

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP

audit | tax | advisory | wealth management | cfo

JACKSONVILLE URBAN RENEWAL AGENCY

Year Ended June 30, 2019

Mayor

Paul Becker
1055 N. 5th St. No. 117
Jacksonville, Oregon
(Elected 11/16)

Council Members

Criss Garcia
645 E. California St.
Jacksonville, Oregon
(Elected 11/18)

Mike McClain
560 Shafer Ln.
Jacksonville, Oregon
(Appointed 7/19)

Steve Casaleggio
805 S. Third St.
Jacksonville, Oregon
(Elected 11/16)

City Administrator

Jeff Alvis
P.O. Box 1913
Jacksonville, Oregon

Assistant Administrator / Finance Director

Stacey Bray
1893 Valley View Dr.
Medford, Oregon

City Attorneys

Jarvis, Dreyer, Glatte & Larsen, LLP
823 Alder Creek Dr.
Medford, Oregon

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

Donna Bowen
540 Blackstone Aly.
Jacksonville, Oregon
(Elected 11/18)

Kenneth Gregg
355 S. Oregon St.
Jacksonville, Oregon
(Elected 11/18)

Jim Lewis
622 Grove St.
Jacksonville, Oregon
(Elected 11/18)

City Recorder

Angela Watson
206 N. 5th St.
Jacksonville, Oregon

JACKSONVILLE URBAN RENEWAL AGENCY

June 30, 2019

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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 (the Agency), (a component unit of the City of Jacksonville, Oregon), as of and for the year ended June 30, 2019, 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, 2019, 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.

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

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 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 December 11, 2019 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
December 11, 2019

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2019**

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, 2019

FINANCIAL HIGHLIGHTS

- The assets of the Jacksonville Urban Renewal Agency exceeded its liabilities at the close of the most recent fiscal year by \$301,738 (*net position*).
- The Urban Renewal's total net position increased by \$394,591. This increase is attributable to the current year property taxes.
- As of the close of the current fiscal year, the Jacksonville Urban Renewal Agency's governmental fund reported an ending fund balance of \$1,801,738 an improvement of \$1,762,591 in comparison with the prior year, which is primarily attributed to the 2019 bond proceeds of \$1,500,000.
- The Jacksonville Urban Renewal Agency's total liabilities increased during the current fiscal year by \$1,343,000.

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 Jacksonville Urban Renewal Agency's assets and liabilities (modified cash basis), 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.

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

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2019**

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 14 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 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, assets exceeded liabilities by \$301,738 at the close of the most recent fiscal year. In fiscal 2018 the liabilities exceeded assets by \$92,853. 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.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2019**

Analysis of Net Position

	<u>Governmental activities</u>	
	2019	2018
Current & other assets	\$ 1,946,245	\$ 208,654
Total assets	<u>\$ 1,946,245</u>	<u>\$ 208,654</u>
Long term debt	\$ 1,500,000	\$ 132,000
Other liabilities	<u>144,507</u>	<u>169,507</u>
Total liabilities	<u>\$ 1,644,507</u>	<u>\$ 301,507</u>
Unrestricted	<u>\$ 301,738</u>	<u>\$ (92,853)</u>
Total net position	<u>\$ 301,738</u>	<u>\$ (92,853)</u>

The Agency's net position increased by \$394,591 during the current fiscal year.

Governmental activities

Governmental activities increased Jacksonville Urban Renewal Agency's net position by \$394,591. Key elements of this increase are as follows:

Analysis of Changes in Net Position

	<u>Governmental activities</u>	
	2019	2018
Revenues		
General Revenues:		
Property taxes	\$ 429,830	\$ 388,323
Earnings on investments	<u>21,013</u>	<u>13,593</u>
Total revenues	<u>450,843</u>	<u>401,916</u>
Expenses		
Material and services	31,054	31,054
Bond issuance costs	23,300	-
Interest on long-term debt	<u>1,898</u>	<u>13,184</u>
Total expenses	<u>56,252</u>	<u>44,238</u>
Change in net position	394,591	357,678
Beginning net position	<u>(92,853)</u>	<u>(450,531)</u>
Ending net position	<u>\$ 301,738</u>	<u>\$ (92,853)</u>

Property taxes revenue increased by \$41,507 (10.69 percent) during the year.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2019**

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, *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 \$1,801,738 an improvement of \$1,762,591 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.

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Governmental Activities:				
Loan payable - City of Jacksonville	\$ 169,507	\$ -	\$ (25,000)	\$ 144,507
Note payable - Series 2014 Obligation	132,000	-	(132,000)	-
Note payable - Series 2019 Obligation	-	1,500,000	-	1,500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Governmental Activities	<u>\$ 301,507</u>	<u>\$ 1,500,000</u>	<u>\$ (157,000)</u>	<u>\$ 1,644,507</u>

The Jacksonville Urban Renewal Agency's debt increased by \$1,343,000 due to the 2019 Obligation and principal payments of debt.

Additional information on the Jacksonville Urban Renewal Agency's debt can be found in note 4 and 5 on page 12 and 13 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 the population commutes for employment.

The City's official population estimate as of July 1, 2018 was 2,980, reflecting a small increase from the previous year. The assessed value of property in the City was \$461 million and \$441 million in 2019 and 2018, respectively. The increase in assessed value should provide an increase in property tax revenue in fiscal 2019.

Anticipated highlights for the fiscal year 2019-2020 are completing the installation of the interior elevator and exterior lift for the courthouse and beginning engineering assessments to apply for the state seismic grant for the City's Fire Hall.

**JACKSONVILLE URBAN RENEWAL AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June, 30, 2019**

REQUEST FOR INFORMATION

The Jacksonville Urban Renewal Agency's financial statements are designed to present users with a general overview of the Jacksonville Urban Renewal Agency'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, 206 N. 5th St., 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, 2019**

	Governmental Activities
ASSETS:	
Current assets:	
Cash and investments	\$ 446,245
Restricted:	
Cash and investments	1,500,000
Total current assets:	<u>1,946,245</u>
TOTAL ASSETS	<u>1,946,245</u>
LIABILITIES:	
Current liabilities:	
Due to City of Jacksonville	144,507
Current portion of long-term debt	300,000
Total current liabilities	<u>444,507</u>
Noncurrent liabilities:	
Long-term debt	1,200,000
Total noncurrent liabilities	<u>1,200,000</u>
TOTAL LIABILITIES	<u>1,644,507</u>
NET POSITION:	
Restricted	<u>301,738</u>
TOTAL NET POSITION	<u>\$ 301,738</u>

FUND FINANCIAL STATEMENTS

**JACKSONVILLE URBAN RENEWAL AGENCY
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUND
JUNE 30, 2019**

	Urban Renewal Fund
ASSETS:	
Cash and investments	\$ 446,245
Restricted:	
Cash and investments	<u>1,500,000</u>
TOTAL ASSETS	<u><u>\$ 1,946,245</u></u>
LIABILITIES AND FUND BALANCE:	
Liabilities:	
Due to City of Jacksonville	<u>\$ 144,507</u>
TOTAL LIABILITIES	<u>144,507</u>
Fund balance:	
Restricted	<u>1,801,738</u>
TOTAL FUND BALANCE	<u>1,801,738</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 1,946,245</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, 2019**

TOTAL FUND BALANCE	\$ 1,801,738
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:	
Long- term debt	<u>(1,500,000)</u>
TOTAL NET POSITION	<u><u>\$ 301,738</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, 2019**

	Urban Renewal Fund
	<u> </u>
REVENUES:	
Taxes	\$ 429,830
Investment income	<u> 21,013</u>
TOTAL REVENUES	<u> 450,843</u>
EXPENDITURES:	
Current:	
Materials and services	31,054
Debt service	<u> 133,898</u>
TOTAL EXPENDITURES	<u> 164,952</u>
OTHER FINANCING SOURCES (USES):	
Debt proceeds	1,500,000
Debt issuance costs	<u> (23,300)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u> 1,476,700</u>
NET CHANGE IN FUND BALANCE	1,762,591
FUND BALANCE, July 1, 2018	<u> 39,147</u>
FUND BALANCE, June 30, 2019	<u><u> 1,801,738</u></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, 2019**

NET CHANGE IN FUND BALANCE \$ 1,762,591

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:

Proceeds from long term debt	(1,500,000)	
Debt payments	<u>132,000</u>	
		<u>(1,368,000)</u>

CHANGE IN NET POSITION \$ 394,591

NOTES TO THE BASIC FINANCIAL STATEMENTS

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

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, a determination was made by using guidance provided by 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, 2019. The long-term items recorded by the Agency include; Long-Term Debt.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (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, 2019.

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 investments

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

The Agency's cash and investments 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, 2019, is representative of the types of investments made throughout the year.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Restricted assets

Certain resources have been required to be set aside for the repayment of the government's general obligation bonds and for capital projects related to urban renewal and are classified as restricted assets on the Statement of Net Position because their use is restricted by external groups.

The Agency also has resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

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 other financing uses.

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.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies, Net Position and Fund Balance (continued)

Net Position and Fund Balance (continued)

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.

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.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information (continued)

During the fiscal year ended June 30, 2019, the Agency exceeded its appropriation authority in the Debt Issuance Costs Category by \$23,300. This violation of local budget law was attributed to the 2019 debt issuance costs.

Note 3 – Cash and Investments

Cash and investments are comprised of the following as of June 30, 2019:

Restricted deposits with Local Government Investment Pool	\$ 1,500,000
Deposits with Local Government Investment Pool	<u>446,245</u>
	<u>\$ 1,946,245</u>

Investments. State of Oregon statutes restrict the types of investments in which the Agency may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool.

The Agency has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2018-2019. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the Agency's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the Agency's name and are not subject to collateralization requirements of ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of Oregon statutes restrict the types of investments in which the Agency may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2019 and for the year then ended, the Agency was in compliance with the aforementioned State of Oregon statutes.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 3 – Cash and Investments (continued)

Investments. (continued)

Credit Risk. State Statutes authorize the Agency to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, banker’s acceptances, certain commercial papers, and the State Treasurer’s Investment Pool, among others. The Agency has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The Agency is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The Agency has no such investments.

Interest Rate Risk. The Agency has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Unadjusted inputs using quoted prices in active markets for identical investments.

Level 2 - Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.

Level 3 - Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Investments Measured at Fair Value:	Totals as of 6/30/2019	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government Investment Pool	\$ 1,946,245	\$ -	\$ -	\$ -	\$ 1,946,245
	<u>\$ 1,946,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,245</u>

Note 4 – Note Payable – City of Jacksonville

At the end of the current fiscal year, the Agency had an outstanding payable totaling \$144,507 to the City. \$25,000 of the balance is expected to be collected in the subsequent year.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 5 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental Activities:				
Series 2014 Obligations	\$ 132,000	\$ -	\$ (132,000)	\$ -
Series 2019 Obligations	-	1,500,000	-	1,500,000
Total Governmental Activities	<u>\$ 132,000</u>	<u>\$ 1,500,000</u>	<u>\$ (132,000)</u>	<u>\$ 1,500,000</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’s original maturity was 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 agreement contains a provision that in an event of default, the Bank may exercise any remedy available at law or in equity, including acceleration. In addition, if an event of default shall occur, then the interest rate under the note may be increased at the option of the bank to an interest rate 5% in excess of the interest rate otherwise applicable to the note. 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.

Due to accelerated principal payments, on October 28, 2018, a final debt service payment was made on the Series 2014 Full Faith and Credit Financing Credit Note. As a result of the final principal payment, there was no outstanding balance as of June 30, 2019.

Series 2019 Full Faith Credit Obligation

On May 23, 2019, the City entered into a full faith and credit financing agreement note with U.S. Bank National Association in the amount of \$1,500,000 (the Series 2019 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 2.90% per annum. Interest is due and payable semiannually on November 1st and May 1st. Principal is payable annually on May 1st (commencing May 1, 2020). The note matures on May 1, 2024. 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 agreement contains a provision that in an event of default, the Bank may exercise any remedy available at law or in equity, however the payments are not subject to acceleration. In addition, if an event of default shall occur, then the interest rate under the note may be increased at the option of the bank to an interest rate 2% in excess of the interest rate otherwise applicable to the note.

JACKSONVILLE URBAN RENEWAL AGENCY
Notes to the Basic Financial Statements
June 30, 2019

Note 5 – Long-Term Liabilities, Series 2019 Full Faith Credit Obligation (continued)

Series 2019 Full Faith Credit Obligation (continued)

On April 16, 2019, the Agency entered into an intergovernmental agreement in connection with the Series 2019 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 2019 Obligations under the terms of such obligations. As a result of the intergovernmental agreement, debt service is paid by the Urban Renewal Fund.

Annual debt service requirement associated with the Series 2019 Obligations are as follows:

	Year Ending June 30,	Principal	Interest	Total
2019 Obligation:				
	2020	\$ 300,000	\$ 41,325	\$ 341,325
	2021	300,000	34,800	334,800
	2022	300,000	26,100	326,100
	2023	300,000	17,400	317,400
	2024	300,000	8,700	308,700
		<u>\$ 1,500,000</u>	<u>\$ 128,325</u>	<u>\$ 1,628,325</u>

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, 2019, through November 27, 2019, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Taxes	\$ 406,000	\$ 406,000	\$ 429,830	\$ 23,830
Earnings on investments	7,500	7,500	21,013	13,513
TOTAL REVENUES	413,500	413,500	450,843	37,343
EXPENDITURES:				
Materials and services	31,554	31,554	31,054	500
Debt service	170,000	170,000	158,898	11,102
TOTAL EXPENDITURES	201,554	201,554	189,952	11,602
OTHER FINANCING SOURCES (USES):				
Debt proceeds	-	-	1,500,000	1,500,000
Debt issuance costs	-	-	(23,300)	(23,300)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	1,476,700	1,476,700
NET CHANGE IN FUND BALANCE	211,946	211,946	1,737,591	1,525,645
FUND BALANCE, July 1, 2018	182,267	182,267	208,654	26,387
FUND BALANCE, June 30, 2019	\$ 394,213	\$ 394,213	\$ 1,946,245	\$ 1,552,032
Reconciliation:				
Repayment of interfund loan			(144,507)	
FUND BALANCE - END OF YEAR (ARISING FROM CASH TRANSACTIONS)			\$ 1,801,738	

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, 2019, and have issued our report thereon dated December 11, 2019. 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, except as disclosed in note 2 (Budgetary information) of the financial statements.

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
December 11, 2019

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