

**JACKSONVILLE URBAN RENEWAL AGENCY
A BLENDED COMPONENT OF THE
CITY OF JACKSONVILLE, OR**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2015
WITH
INDEPENDENT AUDITOR'S REPORT**



JACKSONVILLE URBAN RENEWAL AGENCY

Year Ended June 30, 2015

Mayor

Paul Becker
1055 N. 5th St. No 117
Jacksonville, Oregon
(Elected 11/10)

Council Members

Criss Garcia
645 E. California
Jacksonville, Oregon
(Elected 11/12)

David Jesser
884 Hill St.
Jacksonville, Oregon
(Elected 11/12)

Jocie Wall
520 S. Oregon St
Jacksonville, Oregon
(Elected 11/12)

City Administrator

Jeff Alvis
P.O. Box 1913
Jacksonville, Oregon

City Attorneys

Kurt Knudsen
1875 Hwy 99 N., Suite 4

Alan Harper
130 A St., Ste 6F
Ashland, Oregon

Huycke O'Connor Jarvis, LLP
823 Alder Creek Dr.
Medford, Oregon

Peck Rubanoff & Hatfield, PC
5285 Meadows Rd. Ste 140
Lake Oswego, Oregon

Brad Bennington
535 S. 3rd St.
Jacksonville, Oregon
(Elected 01/15)

Ken Gregg
355 S. Oregon St.
Jacksonville, Oregon
(Elected 01/15)

Jim Lewis
622 Grove St.
Jacksonville, Oregon
(Elected 11/10)

City Recorder

Kimberlyn Collins
772 Summer Glen Dr.
Medford, Oregon

Municipal Court Judge

Mark Burkhalter
Two North Oakdale Ave.

Treasurer

Stacey McNichols
Central Point, Oregon

JACKSONVILLE URBAN RENEWAL AGENCY

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the Governing Body
City of Jacksonville Urban Renewal Agency
Jacksonville, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities and the major fund of the City of Jacksonville Urban Renewal Agency (a component unit of the City of Jacksonville, Oregon), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of the Agency, as of June 30, 2015, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Honorable Mayor, Members of the Governing Body
City of Jacksonville Urban Renewal Agency
Jacksonville, Oregon

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The management's discussion and analysis information listed in the Table of Contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance 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 listed in the Table of Contents is presented for purposes of additional analysis and is not required as part of the basic financial statements. This information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated January 29, 2016 on our consideration of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 29, 2016

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2015**

As management of the Jacksonville Urban Renewal Agency, we offer readers of the Jacksonville Urban Renewal Agency's modified cash basis financial statements this narrative overview and analysis of the financial activities of the Jacksonville Urban Renewal Agency for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

- As Urban Renewal districts are intended to function, the liabilities of the Jacksonville Urban Renewal Agency exceeded its assets at the close of the most recent fiscal year by \$1,083,857 (*net position*). Of this amount, \$135,787 (*total assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Urban Renewal's total net position decreased by \$750,272. This decrease is attributable to the Series 2014 Debt Obligation.
- As of the close of the current fiscal year, the Jacksonville Urban Renewal Agency's governmental funds reported an ending fund deficit of \$(108,720) a decrease of \$10,786 in comparison with the prior year.
- The Jacksonville Urban Renewal Agency's total debt increased during the current fiscal year by \$739,485.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Jacksonville Urban Renewal Agency's basic financial statements. The Jacksonville Urban Renewal Agency's financial statements comprise three components:

1. Government-wide financial statements (modified cash basis),
2. Fund financial statements (modified cash basis)
3. Notes to the financial statements.

1. Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Jacksonville Urban Renewal Agency's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Jacksonville Urban Renewal Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Jacksonville Urban Renewal Agency 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 position are reported when they result from a cash transaction.

The government-wide financial statements can be found on pages 1 and 2 of this report.

2. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Jacksonville Urban Renewal Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2015**

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Jacksonville Urban Renewal Agency maintains one individual governmental fund.

The Jacksonville Urban Renewal Agency adopts an annual appropriated budget for its one fund. A budgetary comparison statement has been provided for the Urban Renewal Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

3. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7 through 13 of this report.

Supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning Jacksonville Urban Renewal Agency's budget to actual statement. Supplementary information can be found on pages 14 and 15 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Jacksonville Urban Renewal Agency, liabilities exceeded assets by \$1,083,857 at the close of the most recent fiscal year. In fiscal 2014 the liabilities exceeded assets by \$333,585. The primary purpose of the Agency is to utilize tax increment financing to fund various improvement projects as identified in the revitalization plan of the City. As a result it is not uncommon for Agencies to have negative net position as they service obligations.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2015**

Analysis of Net Position

	<u>Governmental activities</u>	
	2015	2014
Current & other assets	<u>\$ 135,787</u>	<u>\$ 171,573</u>
Total assets	<u><u>\$ 135,787</u></u>	<u><u>\$ 171,573</u></u>
Long term debt	\$ 975,137	\$ 235,651
Other liabilities	<u>244,507</u>	<u>269,507</u>
Total liabilities	<u><u>\$ 1,219,644</u></u>	<u><u>\$ 505,158</u></u>
Unrestricted	<u>\$ (1,083,857)</u>	<u>\$ (333,585)</u>
Total net position	<u><u>\$ (1,083,857)</u></u>	<u><u>\$ (333,585)</u></u>

The Agency's net position decreased by \$750,272 during the current fiscal year.

Governmental activities

Governmental activities decreased Jacksonville Urban Renewal Agency's net position by \$750,272. Key elements of this decrease are as follows:

Analysis of Changes in Net Position

	<u>Governmental Activities</u>	
	2015	2014
Revenues		
General revenues:		
Property taxes	\$ 317,990	\$ 259,905
Earnings on investments	<u>3,238</u>	<u>2,949</u>
Total revenues	<u>321,228</u>	<u>262,854</u>
Expenses		
Materials and services	40,454	40,454
Interest on long-term debt	31,046	13,869
Special item - contribution of loan proceeds to City	<u>1,000,000</u>	<u>-</u>
Total expenses	<u>1,071,500</u>	<u>54,323</u>
Change in net position	(750,272)	208,531
Beginning net position	<u>(333,585)</u>	<u>(542,116)</u>
Ending net position	<u><u>\$ (1,083,857)</u></u>	<u><u>\$ (333,585)</u></u>

Property taxes increased by \$58,085 (22.3 percent) during the year.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2015**

FUND ANALYSIS

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

Governmental funds

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

As of the end of the current fiscal year, the Jacksonville Urban Renewal Agency's governmental funds reported an ending fund deficit of \$(108,720) a decrease of \$10,786 in comparison with the prior year.

DEBT ADMINISTRATION

At the end of the current fiscal year, the Jacksonville Urban Renewal Agency had the following outstanding debt.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>Governmental-type Activities:</u>				
Loan payable - OTIB	\$ 235,651	\$ -	\$(115,515)	\$ 120,136
Note payable - Series 2014 Obligation	-	1,000,000	(145,000)	855,000
Loan payable - City of Jacksonville	269,507	-	(25,000)	244,507
 Total	 <u>\$ 505,158</u>	 <u>\$ 1,000,000</u>	 <u>\$(285,515)</u>	 <u>\$ 1,219,643</u>

The Jacksonville Urban Renewal Agency's debt increased by \$714,485 due to the principal payments of debt.

Additional information on the Jacksonville Urban Renewal Agency's debt can be found in note 4 and 5 on page 11 and 12 of this report.

Economic Factors and Next Year's Budget and Rates

The City remains primarily a bedroom community, of which tourism has a large economic impact. Due to its demographics and its geographic location in relation to Medford and Ashland, a high percentage of our population commutes for employment.

The City's official population estimate as of July 1, 2015 was 2,880, reflecting a small increase from the previous year. The assessed value of property in the City was \$404 million and \$386 million in 2015 and 2014, respectively. The increase in assessed value should provide an increase in property tax revenue in fiscal 2016.

Anticipated Highlights for the fiscal year 2015-2016 is renovation of the courthouse.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2015**

REQUEST FOR INFORMATION

The City's financial statements are designed to present users with a general overview of the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to City Hall P.O Box 7, 110 E. Main Street, Jacksonville, OR 97530. The City's telephone number is 541-899-1231.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**JACKSONVILLE URBAN RENEWAL AGENCY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2015**

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 135,787
Total current assets:	<u>135,787</u>
TOTAL ASSETS	<u>135,787</u>
LIABILITIES:	
Current liabilities:	
Due to City of Jacksonville	244,507
Current portion of long-term debt	<u>265,137</u>
Total current liabilities	509,644
Noncurrent liabilities:	
Long-term debt	<u>710,000</u>
Total noncurrent liabilities	<u>710,000</u>
TOTAL LIABILITIES	<u>1,219,644</u>
NET POSITION:	
Unrestricted	<u>(1,083,857)</u>
TOTAL NET POSITION	<u><u>\$ (1,083,857)</u></u>

**JACKSONVILLE URBAN RENEWAL AGENCY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position
Governmental activities:					Total
General government					Governmental
					Activities
Administration	\$ 40,454	\$ -	\$ -	\$ -	\$ (40,454)
Interest on long-term debt	31,046	-	-	-	(31,046)
Total government activities	\$ 71,500	\$ -	\$ -	\$ -	(71,500)
General revenues and special items:					
					317,990
					3,238
					(1,000,000)
					(678,772)
					(750,272)
					(333,585)
					\$ (1,083,857)

FUND FINANCIAL STATEMENTS

**JACKSONVILLE URBAN RENEWAL AGENCY
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUND
JUNE 30, 2015**

	Urban Renewal Fund
ASSETS	
Cash & cash equivalents	<u>\$ 135,787</u>
TOTAL ASSETS	<u><u>\$ 135,787</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Due to City of Jacksonville	<u>\$ 244,507</u>
TOTAL LIABILITIES	<u>244,507</u>
Fund Deficit:	
Unassigned, reported in:	
Urban Renewal Fund	<u>(108,720)</u>
TOTAL FUND BALANCE	<u>(108,720)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 135,787</u></u>

**JACKSONVILLE URBAN RENEWAL AGENCY
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
JUNE 30, 2015**

TOTAL FUND BALANCE	\$ (108,720)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.	
These liabilities consist of:	
Long- term debt	<u>(975,137)</u>
TOTAL NET POSITION	<u><u>\$ (1,083,857)</u></u>

**JACKSONVILLE URBAN RENEWAL AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUND
FISCAL YEAR ENDED JUNE 30, 2015**

	Urban Renewal Fund
REVENUES	
Taxes	\$ 317,990
Investment income	3,238
TOTAL REVENUES	<u>321,228</u>
EXPENDITURES	
Current	
Materials and services	40,454
Debt service	291,560
TOTAL EXPENDITURES	<u>332,014</u>
OTHER FINANCING SOURCES (USES):	
Debt proceeds	1,000,000
Transfer out	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>
NET CHANGE IN FUND BALANCE	(10,786)
FUND BALANCE, July 1, 2014	<u>(97,934)</u>
FUND BALANCE, June 30, 2015	<u>\$ (108,720)</u>

**JACKSONVILLE URBAN RENEWAL AGENCY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE ARISING FROM CASH TRANSACTIONS OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2015**

NET CHANGE IN FUND BALANCE \$ (10,786)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Debt proceeds	(1,000,000)	
Debt payments	260,514	
	(739,486)	(739,486)

CHANGE IN NET POSITION \$ (750,272)

NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The financial statements of the City of Jacksonville Urban Renewal Agency (the Agency) have been prepared in accordance with a special-purpose framework other than generally accepted accounting principles (GAAP). The special-purpose framework utilized by the Agency is the modified cash basis of accounting.

The more significant of the Agency accounting policies are described below.

The Financial Reporting Entity

The Agency was organized in 2002 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Jacksonville, Oregon (the City), responsible for implementing various public improvement projects as identified in the revitalization plan of the City. 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 for the duration of the urban renewal program. Any increase in the assessed value over the base year cannot be used by the assessor to compute tax rates for the local taxing bodies. The assessor computes the tax rate on the base year value of the area and 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. Project management and administration are performed by City personnel.

The Agency’s governing body is identical to that of the City, and because the services of the Agency are for the benefit of the City, the Agency. A determination was made by using guidance provided for in GAAP that the Agency is a blended component unit of the City. As a result, the Agency’s financial statements are blended with those of the City by including them in the appropriate statements and schedules of the City’s Annual Financial Report. Copies of which may be obtained from the City Treasurer, P.O. Box 7, Jacksonville, OR 97530.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Agency. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. In the case of the Agency, no business-type activities exist.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The Agency does not have *program revenues* and reports taxes and investment earnings as *general revenues*.

In the government-wide statement of net position and statement of activities, governmental activities are presented using a modified cash basis of accounting. The modified cash basis of accounting uses elements of both the cash basis and accrual basis of accounting. Under the cash basis, transactions are recognized when there is either incoming cash or outgoing cash; thus, the receipt of cash triggers recordation or revenue, while the payment of cash triggers the recordation of expense. Under the accrual basis, revenue is recorded when earned and expenses when incurred, irrespective of any cash transaction. The modified cash basis records short term items when cash levels change hands (i.e. the cash basis), and records longer-term balance sheet items with accruals. The Agency makes certain exceptions to short term assets and liabilities that result from cash transactions. For example, the Agency accrues a current liability amounts due to the City as of June 30, 2015. The long-term items recorded by the Agency include; Long Term Debt.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

The modified cash basis is a special-purpose framework other than GAAP. If the Agency utilized GAAP, the government-wide financial statements would use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses when incurred, regardless of timing of related cash flows.

Fund Financial Statements

The Agency uses one fund to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The Agency only has one governmental fund.

Governmental Fund

The Agency uses one fund to account for its activities (Urban Renewal Fund).

The governmental fund financial statements are presented on the cash basis of accounting with one exception associated with current liability amounts due to the City as of June 30, 2015.

The cash basis is a special-purpose framework other than GAAP. If the Agency utilized GAAP, the governmental fund financial statements would use the modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

Cash and Cash Equivalents

The Agency participates in the City's cash and investment pool.

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, Local Government Investment Pool deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Agency are reported at fair value. The Agency participates in the Oregon State Treasurer's Local Government Investment Pool (LGIP), an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Short-Term Bond Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the Agency's share of fair value is the same as the reported value. The Agency's investment portfolio as of June 30, 2015, is representative of the types of investments made throughout the year.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. 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.

Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in the following component:

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Agency.

In the fund financial statements, governmental fund equity is classified in the following category:

Non-spendable - Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by formal action.

Assigned - Includes items assigned for specific uses, authorized by the City Council and the City Administrator, but do not meet the criteria to be classified as restricted or committed. City policy requires that the City Council approve any other use for those funds.

Unassigned – This is the residual classification used for those balances not assigned to another category.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

The Agency Council budgets all funds. A Council order authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Either expenditures by department within funds or total personal services, materials and services, capital outlay, debt service and other expenditures by fund are the levels of control established by the Council order. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. All annual appropriations lapse at fiscal year-end.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the Council. Original and supplemental budgets may be modified during the fiscal year by the use of appropriations transfers between the levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations set forth in Oregon Revised Statutes 294.305 through 294.565 (Oregon Budget Law). Supplemental appropriations, permitted by Oregon Budget Law, were authorized by the City Council during the year. The Agency does not use encumbrances.

Annual budgets are adopted on a basis consistent with the cash basis of accounting for all funds. The nature and amount of all significant adjustments necessary to convert data prepared on a basis consistent with fund accounting to a cash basis are noted on the budget to actual statements included as supplementary information.

Deficit fund equity

The Agency's Governmental Fund had a deficit fund balance of \$(108,720) as of June 30, 2015.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents are comprised of the following as of June 30, 2015:

Deposits with Local Government Investment Pool	<u>\$ 135,787</u>
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Interest rate risk - Investments

The Agency does not have a policy regarding interest rate risk. The Agency's investment portfolio consisted of investments in the LGIP.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 3 – Cash and Cash Equivalents (continued)

Credit risk – Investments

Oregon Revised Statutes, Chapter 294, authorize the Agency to invest in obligations of the U.S. Treasury, U.S. Government Agencies, banker's acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high grade commercial paper, and various interest bearing bonds of Oregon municipalities, among others. The Agency has not adopted a policy for credit risk beyond those required by ORS Chapter 294

Concentration of credit risk – Investments

The Agency does not have a policy regarding concentration of credit risk.

Custodial credit risk – Investments

For an investment, this is the risk that, in the event of the failure of the counter party, the Agency will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The LGIP's collateral requirements are mandated under ORS Chapter 295 and are considered to have little or no custodial credit risk exposure. The Agency has not adopted a policy for custodial credit risk.

Note 4 – Note Payable – City of Jacksonville

At the end of the current fiscal year, the Agency had an outstanding payable totaling \$244,507 to the City. The amount will be repaid as revenues are available.

Note 5 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>Governmental Activities</u>				
Bank Loan (OTIB)	\$ 235,652	\$ -	\$ (115,515)	\$ 120,137
Series 2014 Obligations	-	1,000,000	(145,000)	855,000
Total Governmental Activities	<u>\$ 235,652</u>	<u>\$ 1,000,000</u>	<u>\$ (260,515)</u>	<u>\$ 975,137</u>

Business Loan (OTIB)

On October 3, 2003 the City entered into a Business Loan Agreement, Promissory Note, and Security Agreement with Oregon Transportation Infrastructure Bank Loan (OTIB). The Loan was obtained for street improvement. Annual payments of interest only for the first 2 years, then annual payments of principal and interest of 4.0% are required on August 1 of each year for 10 years.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 5 – Long-Term Liabilities (continued)

Business Loan (OTIB) (continued)

As part of this agreement the Agency granted to the State a security interest in and irrevocably pledged the Incremental Property Tax Revenues of the Agency to pay all of the obligations owed by the City to the State under the loan agreement, and this security interest shall be senior and superior to any other security interest or lien on the Incremental Property Tax Revenues of the Agency. As a result of the loan agreement, debt service is paid by the Urban Renewal Fund.

Annual debt service requirements associated with the Business Loan are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 120,136	\$ 4,805	\$ 124,941
	<u>\$ 120,136</u>	<u>\$ 4,805</u>	<u>\$ 124,941</u>

Series 2014 Full Faith Credit Obligation Bonds

On August 15, 2014, the City entered into a full faith and credit financing agreement note with Umpqua Bank in the amount of \$1,000,000 (the Series 2014 Obligations). The purpose of the loan was for capital improvements to historic property in the City's urban renewal district. The outstanding principal balance of the note shall bear interest at the rate of 3.04% per annum. Interest is due and payable semiannually on November 1st and May 1st. Principal is payable annually on May 1st (commencing May 1, 2015). The note matures on May 1, 2021. Payments under this note are payable from the general, non-restricted revenues of the City. The obligation of the City to make payments under this note is a full faith and credit obligation of the City, but shall be subject to annual appropriation. The agreement of this note is not secured by any lien or security interest on any property. The debt service on this loan is paid by the Urban Renewal Fund.

On August 15, 2014, the City and the Agency entered into an intergovernmental agreement in connection with the Series 2014 Obligations. As a result the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2014 Obligations under the terms of such obligations.

Annual debt service requirement associated with the Series 2014 Obligations are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 145,000	\$ 25,992	\$ 170,992
2017	145,000	21,584	166,584
2018	145,000	17,176	162,176
2019	140,000	12,768	152,768
2020	140,000	8,512	148,512
2021	140,000	4,256	144,256
	<u>\$ 855,000</u>	<u>\$ 90,288</u>	<u>\$ 945,288</u>

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2015

Note 6 – Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Agency carries commercial insurance. The Agency has not elected to self-insure for any of these risks, except for the deductible portions of the commercial insurance. Insurance coverage is provided through the City.

During the current year, there were no significant reductions in insurance coverage from the prior year in any major category of coverage. In addition, insurance settlements have not exceeded insurance coverage during any of the past three years.

Note 7– Current Vulnerability Due to Certain Concentrations

The Agency's operations are concentrated within Jackson County. In addition, substantially all of the City's revenues for continuing operations are from federal, state, and local government agencies.

Note 8 – Subsequent Events

Management of the Agency has evaluated events and transactions occurring after June 30, 2015, through January 29, 2016, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUND

Urban Renewal Fund – This fund accounts for receipts from property tax increment for its specified area. The funds are restricted for maintenance and capital improvements.

**JACKSONVILLE URBAN RENEWAL AGENCY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
URBAN RENEWAL FUND
FISCAL YEAR ENDED JUNE 30, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 266,000	\$ 266,000	\$ 317,990	\$ 51,990
Earnings on investments	2,000	2,000	3,238	1,238
TOTAL REVENUES	<u>268,000</u>	<u>268,000</u>	<u>321,228</u>	<u>53,228</u>
EXPENDITURES				
Materials and services	40,454	40,454	40,454	-
Debt service	325,942	325,942	316,560	9,382
TOTAL EXPENDITURES	<u>366,396</u>	<u>366,396</u>	<u>357,014</u>	<u>9,382</u>
OTHER FINANCING SOURCES (USES):				
Debt proceeds	1,000,000	1,000,000	1,000,000	-
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(98,396)</u>	<u>(98,396)</u>	<u>(35,786)</u>	<u>62,610</u>
FUND BALANCE, July 1, 2014	115,841	115,841	(122,934)	(238,775)
Prior period adjustment	-	-	294,507	294,507
FUND BALANCE, June 30, 2015	<u>\$ 17,445</u>	<u>\$ 17,445</u>	135,787	<u>\$ 118,342</u>
Reconciliation				
Repayment of interfund loan			(244,507)	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			<u>\$ (108,720)</u>	

OTHER FINANCIAL SCHEDULE

**JACKSONVILLE URBAN RENEWAL AGENCY
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Tax Year</u>	<u>Uncollected July 1, 2014</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts & Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2015</u>
<u>URBAN RENEWAL FUND</u>							
CURRENT	2014-15	\$	\$ 328,135	\$ (9,066)	\$ 72	\$ 307,788	\$ 11,353
PRIOR	2013-14	10,203		(1,777)	221	4,169	4,478
	2012-13	9,526		(290)	204	1,653	7,787
	2011-12	2,538		(253)	188	940	1,533
	2010-11	1,085		(360)	126	562	289
	2009-10	283		(52)	20	74	177
	Prior	303		(28)	20	60	235
Total Prior		<u>23,938</u>	<u>-</u>	<u>(760)</u>	<u>779</u>	<u>7,458</u>	<u>14,499</u>
TOTAL URBAN RENEWAL FUND		<u>\$ 23,938</u>	<u>\$ 328,135</u>	<u>\$ (11,826)</u>	<u>\$ 851</u>	<u>\$ 315,246</u>	<u>\$ 25,852</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor, Members of the Governing Body
City of Jacksonville Urban Renewal Agency
Jacksonville, Oregon

We have audited the basic financial statements of the City of Jacksonville Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016. 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 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 statement amounts. However, providing an opinion on compliance with those provisions was not the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, 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 Administration Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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.

Restrictions on Use

This report is intended solely for the information and use of the governing body and management of the Agency and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 29, 2016

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