269,248</u>    | <u>7,756,616</u>                   | <u>15,025,864</u>                  |
| End of year  | <u>\$ 1,904,302</u> | <u>\$ 3,118,825</u>          | <u>\$ 5,023,127</u> | <u>\$ 11,505,856</u>               | <u>\$ 16,528,983</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, 2011

|  | <u>Budget</u>      |                    | <u>Actual</u>      | <u>Variance with<br/>Budget</u> |
|--|--------------------|--------------------|--------------------|---------------------------------|
|  | <u>Original</u>    | <u>Final</u>       |                    |                                 |
| <b>Revenues:</b>   |                    |                    |                    |                                 |
| Licenses, permits and fees                                   | \$ 25,000          | \$ 25,000          | \$ 21,750          | \$ (3,250)                      |
| Intergovernmental  | -                  | -                  | 82,500             | 82,500                          |
| Investment earnings  | 50,000             | 50,000             | 28,074             | (21,926)                        |
| Other revenue  | 5,000              | 5,000              | 29,518             | 24,518                          |
| Rental income  | <u>35,000</u>      | <u>35,000</u>      | <u>24,842</u>      | <u>(10,158)</u>                 |
| Total revenues   | <u>115,000</u>     | <u>115,000</u>     | <u>186,684</u>     | <u>71,684</u>                   |
| <b>Expenditures:</b>   |                    |                    |                    |                                 |
| Personal services  | 64,000             | 64,000             | 16,944             | 47,056                          |
| Materials and services                                       | 157,500            | 162,500            | 174,853            | (12,353)                        |
| Capital outlay   | 5,618,500          | 5,788,500          | 2,172,482          | 3,616,018                       |
| Contingency  | <u>175,000</u>     | <u>-</u>           | <u>-</u>           | <u>-</u>                        |
| Total expenditures   | <u>6,015,000</u>   | <u>6,015,000</u>   | <u>2,364,279</u>   | <u>3,650,721</u>                |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(5,900,000)</u> | <u>(5,900,000)</u> | <u>(2,177,595)</u> | <u>3,722,405</u>                |
| <b>Other financing sources:</b>                              |                    |                    |                    |                                 |
| Proceeds from sale of capital asset                          | <u>-</u>           | <u>-</u>           | <u>378,310</u>     | <u>378,310</u>                  |
| Net change in fund balance                                   | (5,900,000)        | (5,900,000)        | (1,799,285)        | 4,100,715                       |
| <b>Fund balance:</b>   |                    |                    |                    |                                 |
| Beginning of year  | <u>5,900,000</u>   | <u>5,900,000</u>   | <u>3,703,587</u>   | <u>(2,196,413)</u>              |
| End of year  | <u>\$ -</u>        | <u>\$ -</u>        | <u>1,904,302</u>   | <u>\$ 1,904,302</u>             |

**Reconciliation to GAAP Basis:**

A receipt of \$82,500 from the City is reported as transfer in the fund financial statements. On the budgetary basis, the payment is reported as intergovernmental revenue.

**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, 2011

|                                      | <u>Original &amp; Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Budget</u> |
|--------------------------------------|--|---------------------|---------------------------------|
| Revenues:                            |  |                     |                                 |
| Property taxes                       | \$ 4,465,000                           | \$ 4,710,540        | \$ 245,540                      |
| Investment earnings                  | <u>-</u>                               | <u>19,673</u>       | <u>19,673</u>                   |
| Total revenues                       | <u>4,465,000</u>                       | <u>4,730,213</u>    | <u>265,213</u>                  |
| Expenditures:                        |  |                     |                                 |
| Debt service                         | <u>5,277,600</u>                       | <u>5,177,049</u>    | <u>100,551</u>                  |
| Excess of expenditures over revenues | <u>(812,600)</u>                       | <u>(446,836)</u>    | <u>365,764</u>                  |
| Fund Balance:                        |  |                     |                                 |
| Beginning of year                    | <u>5,158,000</u>                       | <u>3,565,661</u>    | <u>(1,592,339)</u>              |
| End of year                          | <u>\$ 4,345,400</u>                    | <u>\$ 3,118,825</u> | <u>\$ (1,226,575)</u>           |

Reconciliation to GAAP Basis:

A payment to the City of Medford's general fund of \$1,000,000 is classified as a transfer in the basic financial statements. This amount is included in debt service on the budget basis.

# MEDFORD URBAN RENEWAL AGENCY

## Notes to Financial Statements

June 30, 2011

### 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 ("City"), responsible for implementing various public improvement programs as identified in the City Center Revitalization Plan. The Agency's Board of Directors consists 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 City Center Revitalization Plan will remain in force until October 2025, or until the maximum amount of indebtedness permitted under the Plan (\$67,307,013) has been reached and all related debt service retired, whichever comes first.

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 for the year ended June 30, 2011, 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, 2011

#### 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).

###### 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, 2011

### 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 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.

##### 5. Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The fund balance classifications are:

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

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

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

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

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

**MEDFORD URBAN RENEWAL AGENCY**

Notes to Financial Statements

June 30, 2011

**Note I - Summary of significant accounting policies (continued)**

**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 \$12,353 for materials and services for the year ended June 30, 2011.

**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 | <b>\$</b> | 5,023,127 |
|------------------------------------|-----------|-----------|

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 | \$ 30,238,938      |            |
| Less accumulated depreciation     | <u>(7,970,195)</u> | 22,268,743 |

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 |  | 708,844 |
|--------------------------------|--|---------|

|   |  |        |
|---|--|--------|
| 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. |  | 26,025 |
|---|--|--------|

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, 2011 were:

|                          |                 |              |
|--------------------------|-----------------|--------------|
| Bonds and notes payable  |                 | (11,469,575) |
| Accrued interest payable | <u>(28,181)</u> |              |

|                                       |           |                          |
|---------------------------------------|-----------|--------------------------|
| Net assets of governmental activities | <b>\$</b> | <b><u>16,528,983</u></b> |
|---------------------------------------|-----------|--------------------------|

**MEDFORD URBAN RENEWAL AGENCY**

Notes to Financial Statements

June 30, 2011

**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 \$ (2,246,121)

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 | \$ 1,884,881       |         |
| Cost of assets sold or disposed, net of accumulated depreciation |                | (468,017)          |         |
| Less current year depreciation                                   |                | <u>(1,251,447)</u> | 165,417 |

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 6,277

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.

|  |          |
|--|----------|
| Amortization of deferred charge for issuance costs | (14,138) |
| Issuance premium amortized as interest expense     | (9,882)  |

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, 2011 were:

|                            |                    |               |                  |
|----------------------------|--------------------|---------------|------------------|
|                            | Principal payments | 3,567,201     |                  |
| Change in accrued interest |                    | <u>34,365</u> | <u>3,601,566</u> |

Change in net assets of governmental activities \$ 1,503,119

**Note III - Detailed notes on all funds**

**A. Cash and cash equivalents**

Cash and cash equivalents include deposits to the State of Oregon Treasurer's Local Government Investment Pool.

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, 2011, 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 does not obtain a credit rating.

**MEDFORD URBAN RENEWAL AGENCY**

Notes to Financial Statements

June 30, 2011

**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 6/30/11</u> | <u>Final Payment Date</u> |
|-------------------|------------------------|------------------------|---------------------------|
| December 1, 2003  | \$ 759                 | \$ 99,812              | December 1, 2013          |
| August 11, 2003   | 506                    | 66,698                 | October 1, 2013           |
| March 15, 2004    | 1,733                  | 234,778                | June 1, 2013              |
|                   |                        | <u>\$ 401,288</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>2010</u>          | <u>Additions</u>   | <u>Transfers and Retirements</u> | <u>2011</u>          |
|--|----------------------|--------------------|----------------------------------|----------------------|
| Capital assets, not being depreciated:       |                      |                    |                                  |                      |
| Land and improvements                        | \$ 3,382,993         | \$ 1,585,500       | \$ (174,974)                     | \$ 4,793,519         |
| Construction in progress                     | <u>117,078</u>       | <u>299,381</u>     | <u>-</u>                         | <u>416,459</u>       |
| Total capital assets, not being depreciated  | <u>3,500,071</u>     | <u>1,884,881</u>   | <u>(174,974)</u>                 | <u>5,209,978</u>     |
| Capital assets, being depreciated:           |                      |                    |                                  |                      |
| Buildings                                    | 290,324              | -                  | -                                | 290,324              |
| Leasehold improvements                       | 90,441               | -                  | (90,441)                         | -                    |
| Parking structure                            | 6,704,335            | -                  | (377,026)                        | 6,327,309            |
| Infrastructure                               | 1,813,475            | -                  | -                                | 1,813,475            |
| Equipment                                    | 8,793                | -                  | (8,793)                          | -                    |
| Improvements                                 | <u>16,597,852</u>    | <u>-</u>           | <u>-</u>                         | <u>16,597,852</u>    |
| Total capital assets being depreciated       | <u>25,505,220</u>    | <u>-</u>           | <u>(476,260)</u>                 | <u>25,028,960</u>    |
| Less accumulated depreciation for:           |                      |                    |                                  |                      |
| Buildings                                    | (81,649)             | (14,516)           | -                                | (96,165)             |
| Leasehold improvements                       | (36,174)             | -                  | 36,174                           | -                    |
| Parking structure                            | (3,420,188)          | (316,365)          | 138,247                          | (3,598,306)          |
| Infrastructure                               | (874,460)            | (90,674)           | -                                | (965,134)            |
| Equipment                                    | (8,796)              | -                  | 8,796                            | -                    |
| Improvements                                 | <u>(2,480,698)</u>   | <u>(829,892)</u>   | <u>-</u>                         | <u>(3,310,590)</u>   |
| Total accumulated depreciation               | <u>(6,901,965)</u>   | <u>(1,251,447)</u> | <u>183,217</u>                   | <u>(7,970,195)</u>   |
| Total capital assets, being depreciated, net | <u>18,603,255</u>    | <u>(1,251,447)</u> | <u>(293,043)</u>                 | <u>17,058,765</u>    |
| Total capital assets, net                    | <u>\$ 22,103,326</u> | <u>\$ 633,434</u>  | <u>\$ (468,017)</u>              | <u>\$ 22,268,743</u> |

**MEDFORD URBAN RENEWAL AGENCY**

Notes to Financial Statements

June 30, 2011

**Note III - Detailed notes on all funds (continued)**

**D. Long-term debt**

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

|  | <u>Original<br/>Amount</u> | <u>Outstanding<br/>July 1, 2010</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Outstanding<br/>June 30, 2011</u> | <u>Due Within<br/>One Year</u> |
|--|----------------------------|-------------------------------------|------------------|-----------------------|--------------------------------------|--------------------------------|
| Urban Redevelopment Bonds                                  |                            |                                     |                  |                       |                                      |                                |
| 1994A Series, interest 2.75% -<br>5.3%, maturing 9/1/2011  | \$ 1,375,000               | \$ 225,000                          | \$ -             | \$ (225,000)          | \$ -                                 | \$ -                           |
| 1994B Series, interest 2.75% -<br>5.3%, maturing 9/1/2011  | 2,575,000                  | 415,000                             | -                | (415,000)             | -                                    | -                              |
| 1996A Series, interest 4.0% -<br>5.875%, maturing 9/1/2010 | 4,000,000                  | 380,000                             | -                | (380,000)             | -                                    | -                              |
| 2002 Series, interest 3.0% -<br>4.5%, maturing 6/1/2013    | 9,050,000                  | 2,900,000                           | -                | (925,000)             | 1,975,000                            | 965,000                        |
| 2004 Series, interest 3.55%,<br>maturing 6/15/2013         | 9,500,000                  | 3,455,000                           | -                | (1,110,000)           | 2,345,000                            | 1,150,000                      |
| 2005 Series A, interest 3.73%<br>maturing on 6/15/2013     | 3,488,000                  | 2,083,000                           | -                | (307,000)             | 1,776,000                            | 708,000                        |
| 2007 Series A, interest 4.65%<br>maturing on 6/15/2022     | 2,570,000                  | 2,263,000                           | -                | (145,000)             | 2,118,000                            | 152,000                        |
| 2009 Series A, interest 4.75%<br>maturing on 6/15/2024     | <u>3,000,000</u>           | <u>3,000,000</u>                    | <u>-</u>         | <u>-</u>              | <u>3,000,000</u>                     | <u>-</u>                       |
| Urban Redevelopment<br>Bonds subtotal                      | 35,558,000                 | 14,721,000                          | -                | (3,507,000)           | 11,214,000                           | 2,975,000                      |
| Loans Payable  |                            |                                     |                  |                       |                                      |                                |
| 2004 Oregon Housing, interest<br>1.00%, maturing 8/1/2013  | <u>600,000</u>             | <u>305,894</u>                      | <u>-</u>         | <u>(60,201)</u>       | <u>245,693</u>                       | <u>60,892</u>                  |
| Total bonds and loans payable                              | <u>\$36,158,000</u>        | <u>\$15,026,894</u>                 | <u>\$ -</u>      | <u>\$ (3,567,201)</u> | <u>\$11,459,693</u>                  | <u>\$ 3,035,892</u>            |
| Unamortized premium  |                            |                                     |                  |                       | <u>9,882</u>                         |                                |
| Total net of unamortized premium                           |                            |                                     |                  |                       | <u>\$11,469,575</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>     |
|--------------------|----------------------|---------------------|
| 2012               | \$ 3,035,892         | \$ 481,811          |
| 2013               | 3,493,501            | 363,476             |
| 2014               | 467,300              | 227,758             |
| 2015               | 360,000              | 210,352             |
| 2016               | 377,000              | 193,425             |
| 2017 - 2021        | 2,166,000            | 684,227             |
| 2022 - 2024        | <u>1,560,000</u>     | <u>150,241</u>      |
| Total              | <u>\$ 11,459,693</u> | <u>\$ 2,311,290</u> |

## MEDFORD URBAN RENEWAL AGENCY

### Notes to Financial Statements

June 30, 2011

#### Note IV - Other information

##### A. Commitments - The Commons Project

On September 6, 2006 the Agency approved a resolution to form a public/private partnership in the development of the downtown urban renewal area. This was formalized in the Agreement for Disposition and Development of Property ("DDA") dated as of September 19, 2006. On February 26, 2011 the Commons Project Amended and Restated Agreement for Disposition and Development of Property was signed. 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. Under the original DDA, MURA agreed to contribute \$14.1 million. As of the date of the amended restated DDA, MURA had expended \$4.3 million leaving a commitment of \$9.8 million. The financing for the project is expected to come from issuance of bonds.

##### B. 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.

Effective July 1, 2010, the City and MURA became self-insured. Premiums are paid into the Risk Management internal service fund by City departments based on each department's operating budget, claim activity, and vehicle usage. The City carries a supplemental liability policy with a \$10 million limit per occurrence or wrongful act, and a \$500,000 deductible. The annual aggregate limit of the policy is \$10 million. The policy renews July 1 of each year.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

In addition, Workers Compensation Insurance is purchased under a retrospective rate plan with the final cost depending on claims.

##### C. Subsequent events

In December of 2011 the City issued bonds in the amount of \$20,950,000 to finance the activities of MURA. An agreement between the City and MURA stipulates that MURA will make the payments required for this debt

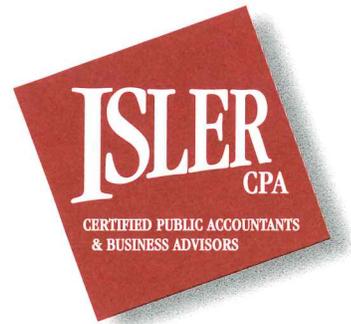
SUPPLEMENTAL INFORMATION

**MEDFORD URBAN RENEWAL AGENCY**

Schedule of Property Tax Transactions

For the Year Ended June 30, 2011

| <u>Tax Year</u> | <u>Uncollected<br/>July 1, 2010</u> | <u>Levy<br/>Extended by<br/>Assessor</u> | <u>Discounts<br/>Allowed</u> | <u>Adjustments</u> | <u>Collections</u>    | <u>Uncollected<br/>June 30, 2011</u> |
|-----------------|-------------------------------------|--|------------------------------|--------------------|-----------------------|--------------------------------------|
| 2010 - 2011     | \$ -                                | \$ 4,851,383                             | \$ (115,083)                 | \$ -               | \$ (4,537,978)        | \$ 198,322                           |
| 2009 - 2010     | 199,886                             | -  | -                            | (5,908)            | (100,265)             | 93,713                               |
| 2008 - 2009     | 97,004                              | -  | -                            | (1,736)            | (38,391)              | 56,877                               |
| 2007 - 2008     | 42,077                              | -  | -                            | (1,119)            | (22,610)              | 18,348                               |
| 2006 - 2007     | 12,058                              | -  | -                            | (613)              | (6,171)               | 5,274                                |
| 2005 - 2006     | 4,437                               | -  | -                            | (540)              | (70)                  | 3,827                                |
| 2004 - 2005     | 2,685                               | -  | -                            | (16)               | (146)                 | 2,523                                |
| Prior           | 9,183                               | -  | -                            | 875                | (527)                 | 9,531                                |
| <b>Total</b>    | <b>\$ 367,330</b>                   | <b>\$ 4,851,383</b>                      | <b>\$ (115,083)</b>          | <b>\$ (9,057)</b>  | <b>\$ (4,706,158)</b> | <b>\$ 388,415</b>                    |



## INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of Medford Urban Renewal Agency (the Agency), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### **Compliance**

As part of obtaining reasonable assurance about whether the Medford Urban Renewal Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

**Deposit of public funds with financial institutions (ORS Chapter 295).**

**Indebtedness limitations, restrictions and repayment.**

**Budgets legally required (ORS Chapter 294).**

**Insurance and fidelity bonds in force or required by law.**

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

**Authorized investment of surplus funds (ORS Chapter 294).**

**Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. An overexpenditure of \$12,353 is disclosed in Note I.E.

### **OAR 162-10-0230 Internal Control**

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 opinion 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.

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 R. Nielson*

By, Paul Nielson member of the firm  
by Paul Nielson, CPA, a member of the firm  
Eugene, Oregon  
December 22, 2011