

**JACKSONVILLE URBAN RENEWAL AGENCY**  
(A COMPONENT UNIT OF THE CITY OF JACKSONVILLE, OREGON)  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2013**



**Jacksonville Urban Renewal Agency  
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June 30, 2013**

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## **INTRODUCTORY SECTION**

**Jacksonville Urban Renewal Agency  
Elected and Appointed Officials  
For the Year Ended June 30, 2013**

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**Mayor**

Paul Becker  
1055 N. 5<sup>th</sup> 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  
(Appointed 11/10)

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  
Ashland, Oregon

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

Paul Hayes  
105 Jackson Creek Dr  
Jacksonville, Oregon  
(Elected 11/10)

Dan Winterburn  
245 Laurelwood Dr.  
Jacksonville, Oregon  
(Elected 11/08)

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

**City Recorder**

Jan Garcia  
3053 Adams Circle  
Medford, Oregon

**Municipal Court Judge**

Mark Burkhalter  
Two North Oakdale Ave.  
Medford, Oregon

**Treasurer**

Stacey McNichols  
1848 Northwood Dr.  
Central Point, Oregon

## **FINANCIAL SECTION**



A0613-47301-5

## **Independent Auditors' Report**

Board of Directors  
Jacksonville Urban Renewal Agency  
Jacksonville, Oregon

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jacksonville Urban Renewal Agency, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jacksonville Urban Renewal Agency's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Jacksonville Urban Renewal Agency's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and the major fund of Jacksonville Urban Renewal Agency, as of June 30, 2013, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 1.

#### ***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 a modified cash basis of accounting, which is a comprehensive 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.

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Terrence J. Scroggin C.P.A. ~ Andrew E. Peterson C.P.A. ~ Richard F. Dillard C.P.A. ~ Gerrin P. DeGroot C.P.A.

☞ 824 Pine Street ☞ ☞ Klamath Falls, OR 97601 ☞ ☞ Phone: (541) 884-4164 ☞ ☞ Fax: (541) 883-1232 ☞

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## ***Other Matters***

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-6 and 18 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.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jacksonville Urban Renewal Agency 's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of property tax transactions is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of property tax transactions is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014 on our consideration of Jacksonville Urban Renewal Agency 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jacksonville Urban Renewal Agency 's internal control over financial reporting and compliance.

Molatore, Scroggin, Peterson & Co. LLP



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Andrew E. Peterson, Partner

Klamath Falls, Oregon  
January 28, 2014

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**Jacksonville Urban Renewal Agency  
Management's Discussion and Analysis  
June 30, 2013**

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As management of the Jacksonville Urban Renewal Agency, we offer readers of the Jacksonville Urban Renewal Agency's financial statements this narrative overview and analysis of the financial activities of the Jacksonville Urban Renewal Agency for the fiscal year ended June 30, 2013.

**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 \$542,116 (*net position*). Of this amount, \$99,115 (*total assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Urban Renewal's total net position increased by \$167,078. This increase is attributable to the pay down of debt.
- As of the close of the current fiscal year, the Jacksonville Urban Renewal Agency's governmental funds reported an ending fund balance of \$(195,392) an increase of \$60,278 in comparison with the prior year.
- The Jacksonville Urban Renewal Agency's total debt did not increase during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Jacksonville Urban Renewal Agency's basic financial statements. The Jacksonville Urban Renewal Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 assets 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 7 and 8 of this report.

**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.

**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.

**Jacksonville Urban Renewal Agency  
Management's Discussion and Analysis  
June 30, 2013**

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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 9-10 of this report.

**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 12 through 17 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Jacksonville Urban Renewal Agency's budget to actual statement. Required supplementary information can be found on page 18 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 \$567,116 at the close of the most recent fiscal year. The largest portion of the Jacksonville Urban Renewal Agency's net assets (90 percent) reflects its long term liabilities and loan payables.

**Jacksonville Urban Renewal Agency's Net Assets**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Curent and other assets	\$ 99,116	\$ 63,837
Total Assets	99,116	63,837
Long Term Liabilities	346,724	453,079
Other liabilities	294,507	319,507
Total Liabilities	641,231	772,586
Net Investment in Capital		
Assets	(346,724)	(453,524)
Unrestricted	(195,392)	(255,670)
Total Net Position	\$ (542,116)	\$ (709,194)

The Agency's net position increased by \$167,078 during the current fiscal year. This increase represents the payment of debt, which is funded by property taxes.

**Jacksonville Urban Renewal Agency  
Management's Discussion and Analysis  
June 30, 2013**

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**Governmental activities**

Governmental activities increased Jacksonville Urban Renewal Agency's net position by \$60,278. Key elements of this increase are as follows:

**Jacksonville Urban Renewal Agency's Changes in Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Revenues:		
General Revenues		
Property taxes	\$ 231,866	\$ 216,238
Other	2,647	1,600
Gain on cancellation of debt	-	59,014
Total Rvenues	<u>234,513</u>	<u>276,852</u>
Expenses:		
Materials & Services	49,294	30,790
Interest on long-tem debt	18,141	26,799
Total Expenses	<u>67,435</u>	<u>57,589</u>
Change in net position	<u>167,078</u>	<u>219,263</u>
Net Position - Beginning	<u>(709,194)</u>	<u>(928,457)</u>
Net Position - Ending	<u>\$ (542,116)</u>	<u>\$ (709,194)</u>

Property taxes increased by \$15,628 (7.2 percent) during the year.

**Financial Analysis of the Government's Funds**

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, *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 Jacksonville Urban Renewal Agency's governmental funds reported an ending fund balance of \$(195,392), an increase of \$60,278 in comparison with the prior year. The Urban Renewal fund is primarily reserved for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was the result of paying down debt.

**General Fund Budgetary Highlights**

During the year there were no significant changes in appropriations between the original and final amended budget.

**Debt Administration**

**Long-term Debt**

At the end of the current fiscal year, the Jackson Urban Renewal Agency had total long term debt outstanding of \$346,723

**Jacksonville Urban Renewal Agency  
Management's Discussion and Analysis  
June 30, 2013**

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**Jacksonville Urban Renewal Agency's Outstanding Debt**

	Governmental Activities	
	2013	2012
Loan payable - OTIB	\$ 346,724	\$ 453,079
Loan payable - City of Jacksonville	294,507	319,507
Total	<u>\$ 641,231</u>	<u>\$ 772,586</u>

The Jacksonville Urban Renewal Agency's debt decreased by \$106,800 due to the principal payments of debt. Additional information on the Jacksonville Urban Renewal Agency's long-term debt can be found in note 6 on page 16 of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the Jacksonville Urban Renewal Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Treasurer, P.O. Box 7, City of Jacksonville, OR, 97530.

## **BASIC FINANCIAL STATEMENTS**

**Jacksonville Urban Renewal Agency**  
**Statement of Net Position – Modified Cash Basis**  
**June 30, 2013**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets:	
Investments	\$ 99,115
Total Current Assets	99,115
Total Assets	99,115
<b>Liabilities</b>	
Current Liabilities:	
Due to City of Jacksonville, Oregon	294,507
Loans payable	111,072
Total Current Liabilities	405,579
Noncurrent Liabilities:	
Loans payable	235,651
Total Noncurrent Liabilities	235,651
Total Liabilities	641,230
<b>Net Position</b>	
Net Investment in Capital Assets	(346,724)
Unrestricted	(195,392)
Total Net Position	\$ (542,116)

The notes to the financial statements are an integral part of this statement.

**Jacksonville Urban Renewal Agency  
Statement of Activities – Modified Cash Basis  
For the Year Ended June 30, 2013**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:					
General	\$ 49,294	\$ -	\$ -	\$ -	\$ (49,294)
Interest Expense	18,141	-	-	-	(18,141)
Total Government Activities	<u>67,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(67,435)</u>
<b>Total</b>	<u><u>\$ 67,435</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>(67,435)</u></u>
General Revenues:					
					231,866
					<u>2,647</u>
					<u>234,513</u>
					167,078
					<u>(709,194)</u>
					<u><u>\$ (542,116)</u></u>

The notes to the financial statements are an integral part of this statement.

**Jacksonville Urban Renewal Agency  
Balance Sheet – Modified Cash Basis  
Government Funds  
June 30, 2013**

	<b>Urban Renewal Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash & Investments	\$ 99,115	99,115
Total Assets	\$ 99,115	\$ 99,115
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to City of Jacksonville	\$ 294,507	\$ 294,507
Total Liabilities	294,507	294,507
Fund balances:		
Unreserved, reported in:		
General fund	(195,392)	(195,392)
Total Fund Balances	(195,392)	(195,392)
Total Liabilities and Fund Balances	\$ 99,115	
Amounts reported for governmental activities in the statement of net assets are different because:		
Long-term liabilities are not due and payable in the current period and therefore not reported in the funds.		(346,724)
Net position of governmental activities		\$ (542,116)

The notes to the financial statements are an integral part of this statement.

**Jacksonville Urban Renewal Agency**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Modified Cash Basis – Governmental Funds**  
**June 30, 2013**

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	<u>Urban Renewal Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>		
Taxes	\$ 231,866	\$ 231,866
Investment income	<u>2,647</u>	<u>2,647</u>
Total Revenues	<u>234,513</u>	<u>234,513</u>
<b>Expenditures</b>		
Materials and services	24,294	24,294
Debt service	<u>149,941</u>	<u>149,941</u>
Total Expenditures	<u>174,235</u>	<u>174,235</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>60,278</u>	<u>60,278</u>
Fund Balances - Beginning	<u>(255,670)</u>	<u>(255,670)</u>
Fund Balances - Ending	<u><u>\$ (195,392)</u></u>	<u><u>\$ (195,392)</u></u>

The notes to the financial statements are an integral part of this statement.

**Jacksonville Urban Renewal Agency**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Modified Accrual Basis of Governmental Funds to the Statement of Activities – Modified Cash Basis**  
**For the Year Ended June 30, 2013**

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Amounts reported for governmental activities in the statement of activities (page 8) are different because:

Net change in fund balances - total governmental funds (page 10) \$ 60,278

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

106,800

Change in net position of governmental activities (page 8)

\$ 167,078

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies**

**Organization**

The Jacksonville Urban Renewal Agency (Agency), was organized in 2002 under the provisions of ORS Chapter 457 as the urban renewal agency in the City of Jacksonville, Oregon (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.

The following is a summary of significant accounting policies utilized by the Agency in the preparation of the accompanying financial statements.

**Reporting entity**

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 has been determined under accounting standards generally accepted in the United States of America to be 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.

**Government-wide and fund 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 primary government and its component unit. *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.

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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

In the government wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net-assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than generally accepted accounting principles. (OCBOA)

If the Agency utilized generally accepted accounting principles, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government wide financial statements would be presented on the accrual basis of accounting.

Under the modified accrual basis revenues are recognized when measureable and available. Measureable means being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Under the accrual basis revenues are recognized when earned. Expenses (including depreciation and amortization) are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies** *(continued)*

exchange and exchange-like transactions are recognized when the exchange takes place. The Agency reports the following major governmental funds:

The *urban renewal fund* accounts for receipts from property tax increment for its specified area. The funds are restricted for maintenance and capital improvements.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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.

**Deposits and investments**

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, 2013, is representative of the types of investments made throughout the year.

**Receivables and payables**

Property taxes become a lien against the property, as of July 1, in the year in which due and are assessed in October through billing by the county to the property owner. Payments are due in three equal installments on November 15, February 15 and May 15 with a 3% discount available for payment in full on November 15. Taxes unpaid and outstanding on May 16 are considered delinquent and are subject to lien, and penalties and interest are assessed.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities columns in the government-wide financial statements. The Agency defines capital assets as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. All vehicles (rolling stock) are capitalized regardless of cost. The Agency reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

As the Agency constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Agency values these assets at the estimated fair value of the item at the date of its donation.

Fixed assets purchased by the Agency are transferred to the City for ownership and maintenance once constructed.

**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 assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 1 – Summary of Significant Accounting Policies** *(continued)*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

**Fund balance**

For the year ended June 30, 2011, the government adopted Statement No. 54 of the Governmental Accounting Standards Board, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement requires five classifications of fund balances in governmental fund financial statements – Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable funds are either in nonspendable form or are permanently restricted. Restricted funds can only be spent for specific purposes stipulated by law or external regulation or contract. Committed funds can only be used for specific purposes determined by formal action of the City Council, which is the government's highest level of decision making authority. The City Council would have to take formal action to alter the purpose for which these funds can be spent. Assigned funds are funds that are assigned to a specific purpose by the City Council and the Agency's Administrator but do not meet the criteria to be classified as restricted or committed. The Agency's policy requires that the City Council approve any other use for those funds. Unassigned funds are the residual classification for the general fund.

**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 budgets all funds. A City 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 City 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 City 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 modified cash basis of accounting for all funds with the following exception: loans with the City of Jacksonville, Oregon are budgeted similar to other debt transactions. The nature and amount of all significant adjustments necessary to convert data prepared on a basis consistent with the modified cash basis of accounting to a budgetary basis are noted on the budget to actual statements included in the financial statements.

**Excess of expenditures over appropriations**

For the year ended June 30, 2013 expenditures did not exceed appropriations.

**Deficit fund equity**

The Urban Renewal Fund had a deficit fund balance of \$(195,392) as of June 30, 2013.

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 3 – Investments**

Investments are comprised of the following as of June 30, 2013:

Deposits with Local Government Investment Pool    \$517,854

**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.

**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 \$294,507 to the City. The amount will be repaid as revenues are available.

**Note 5 – Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	-	-	-	-
Governmental activities capital assets, net	\$ -	\$ -	\$ -	\$ -

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

**Note 6 – Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2013:

Long-term liability activity for the year ended June 30, 2012:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts Due</u> <u>Within One Year</u>
<b>Governmental Activities</b>					
Notes					
Loan Payable - Oregon Transportation Infrastructure Bank Loan (OTIB): Issued October 3, 2003, face amount \$1,140,779 street improvement loan. Annual payments of interest only for first 2 years, then annual payments of principal and interest (4.000%) are required on August 1 of each year for 10 years. The debt service on this loan is paid by the Urban Renewal Fund.	453,523	-	106,800	346,723	111,072
Total notes	453,523	-	106,800	346,723	111,072
<b>Governmental activities long-term liabilities</b>	<u>\$ 453,523</u>	<u>\$ -</u>	<u>\$ 106,800</u>	<u>\$ 346,723</u>	<u>\$ 111,072</u>

The Agency has entered into long-term agreements as noted below. Annual debt service requirements to maturity for long-term liabilities are as follows:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Loan Payable - OTIB				
Principal	\$ 111,072	\$ 115,515	\$ 120,136	\$ 346,723
Interest	13,869	9,426	4,805	28,100
Total Long-Term Liabilities	<u>\$ 124,941</u>	<u>\$ 124,941</u>	<u>\$ 124,941</u>	<u>\$ 374,823</u>

**Note 7 – 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.

**Jacksonville Urban Renewal Agency**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**Note 8 – New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued the following pronouncement that has a future effective date that will impact future financial presentations. Management has not currently determined what impact implementation of the following statement will have on future financial statements.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Jacksonville Urban Renewal Agency**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Urban Renewal Fund – Budgetary Basis**  
**June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 225,240	\$ 225,240	\$ 231,866	\$ 6,626
Investment income	1,000	1,000	2,647	1,647
Total Revenues	<u>226,240</u>	<u>226,240</u>	<u>234,513</u>	<u>8,273</u>
<b>Expenditures</b>				
Personal services	-	-	-	-
Materials and services	24,294	24,294	24,294	-
Debt service	149,942	149,942	149,942	-
Capital outlay	-	-	-	-
Total Expenditures	<u>174,236</u>	<u>174,236</u>	<u>174,236</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,004	52,004	60,277	8,273
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	52,004	52,004	60,277	8,273
Fund Balance - Beginning of Year	<u>67,189</u>	<u>67,189</u>	<u>(255,670)</u>	<u>(322,859)</u>
Fund Balance - End of Year	<u>\$ 119,193</u>	<u>\$ 119,193</u>	<u>(195,393)</u>	<u>\$ (314,586)</u>

The notes to the financial statements are an integral part of this statement.

## **OTHER SUPPLEMENTARY SCHEDULES**

**Jacksonville Urban Renewal Agency  
Schedule of Property Tax Transactions  
For the Year Ended June 30, 2013**

Schedule A-1

	<b>Assessor's Current Levy and Balances June 30, 2012</b>	<b>Discounts/ Adjustments</b>	<b>Taxes Collected</b>	<b>Balance Uncollected June 30, 2013</b>	<b>Interest Collected (Memo Only)</b>
Fiscal Year					
2012-2013	\$ 238,787	\$ 5,874	\$ 224,050	\$ 8,863	\$ 123
Prior years					
2011-12	8,681	336	3,886	4,459	329
2010-11	3,872	149	1,587	2,136	337
2009-10	2,077	36	1,187	854	372
2008-09	765	35	430	300	165
2007-08 and prior	315	37	35	243	24
<b>Total - Prior Years</b>	<b>15,710</b>	<b>593</b>	<b>7,125</b>	<b>7,992</b>	<b>1,227</b>
<b>Total</b>	<b>\$ 254,497</b>	<b>\$ 6,467</b>	<b>\$ 231,175</b>	<b>\$ 16,855</b>	<b>\$ 1,350</b>

**GOVERNMENT AUDITING STANDARDS  
AND AUDIT COMMENTS SECTIONS**

# **GOVERNMENT AUDITING STANDARDS**



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## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Directors  
Jacksonville Urban Renewal Agency  
Jacksonville, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Jacksonville Urban Renewal Agency as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jacksonville Urban Renewal Agency's basic financial statements, and have issued our report thereon dated January 28, 2014.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jacksonville Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jacksonville Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of Jacksonville Urban Renewal Agency's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jacksonville Urban Renewal Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

Molatore, Scroggin, Peterson & Co. LLP

A handwritten signature in blue ink that reads "Andrew E. Peterson". The signature is written in a cursive style and is positioned above a horizontal line.

Andrew E. Peterson, Partner

Klamath Falls, Oregon  
January 28, 2014

**AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATION**



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## **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Standards***

Board of Directors  
Jacksonville Urban Renewal Agency  
Jacksonville, Oregon

We have audited the basic financial statements of Jacksonville Urban Renewal Agency as of and for the year ended June 30, 2013, and have issued our report thereon dated January 28, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

### **Compliance**

As part of obtaining reasonable assurance about whether the Jacksonville Urban Renewal Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2013 and 2014.
- The requirements relating to insurance and fidelity bond coverage.
- The requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State, except those described below.

Expenditures exceeded appropriations for material and services by \$50,000 due to the transfer to the General Fund of the City of Jacksonville. \$25,000 of this amount was intended to be transferred in the prior year which would have made the current year \$25,000 in excess of the amount budgeted. Management does not anticipate having overages in the future.

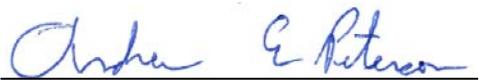
### **Internal Control over Financial Reporting**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014 on our consideration of Jacksonville Urban Renewal Agency's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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This report is intended solely for the information of management, Board of Directors, and the Secretary of State, Audits Division and is not intended to be and should not be used by anyone other than those specified parties.

Molatore, Scroggin, Peterson & Co. LLP

A handwritten signature in blue ink that reads "Andrew E. Peterson". The signature is written in a cursive style and is positioned above a horizontal line.

Andrew E. Peterson, Partner

Klamath Falls, Oregon

January 28, 2014