

**CITY OF JACKSONVILLE, OREGON
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014
WITH
INDEPENDENT AUDITOR'S REPORT**

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2014

Mayor

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

Council Members

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

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

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

City Administrator

Jeff Alvis
P.O. Box 1913
Jacksonville, Oregon

City Attorneys

Kurt Knudsen
1875 Hwy 99 N., Suite 4

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

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

Dan Winterburn
245 Laurel Wood
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.

Treasurer

Stacey McNichols
Central Point, Oregon

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2014

Table of Contents

Independent Auditor's Report	A1-A2
Management's Discussion and Analysis	B1-B7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	1
Statement of Activities – Modified Cash Basis	2
Fund Financial Statements:	
Statement of Assets and Liabilities Arising from Cash Transactions	
Governmental Funds	3-4
Reconciliation of Governmental Funds Statement of Assets and Liabilities Arising from Cash Transactions to the Statement of Net Position – Modified Cash Basis	5
Statement of Revenues, Expenditures, and Changes in Fund Balances Arising from Cash Transactions – Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Arising from Cash Transactions of Governmental Funds to the Statement of Activities – Modified Cash Basis	8
Statement of Net Position – Proprietary Fund – Modified Cash Basis	9
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund – Modified Cash Basis	10
Statement of Cash Flows – Proprietary Fund – Modified Cash Basis	11
Notes to the Basic Financial Statements	12-29
Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund – Cash Basis	30
Special Revenue Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Fire Protection Fund – Cash Basis	31
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Streets and Storm Drains Fund – Cash Basis	32
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Parks and Visitors Services Fund – Cash Basis	33
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Systems Development Fund – Cash Basis	34
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Historic Preservation Fund – Cash Basis	35
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Urban Renewal Fund – Cash Basis	36
Capital Projects Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund – Cash Basis	37

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2014

Table of Contents

Supplementary Information: *(continued)*

Debt Service Fund:

Schedule of Revenues, Expenditures, and Changes in Fund
Balances Budget and Actual – Debt Service
Fund – Cash Basis

38

Permanent Fund:

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Permanent Fund – Cash Basis

39

Proprietary Fund:

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – Water Fund - Cash Basis

40

Other Supplementary Information:

Schedule of Property Tax Transactions

41

Independent Auditor's Report Required by Oregon State Regulation

42-43



640 Superior Court
Medford, OR97504
Tel: (541)773-6633
Fax: (541)773-1965
www.kdcoCPA.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Jacksonville
Jacksonville, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Jacksonville, Oregon (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 City'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 City'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, the business-type activities, and each major fund of the City, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof 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.

Supplementary Information and Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 City's basic financial statements. The supplementary information and other 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 and other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other 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 November 21, 2014 on our consideration of the City'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.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
November 21, 2014

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

As management of the City of Jacksonville, we offer readers of the City of Jacksonville's financial statements this narrative overview and analysis of the financial activities of the City of Jacksonville for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City of Jacksonville exceeded its liabilities at the close of the most recent fiscal year by \$ 17,353,206 (*net position*). Of this amount, \$3,622,628 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$2,161,066. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenses.
- As of the close of the current fiscal year, the City of Jacksonville's governmental funds reported combined ending fund balances of \$4,655,378 an increase of \$965,216 in comparison with the prior year. \$434,351 of this total amount is *unassigned*.
- At the end of the current fiscal year, the fund balance for the general fund was \$532,285 or 53 percent of the total fiscal 2014 general fund expenditures.
- The City of Jacksonville's total long-term liabilities decreased by \$274,147 (approximately 10 percent) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Jacksonville's basic financial statements. The City of Jacksonville's basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

1. Government-wide financial statements

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

The *statement of net position* presents information on all of the City of Jacksonville's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Jacksonville is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when they result from a cash transaction.

Both of the government-wide financial statements distinguish functions of the City of Jacksonville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Jacksonville include general government, fire protection, highways and streets, cemetery operation, historic preservation, and visitors' services and recreation. The business-type activities of the City of Jacksonville include a water enterprise operation.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

The government-wide financial statements include not only the City of Jacksonville itself (known as the *primary government*), but also a legally separate Urban Renewal District for which the City of Jacksonville is financially accountable. The Urban Renewal District, although also legally separate, functions for all practical purposes as a department of the City of Jacksonville, and therefore has been included as an integral part of the primary government. The government-wide financial statements can be found on pages 1 & 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 City of Jacksonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jacksonville can be divided into two categories: governmental funds, and proprietary funds.

Governmental Funds. *The Governmental fund statements* 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 funds statement of assets and liabilities arising from cash transactions and the governmental funds statement of revenues, expenditures, and changes in fund balances arising from cash transactions provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Jacksonville maintains ten individual governmental funds.

Information is presented separately in the governmental fund statement of assets and liabilities arising from cash transactions and in the governmental fund statement of revenues, expenditures, and changes in fund balances arising from cash transactions for each fund, all of which are considered to be major funds.

The City of Jacksonville adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with its budget. The basic governmental fund financial statements can be found on pages 3 through 8 of this report.

Proprietary Funds. The City of Jacksonville maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Jacksonville uses an enterprise fund to account for its water enterprise operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water enterprise operations, which is considered to be a major fund of the City of Jacksonville. The basic proprietary fund financial statements can be found on pages 9 through 11 of this report (including reconciliations to the statement of net position and statement of activities – modified cash basis).

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

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 12 through 29 of this report.

Budget to actual statements for all governmental funds and the proprietary fund are presented immediately following the notes to the financial statements. The budget to actual statements can be found on pages 30 through 40 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 City of Jacksonville, assets exceeded liabilities by \$17,353,206 at the close of the most recent fiscal year. By far the largest portion of the City of Jacksonville's net position (70 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Jacksonville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Jacksonville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Analysis of Net Position

	Governmental activities		Business-type activities		Totals	
	2014	2013	2014	2013	2014	2013
Current & other assets	\$ 4,682,742	\$ 3,736,497	\$ 537,758	\$ 530,180	\$ 5,220,500	\$ 4,266,677
Capital assets	12,126,175	11,079,929	2,814,115	2,935,711	14,940,290	14,015,640
Total assets	\$ 16,808,917	\$ 14,816,426	\$ 3,351,873	\$ 3,465,891	\$ 20,160,790	\$ 18,282,317
Long term debt	\$ 2,516,925	\$ 2,791,072	\$ -	\$ -	\$ 2,516,925	\$ 2,791,072
Other liabilities	277,879	287,406	12,780	11,700	290,659	299,106
Total liabilities	\$ 2,794,804	\$ 3,078,478	\$ 12,780	\$ 11,700	\$ 2,807,584	\$ 3,090,178
Net investment in capital assets	\$ 9,358,735	\$ 8,055,822	\$ 2,814,115	\$ 2,935,710	\$ 12,172,850	\$ 10,991,532
Restricted	1,517,728	1,921,917	-	-	1,517,728	1,921,917
Unrestricted	3,137,650	1,760,209	524,978	518,481	3,662,628	2,278,690
Total net position	\$ 14,014,113	\$ 11,737,948	\$ 3,339,093	\$ 3,454,191	\$ 17,353,206	\$ 15,192,139

An additional portion of the City of Jacksonville's net position \$1,517,728 (8.7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$3,662,628 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Jacksonville is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

The government's total net position increased by \$2,161,066 during the current fiscal year. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenditures. In addition, two significant events occurred in fiscal 2014 that drove the vast majority of the increase. The first was a capital contribution from the Oregon Department of Transportation in connection with the First and Main Street project (approximately \$1,000,000) and the second was a gain of approximately \$880,000 associated with the sale of land to the Motorcycle Riders Association.

Analysis of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 1,655,430	\$ 1,407,068	\$ 683,602	\$ 658,560	\$ 2,339,032	\$ 2,065,628
Operating grants	7,107	11,974	-	-	7,107	11,974
Capital grants/contributions	1,004,535	2,436,985	-	3,485	1,004,535	2,440,470
General revenues:						
Property taxes for General	878,623	1,034,714	-	-	878,623	1,034,714
Property taxes for Debt	212,850	-	-	-	212,850	-
Franchise Tax	282,897	211,883	-	-	282,897	211,883
Motor Fuel Tax	162,415	153,331	-	-	162,415	153,331
Alcoholic beverage tax	42,609	34,558	-	-	42,609	34,558
Transient room tax	104,145	102,533	-	-	104,145	102,533
Entertainment taxes	68,071	66,488	-	-	68,071	66,488
Earnings on investments	21,985	17,180	4,891	3,949	26,876	21,129
Gain (Loss) on disposal assets	894,741	-	-	-	894,741	-
Transfer to and from other funds	(10,000)	-	10,000	-	-	-
Other	-	28,244	-	-	-	28,244
Total revenues	5,325,408	5,504,958	698,493	665,994	6,023,901	6,170,952
Expenses						
General government	785,627	646,460	-	-	785,627	646,460
Public Safety	1,255,593	869,330	-	-	1,255,593	869,330
Highways and streets	638,022	771,293	-	-	638,022	771,293
Recreation	286,701	265,244	-	-	286,701	265,244
Interest on long-term debt	83,300	112,042	-	-	83,300	112,042
Water Department	-	-	813,592	768,081	813,592	768,081
Total expenses	3,049,243	2,664,369	813,592	768,081	3,862,835	3,432,450
Change in net position	2,276,165	2,840,589	(115,099)	(102,087)	2,161,066	2,738,502
Beginning net position	11,737,948	8,897,359	3,454,192	3,556,279	15,192,140	12,453,638
Ending net position	<u>\$ 14,014,113</u>	<u>\$ 11,737,948</u>	<u>\$ 3,339,093</u>	<u>\$ 3,454,192</u>	<u>\$ 17,353,206</u>	<u>\$ 15,192,140</u>

Governmental Activities

Governmental activities decreased the City's net position by approximately \$2,276,165. Revenues totaled \$5,325,408 and consisted primarily of property taxes and charges for services. In addition, approximately \$1,880,000 of the current year revenue can be attributed to a one time capital contribution and the sale of land as previously noted.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

As discussed earlier, the City's governmental activities are categorized into the following programs: General government; Public safety; Highways and streets; recreation. General government are activities not categorized in any of the programs and include central services such as building operations, engineering, public works administration and support, and administration and financial services.

Business-Type Activities

Business-type activities decreased the City's net position by \$115,099. Business-type revenues totaled \$698,493 and consisted primarily of charges for services.

Charges for services, which totaled \$683,602, are comprised of water and system development charges. Business-type activities are self-supporting where revenues are expected to cover expenses.

Revenues for water are expected to be higher than the respective direct expenses because the revenues are generated not only for direct expenses but for acquisition of capital assets and principal payments on long-term debt (when applicable). Capital assets and principal payments on long-term debt are not reported as direct expenses but are reported as additions to assets and reductions to liabilities respectively on the Statement of Net Position.

FUND ANALYSIS

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

Governmental funds

The focus of the City of Jacksonville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Jacksonville'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 City of Jacksonville's governmental funds reported combined ending fund balances of \$4,655,378, an increase of \$965,216 in comparison with the prior year. Approximately 9 percent of this total ending fund balance amount constitutes *unreserved, undesignated fund balance* which is available for spending at the government's discretion. The remainder of fund balance is *committed, reserved or designated* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to generate income to pay for the perpetual care of the municipal cemetery, or 4) for a variety of other committed or restricted purposes.

The general fund is the chief operating fund of the City of Jacksonville. At the end of the current fiscal year, the total fund balance reached \$532,285. This total fund balance represents 53 percent of the total fiscal 2014 general fund expenditures.

The overall general fund balance is an increase of \$133,858 from the prior beginning balance which is the result of careful planning and spending.

In fiscal 2014, the City established a capital projects fund with the proceeds from the surplus of a tract of land out of the old 1800 acre watershed. The capital projects fund was established to work on a liability issue which will require removal of the dam and work on City owned historic properties. The remaining fund balance changes are the result of normal fund activity.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

Proprietary fund

The City of Jacksonville's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water enterprise operation at the end of the year amounted to \$524,978. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Jacksonville's business-type activities.

CAPITAL ASSETS

Governmental and business-type activities as of June 30, 2014, amounts to \$14,940,290 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment/ park facilities, roads/ highways, and bridges. The total increase in the City of Jacksonville's investment in capital assets for the current fiscal year was \$1,167,214. The majority of the increase can be attributed to a capital contribution associated with the First and Main Street project from the Oregon Department of Transportation.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 5,807,473	\$ 5,585,042	\$ 118,131	\$ 118,131	\$ 5,925,604	\$ 5,703,173
Construction in progress	28,130	17,850	-	-	28,130	17,850
Buildings	2,707,857	2,755,214	784,202	811,231	3,492,059	3,566,445
Machinery and equipment	137,556	145,652	14,724	22,604	152,280	168,256
Vehicles	95,130	125,944	1,900	4,181	97,030	130,125
Infrastructure	3,350,029	2,450,227	1,895,158	1,979,564	5,245,187	4,429,791
Total	<u>\$ 12,126,175</u>	<u>\$ 11,079,929</u>	<u>\$ 2,814,115</u>	<u>\$ 2,935,711</u>	<u>\$ 14,940,290</u>	<u>\$ 14,015,640</u>

Additional information on the City of Jacksonville's capital assets can be found in note 4 on pages 21 through 23 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Jacksonville had total bonded debt outstanding of \$2,531,789 (including the premium) which is debt backed by the full faith and credit of the government. The remainder of the City of Jacksonville's debt represents loans, leases, and contracts secured solely by specified revenue sources.

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
<u>Governmental-type Activities:</u>				
Series 2012 G.O. Bonds	\$ 2,480,000	\$ -	\$ (130,000)	\$ 2,350,000
Bank Loan (OTIB)	346,723	-	(111,072)	235,651
	<u>2,826,723</u>	<u>-</u>	<u>(241,072)</u>	<u>2,585,651</u>
Unamortized Premium	196,938	-	(15,149)	181,789
Total	<u>\$ 3,023,661</u>	<u>\$ -</u>	<u>\$ (256,221)</u>	<u>\$ 2,767,440</u>

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2014**

Additional information on the City of Jacksonville's long-term debt can be found in note 6 on pages 24 - 25 of this report.

Economic Factors and Next Year's Budget and Rates

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

The City's official population estimate as of July 1, 2014 was 2,840, reflecting no increase from the previous year. The assessed value of property in the City was \$386 million and \$369 million in 2014 and 2013, respectively. The increase in assessed value should provide an increase in property tax revenue in fiscal 2015.

Anticipated Highlights for the fiscal year 2014-2015 are ongoing work towards removal of the spillway and renovation of the courthouse. The base water rate was increased by \$12 with an additional \$1 increase per year over the next three years in order to build capital in the reserves to complete projects that are spelled out in the Water Master Plan. The Fire Protection Surcharge was increased by \$1 with an additional \$2 increase per year over the next two years in order to staff a 24/7 fire department.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JACKSONVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,674,807	\$ 537,758	\$ 5,212,565
Permanently restricted assets:			
Cash and cash equivalents	7,935	-	7,935
Total current assets:	<u>4,682,742</u>	<u>537,758</u>	<u>5,220,500</u>
Noncurrent assets:			
Capital assets (net of accumulated depreciation)			
Land	5,807,473	118,131	5,925,604
Construction in progress	28,130	-	28,130
Buildings	2,707,857	784,202	3,492,059
Machinery and equipment	137,556	14,724	152,280
Vehicles	95,130	1,900	97,030
Infrastructure	3,350,029	1,895,158	5,245,187
Total noncurrent assets	<u>12,126,175</u>	<u>2,814,115</u>	<u>14,940,290</u>
TOTAL ASSETS	<u>16,808,917</u>	<u>3,351,873</u>	<u>20,160,790</u>
LIABILITIES:			
Current liabilities:			
Customer deposits	-	12,780	12,780
Passthrough payable	27,364	-	27,364
Loans payable	115,515	-	115,515
Bonds payable	135,000	-	135,000
Total current liabilities	<u>277,879</u>	<u>12,780</u>	<u>290,659</u>
Noncurrent liabilities:			
Loans payable	120,136	-	120,136
Bonds payable, net of unamortized premium	2,396,789	-	2,396,789
Total noncurrent liabilities	<u>2,516,925</u>	<u>-</u>	<u>2,516,925</u>
TOTAL LIABILITIES	<u>2,794,804</u>	<u>12,780</u>	<u>2,807,584</u>
NET POSITION:			
Net investment in capital assets	9,358,735	2,814,115	12,172,850
Restricted for:			
Systems development	923,045	-	923,045
Debt service	269,502	-	269,502
Perpetual care:			
Expendable	317,246	-	317,246
Nonexpendable	7,935	-	7,935
Unrestricted	3,137,650	524,978	3,662,628
TOTAL NET POSITION	<u>\$ 14,014,113</u>	<u>\$ 3,339,093</u>	<u>\$ 17,353,206</u>

**CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government							
General government	\$ 785,627	\$ 753,881	\$ 275	\$ -	\$ (31,471)	\$ -	\$ (31,471)
Public safety	1,255,593	522,250	-	-	(733,343)	-	(733,343)
Highways and streets	638,022	311,748	-	1,004,535	678,261	-	678,261
Recreation	286,701	67,551	6,832	-	(212,318)	-	(212,318)
Interest on long-term debt	83,300	-	-	-	(83,300)	-	(83,300)
Total government activities	<u>3,049,243</u>	<u>1,655,430</u>	<u>7,107</u>	<u>1,004,535</u>	<u>(382,171)</u>	<u>-</u>	<u>(382,171)</u>
Business-type activities:							
Water	813,592	683,602	-	-	-	(129,990)	(129,990)
Total business-type activities	<u>813,592</u>	<u>683,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,990)</u>	<u>(129,990)</u>
Total Common City	<u>\$ 3,862,835</u>	<u>\$ 2,339,032</u>	<u>\$ 7,107</u>	<u>\$ 1,004,535</u>	<u>(382,171)</u>	<u>(129,990)</u>	<u>(512,161)</u>
General revenues:							
Property taxes levied for general purposes					878,623		878,623
Property taxes levied for debt service					212,850	-	212,850
Franchise taxes					282,897	-	282,897
Motor fuel taxes					162,415	-	162,415
Alcoholic beverage taxes					42,609	-	42,609
transient taxes					104,145	-	104,145
Entertainment taxes					68,071	-	68,071
Gain/(loss) on sale of assets					894,741	-	894,741
Unrestricted investment earnings					21,985	4,891	26,876
Total general revenues					<u>2,668,336</u>	<u>4,891</u>	<u>2,673,227</u>
Transfer to and from other funds					<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
CHANGE IN NET POSITION					<u>2,276,165</u>	<u>(115,099)</u>	<u>2,161,066</u>
Net position - June 30, 2013					<u>11,737,948</u>	<u>3,454,192</u>	<u>15,192,140</u>
Net position - June 30, 2014					<u>\$ 14,014,113</u>	<u>\$ 3,339,093</u>	<u>\$ 17,353,206</u>

FUND FINANCIAL STATEMENTS

**CITY OF JACKSONVILLE
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>	<u>Fire Protection Fund</u>	<u>Streets and Storm Drains Fund</u>	<u>Parks and Visitor Services Fund</u>	<u>Systems Development Fund</u>
ASSETS					
Cash and cash equivalents	\$ 526,926	\$ 296,377	\$ 702,244	\$ 396,197	\$ 923,045
Advances to other funds	269,507	127,681	109,553	25,484	-
Permanently restricted assets:					
Cash and cash equivalents	-	-	-	-	-
TOTAL ASSETS	<u>\$ 796,433</u>	<u>\$ 424,058</u>	<u>\$ 811,797</u>	<u>\$ 421,681</u>	<u>\$ 923,045</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Passthrough payable	\$ 1,430	\$ -	\$ 25,934	\$ -	\$ -
Advances from other funds	262,718	-	-	-	-
TOTAL LIABILITIES	<u>264,148</u>	<u>-</u>	<u>25,934</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Permanent fund	-	-	-	-	-
Restricted for:					
System development charges	-	-	-	-	923,045
Permanent - cemetery	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Fire safety	-	424,058	-	-	-
Streets and storm drains	-	-	785,863	-	-
Parks and visitor services	-	-	-	421,681	-
Capital project fund	-	-	-	-	-
Historic preservation	-	-	-	-	-
Unassigned:					
General fund	532,285	-	-	-	-
Urban renewal fund	-	-	-	-	-
TOTAL FUND BALANCES	<u>532,285</u>	<u>424,058</u>	<u>785,863</u>	<u>421,681</u>	<u>923,045</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 796,433</u>	<u>\$ 424,058</u>	<u>\$ 811,797</u>	<u>\$ 421,681</u>	<u>\$ 923,045</u>

Historic Preservation Fund	Urban Renewal Fund	Capital Project Fund	Debt Service Fund	Permanent Fund	Total
\$ 552,483	\$ 171,573	\$ 519,214	\$ 269,502	\$ 317,246	\$ 4,674,807
-	-	-	-	-	532,225
-	-	-	-	7,935	7,935
<u>\$ 552,483</u>	<u>\$ 171,573</u>	<u>\$ 519,214</u>	<u>\$ 269,502</u>	<u>\$ 325,181</u>	<u>\$ 5,214,967</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,364
-	269,507	-	-	-	532,225
-	269,507	-	-	-	559,589
-	-	-	-	7,935	7,935
-	-	-	-	-	923,045
-	-	-	-	317,246	317,246
-	-	-	269,502	-	269,502
-	-	-	-	-	424,058
-	-	-	-	-	785,863
-	-	-	-	-	421,681
-	-	519,214	-	-	519,214
552,483	-	-	-	-	552,483
-	-	-	-	-	532,285
-	(97,934)	-	-	-	(97,934)
<u>552,483</u>	<u>(97,934)</u>	<u>519,214</u>	<u>269,502</u>	<u>325,181</u>	<u>4,655,378</u>
<u>\$ 552,483</u>	<u>\$ 171,573</u>	<u>\$ 519,214</u>	<u>\$ 269,502</u>	<u>\$ 325,181</u>	<u>\$ 5,214,967</u>

**CITY OF JACKSONVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
JUNE 30, 2014**

TOTAL FUND BALANCES		\$ 4,655,378
Capital assets and contributed capital assets are not financial resources therefore are not reported in the governmental funds:		
Cost	\$ 18,473,251	
Accumulated depreciation	<u>(6,347,076)</u>	12,126,175
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.		
These liabilities consist of:		
Bonds payable		(2,531,789)
Loans payable		<u>(235,651)</u>
TOTAL NET POSITION		<u><u>\$ 14,014,113</u></u>

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Fire Protection Fund	Street and Storm Drains Fund	Parks and Visitor Services Fund	Systems Development Fund
REVENUES					
Taxes	\$ 618,718	\$ -	\$ -	\$ 172,216	\$ -
Intergovernmental	71,533	-	162,416	-	-
Licenses, fees, and permits	342,807	-	5,443	50,382	266,282
Franchise fees	49,544	-	184,625	48,770	-
Charges for services	5,717	501,090	-	-	-
Fines and forfeits	40,938	-	-	-	-
Investment income	1,782	6,337	5,339	1,666	6,225
Passthrough payments	-	-	304,439	-	-
Miscellaneous revenues	12,295	21,160	1,865	17,127	-
TOTAL REVENUES	1,143,334	528,587	664,127	290,161	272,507
EXPENDITURES					
Current					
General government	959,266	-	-	-	-
Public safety	-	519,446	-	-	-
Highways and streets	-	-	285,291	-	-
Recreation	-	-	-	261,668	-
Debt Service					
Principal	-	-	-	-	-
Interest	8,005	-	-	-	-
Capital outlay					
General government	32,205	-	-	-	108,148
Public safety	-	26,686	-	-	-
Highways and streets	-	-	6,975	-	-
Recreation	-	-	-	7,236	-
Passthrough payments	-	-	309,178	-	-
TOTAL EXPENDITURES	999,476	546,132	601,444	268,904	108,148
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	(10,000)	-	-	-	-
Proceeds from land swap	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	-	-	-	-
NET CHANGE IN FUND BALANCE	133,858	(17,545)	62,683	21,257	164,359
FUND BALANCE, July 1, 2013	398,427	441,603	723,180	400,424	758,686
FUND BALANCE, June 30, 2014	\$ 532,285	\$ 424,058	\$ 785,863	\$ 421,681	\$ 923,045

Historic Preservation Fund	Urban Renewal Fund	Project Fund	Debt Service Fund	Permanent Fund	Total
\$ -	\$ 259,905	\$ -	\$ 212,850	\$ -	\$ 1,263,689
6,832	-	-	-	-	240,781
-	-	-	-	-	664,914
-	-	-	-	-	282,939
-	-	-	-	58,300	565,107
-	-	-	-	-	40,938
3,470	2,949	-	667	1,556	29,991
-	-	-	-	-	304,439
-	-	-	-	75	52,522
<u>10,302</u>	<u>262,854</u>	<u>-</u>	<u>213,517</u>	<u>59,931</u>	<u>3,445,320</u>
59,877	40,454	161,396	-	26,641	1,247,634
-	-	-	-	-	519,446
-	-	-	-	-	285,291
-	-	-	-	-	261,668
-	106,801	-	130,450	-	237,251
-	18,141	-	82,850	-	108,996
-	-	-	-	-	140,353
-	-	-	-	-	26,686
-	-	-	-	-	6,975
-	-	-	-	-	7,236
-	-	-	-	-	309,178
<u>59,877</u>	<u>165,396</u>	<u>161,396</u>	<u>213,300</u>	<u>26,641</u>	<u>3,150,714</u>
-	-	-	-	-	(10,000)
-	-	680,610	-	-	680,610
-	-	680,610	-	-	670,610
(49,575)	97,458	519,214	217	33,290	965,216
602,058	(195,392)	-	269,285	291,891	3,690,162
<u>\$ 552,483</u>	<u>\$ (97,934)</u>	<u>\$ 519,214</u>	<u>\$ 269,502</u>	<u>\$ 325,181</u>	<u>\$ 4,655,378</u>

**CITY OF JACKSONVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE ARISING FROM CASH TRANSACTIONS OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2014**

NET CHANGE IN FUND BALANCE \$ 965,216

Amounts reported for governmental activities in the Statement of Activities are different because:

Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 395,390	
Less current year depreciation	<u>(353,679)</u>	41,711

The net effect of various miscellaneous transactions involving capital assets (in this case, donated infrastructure improvements (First and Main Street))		1,004,535
---	--	-----------

The City implemented GASB Statement 45, which required the City to record the net post employment benefit obligation, actuarially determined. The other post employment benefit liability is not reported in government funds.

Net post employment benefit obligation actuarially determined.		8,483
--	--	-------

Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Net Position, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term debt and related items

		<u>256,220</u>
--	--	----------------

CHANGE IN NET POSITION		<u><u>\$ 2,276,165</u></u>
-------------------------------	--	----------------------------

**CITY OF JACKSONVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2014**

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 537,758
Total current assets	<u>537,758</u>
Noncurrent assets:	
Land	118,131
Buildings, net	784,202
Machinery and equipment, net	14,724
Vehicles, net	1,900
Infrastructure, net	<u>1,895,158</u>
Total noncurrent assets	<u>2,814,115</u>
TOTAL ASSETS	<u>3,351,873</u>
LIABILITIES AND FUND BALANCES	
Current liabilities:	
Customer deposits	<u>12,780</u>
Total current liabilities	<u>12,780</u>
TOTAL LIABILITIES	<u>12,780</u>
Net Position:	
Net investment in capital assets	2,814,115
Unrestricted	<u>524,978</u>
TOTAL NET POSITION	<u>\$ 3,339,093</u>

**CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Water Fund</u>
OPERATING REVENUES	
Charges for services	\$ 672,974
Miscellaneous	<u>10,628</u>
TOTAL OPERATING REVENUES	<u>683,602</u>
OPERATING EXPENSES	
Personal services	329,081
Materials and services	362,914
Depreciation/Amortization	<u>121,597</u>
TOTAL OPERATING EXPENSES	<u>813,592</u>
OPERATING INCOME (LOSS)	<u>(129,990)</u>
NONOPERATING REVENUES (EXPENSES)	
Earnings on investments	<u>4,891</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>4,891</u>
INCOME (LOSS) BEFORE TRANSFERS	(125,099)
Transfers (to) from other funds	<u>10,000</u>
CHANGES IN NET POSITION	(115,099)
NET POSITION, July 1, 2013	<u>3,454,192</u>
NET POSITION, June 30, 2014	<u>\$ 3,339,093</u>

**CITY OF JACKSONVILLE
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 684,682
Payments to suppliers	(329,081)
Payments to employees	<u>(362,914)</u>
Net cash provided (used) by operating activities	<u>(7,313)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Interfund transfer from (to) other funds	<u>10,000</u>
Net cash provided (used) by capital and related financing activities	<u>10,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>4,891</u>
Net cash provided (used) by investing activities	<u>4,891</u>
Net increase (decrease) in cash and cash equivalents	7,578
Balances - beginning of the year	<u>530,180</u>
Balances - end of the year	<u>\$ 537,758</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (129,990)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation/amortization expense	121,597
Change in assets and liabilities:	
Customer deposits	<u>1,080</u>
Net cash provided (used) by operating activities	<u>\$ (7,313)</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

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

The more significant of the City's accounting policies are described below.

The Financial Reporting Entity

The City of Jacksonville, Oregon is a municipal corporation, incorporated in 1860. The City Council, composed of the Mayor and Council members, forms the legislative branch of the City government. Administration of the government is vested in the City Administrator.

The accompanying financial statements present the City and its blended component unit (Urban Renewal Agency), an entity for which the City is considered to be financially and operationally responsible for.

Blended Component Unit

The City has included the financial operations of its Urban Renewal Agency (the Agency) as a blended component unit in the basic financial statements. The Agency is a legally separate entity which is governed by a board comprised of the members of the City Council as stipulated by the Agency's bylaws. The City Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding for the Agency. The operational responsibility for the component unit rests with the management of the City. The City accounts for the Agency using a governmental fund (Urban Renewal Fund). This fund is considered a special revenue fund for financial reporting purposes.

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 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*.

In the government-wide statement of net position and statement of activities, governmental and business-like 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 City makes certain exceptions to short term assets and liabilities that result from cash transactions. For example, the City would accrue a current liability for pass-through cash that the City had yet to transfer as of June 30, 2014.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

The long-term items recorded by the City include; Capital Assets, and Long Term Debt.

The modified cash basis is a special-purpose framework other than GAAP. If the City 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.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The City uses funds 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. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary.

Governmental Funds

Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked monies (general, special revenue, capital project, and debt service funds).

The governmental fund financial statements are presented on the cash basis of accounting with certain exceptions associated with short-term assets and liabilities that result from cash transactions.

The cash basis is a special-purpose framework other than GAAP. If the City 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

The City considers all governmental funds of the City to be major. The following are the City's major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *fire protection fund* accounts for receipts from the utility surcharge. The funds are restricted for fire department purposes.
- The *street and storm drain fund* accounts for the expenditure of intergovernmental revenues, which are restricted for spending on street and storm drain repair.
- The *parks and visitor services fund* accounts for the receipts from entertainment and lodging taxes and intergovernmental revenues which are restricted for maintenance and operations of the government's park system.
- The *systems development fund* accounts for the receipt of systems development charges which are restricted for capital improvements.
- The *historic preservation fund* accounts for the receipt of donations which are restricted for historic preservation projects.
- The *urban renewal fund* accounts for receipts from property tax increment for its specified area. The funds are restricted for maintenance and capital improvements.
- The *capital projects fund* accounts for the resources and expenditures needed to finance the building or acquisition of capital facilities that are nonrecurring major expenditure items.
- The *debt service fund* accounts for receipts from property tax levies which are restricted for the repayment of bonded debt.
- The *permanent fund* accounts for expansion, operation and maintenance of the government's cemetery.

Proprietary/Enterprise Fund

Proprietary funds account for the acquisition, operation and maintenance of the City facilities and services which are entirely self-supported through charges to customers. The City's only proprietary fund is the water fund.

The proprietary fund financial statement is presented on the 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 City makes certain exceptions to short term assets and liabilities that result from cash transactions. The long-term items recorded by the City include; capital assets and deposits.

The modified cash basis is a special-purpose framework other than GAAP. If the City utilized GAAP, the proprietary fund 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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

The City considers the water fund to be a major fund. The *water fund* accounts for the expansion, operation and maintenance of the government's water supply system.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and cash equivalents

The government'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 government are reported at fair value as a component of cash and cash equivalents. The government 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 government's share of fair value is the same as the reported value. The government's investment portfolio as of June 30, 2014 is representative of the types of investments made throughout the year.

Interfund receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Restricted assets

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

The government 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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government 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 government 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.

In the case of the initial capitalization of general infrastructure assets, (i.e., those reported by the governmental activities) the government chose to include all such items regardless of the acquisition date or amount. The government was able to estimate historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). As the government 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 government values these assets at the estimated fair value of the item at the date of its donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed when the project is funded by bonds. The government had no capitalized interest during the year.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Public domain infrastructure	12-40
Vehicles	3-15
Equipment	5-20

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is recognized when paid in the government-wide and fund financial statements. When leave is taken, the employee is paid 100% of the earned amount. When an employee leaves the government's employment, vacation and sick leave is paid to a maximum of 80 hours if the employee has been employed less than five years and 120 hours thereafter. Comparable time off is accrued at the rate of time and one-half for all overtime hours worked but is not paid and is accumulated to a total of 24 hours. All time over 24 hours must be paid in full when earned.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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, 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.

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.

Net Position and Fund Balances

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

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources related to 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 and deferred inflows or resources related to the restricted assets.

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 City.

In the fund financial statements, governmental fund equity is classified in the flowing categories:

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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

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.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

The government 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 government 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 the fund accounting to a cash basis are noted on the budget to actual statements included in the supplementary information.

Excess of expenditures over appropriations

For the year ended June 30, 2014, over-expenditures occurred at the level of control established by appropriation resolutions as follows:

<u>Budgetary Fund</u>	<u>Materials and Services</u>	<u>Debt Service</u>	<u>Passthrough Payments</u>
Fire Protection Fund	\$ 12,163	\$ -	\$ -
Street and Storm Drains Fund	-	-	24,178
Debt Service Fund	-	450	-
Water Fund	863	-	-

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 2 – Stewardship, Compliance, and Accountability (continued)

Deficit fund equity

The Urban Renewal Fund had a deficit fund balance of \$(97,934) as of June 30, 2014.

Note 3 – Deposits and Cash Equivalents

Cash and cash equivalents are comprised of the following at June 30, 2014:

Demand deposits	\$ 377,181
Investments-LGIP	4,843,319
	<u>\$ 5,220,500</u>

Cash and cash equivalents are reflected on the Statement of Net Assets as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	<u>\$ 4,682,742</u>	<u>\$ 537,758</u>	<u>\$ 5,220,500</u>

Credit Risk – Deposits

At year end, the book balance of the government's bank deposits was \$376,761 and the bank balance was \$516,034. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes. The government has not adopted a policy for credit risk beyond those required by ORS 295.

Custodial Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager.

When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the government. This does not constitute full collateral of deposits, but meets Oregon legal requirements. The government has not adopted a policy for custodial risk.

Interest rate risk – Investments

The government does not have a policy regarding interest rate risk. The government's investment portfolio consisted of investments in the LGIP and long term certificates of deposits.

<u>Investment Type</u>	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Fair Value</u>
Local Government Investment Pool	1 day	100%	<u>\$ 4,843,319</u>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 3 – Deposits and Investments (continued)

Credit risk – Investments

Oregon Revised Statutes, Chapter 294, authorize the government 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 government has not adopted a policy for credit risk beyond those required by ORS Chapter 294.

Concentration of credit risk – Investments

The government 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 government 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 government has not adopted a policy for custodial risk.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities:	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 5,585,042	\$ 222,431	\$ -	\$ 5,807,473
Construction in progress	17,850	10,280	-	28,130
Total capital assets not being depreciated	<u>5,602,892</u>	<u>232,711</u>	<u>-</u>	<u>5,835,603</u>
Capital assets being depreciated:				
Buildings and improvements	3,185,742	15,998	-	3,201,740
Machinery and equipment	620,275	40,878	-	661,153
Vehicles	543,610	5,732	-	549,342
Infrastructure	<u>7,120,807</u>	<u>1,104,606</u>	<u>-</u>	<u>8,225,413</u>
Total capital assets being depreciated	<u>11,470,434</u>	<u>1,167,214</u>	<u>-</u>	<u>12,637,648</u>
Less accumulated depreciation for:				
Buildings and improvements	(430,528)	(63,355)	-	(493,883)
Machinery and equipment	(474,623)	(48,974)	-	(523,597)
Vehicles	(417,664)	(36,548)	-	(454,212)
Infrastructure	<u>(4,670,582)</u>	<u>(204,802)</u>	<u>-</u>	<u>(4,875,384)</u>
Total accumulated depreciation	<u>(5,993,397)</u>	<u>(353,679)</u>	<u>-</u>	<u>(6,347,076)</u>
Total capital assets being depreciated, net	<u>5,477,037</u>	<u>813,535</u>	<u>-</u>	<u>6,290,572</u>
Total capital assets, governmental activities, net	<u>\$ 11,079,929</u>	<u>\$ 1,046,246</u>	<u>\$ -</u>	<u>\$ 12,126,175</u>

During the fiscal year the City received donated capital assets from the Oregon Department of Transportation related to the First and Main Street project in the amount of \$1,004,535. In addition, the City completed a land swap with the Motorcycle Riding Association (MRA), which generated a gain of \$894,741.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 4 – Capital Assets (continued)

Business-type Activities:	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 118,131	\$ -	\$ -	\$ 118,131
 Total capital assets not being depreciated	 118,131	 -	 -	 118,131
 Capital assets being depreciated:				
Buildings and improvements	1,351,469	-	-	1,351,469
Machinery and equipment	169,386	-	-	169,386
Vehicles	99,276	-	-	99,276
Infrastructure	4,187,243	-	-	4,187,243
 Total capital assets being depreciated	 5,807,374	 -	 -	 5,807,374
 Less accumulated depreciation for:				
Buildings and improvements	(540,238)	(27,029)	-	(567,267)
Machinery and equipment	(146,782)	(7,880)	-	(154,662)
Vehicles	(95,095)	(2,281)	-	(97,376)
Infrastructure	(2,207,679)	(84,406)	-	(2,292,085)
 Total accumulated depreciation	 (2,989,794)	 (121,596)	 -	 (3,111,390)
 Total capital assets being depreciated, net	 2,817,580	 (121,596)	 -	 2,695,984
 Total capital assets, business-type activities, net	 <u>\$ 2,935,711</u>	 <u>\$ (121,596)</u>	 <u>\$ -</u>	 <u>\$ 2,814,115</u>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 4 – Capital Assets (continued)

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities:

<u>Program</u>	
General government	\$ 112,661
Public safety	186,643
Highways and streets, including depreciation of general infrastructure assets	36,578
Recreation	<u>17,797</u>
Total:	<u>\$ 353,679</u>

Business-type Activities

<u>Program</u>	
Water department	<u>\$ 121,596</u>
Total	<u>\$ 121,596</u>

Note 5 – Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2014, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental-Type Activities:		
General Fund	Urban Renewal Fund	\$ 269,507
Parks Fund	General Fund	25,484
Fire Protection Fund	General Fund	127,681
Streets and Storm Drains Fund	General Fund	<u>109,553</u>
Total		<u>\$ 532,225</u>

The amount payable to the General Fund relates to a working capital loan made to the Urban Renewal Fund for capital projects. \$25,000 of the balance is expected to be collected in the subsequent year.

The amounts payable to the Parks Fund, Fire Protection Fund, and the Streets and Storm Drains Fund relate to working capital loan made to the General Fund for the purchase of property to be utilized as a police station. The balance of \$262,718 is expected to be collected in the subsequent year.

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, and 4) move amounts from various departments to reserve accounts to fund budgeted reserves.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 5 – Receivables, Payables and Transfers (continued)

Interfund transfers during the year ended June 30, 2014 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental-Type Activities:		
General Fund	\$ -	\$ 10,000
Fire Protection Fund	10,000	10,000
Total Governmental-Type Activities	<u>10,000</u>	<u>20,000</u>
Business-Type Activities:		
Water Fund	10,000	-
Total Transfers	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The City made a transfer from General Fund to the Fire Protection Fund to the General Fund for operating expenses. The City made a transfer from the Fire Protection Fund in Governmental-Type activities to the Water Fund in Business-Type Activities for collection services.

Note 6 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Governmental Activities</u>				
Series 2012 G.O. Bonds	\$ 2,480,000	\$ -	\$ (130,000)	\$ 2,350,000
Bank Loan (OTIB)	346,723	-	(111,072)	235,651
Total Governmental Activities	\$ 2,826,723	\$ -	\$ (241,072)	\$ 2,585,651
Unamortized Premium/(Discount)	196,938	-	(15,149)	181,789
Total Governmental Activities	<u>\$ 3,023,661</u>	<u>\$ -</u>	<u>\$ (256,221)</u>	<u>\$ 2,767,440</u>

Business Loan (OTIB)

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 6 – Long-Term Liabilities (continued)

Business Loan (OTIB) (continued)

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

Year Ending June 30,	Principal	Interest	Total
2015	\$ 115,515	\$ 9,426	\$ 124,941
2016	120,136	4,805	124,941
	<u>\$ 235,651</u>	<u>\$ 14,231</u>	<u>\$ 249,882</u>

Series 2012 G.O. Bonds

On May 8, 2012, the City issued Series 2012 General Obligation Refunding Bonds in the amount of \$2,595,000 bearing an interest rate of 2% to 4%. The Bonds were issued to refinance certain outstanding general obligation bonds that financed capital construction and improvements to the City's water system. Interest payments are required semi-annually on June 15 and December 15, with principal payments required June 15 of each year until 2026. The debt service on these bonds is paid by the Debt Service Fund. The Bonds are general obligations of the City. The full faith and credit and taxing powers of the City are pledged to the successive owners of each of the Bonds.

The Bonds were issued at a premium of \$212,087.

The Bonds maturing in years 2013 through 2022, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on June 15, 2023 and on any date thereafter are subject to redemption at the option of the City prior to their stated maturity dates at any time on or after June 15, 2022, as a whole or in part, and if in parts, with maturities to be selected by the City at a price of par, plus accrued interest, if any, to the date of redemption.

Annual debt service requirement associated with the 2012 Series G.O. Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 135,000	\$ 80,750	\$ 215,750
2016	145,000	77,550	222,550
2017	155,000	74,650	229,650
2018	165,000	71,550	236,550
2019	175,000	68,250	243,250
2020-2024	1,105,000	233,000	1,338,000
2025-2026	470,000	26,800	496,800
	<u>\$ 2,350,000</u>	<u>\$ 632,550</u>	<u>\$ 2,982,550</u>

Note 7 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 7 – Contingent Liabilities (continued)

There are currently labor agreements in effect between the government and its employees. The agreement with Teamsters Local Union No. 223, International Brotherhood of Teamsters, of Portland, Oregon was in effect from May 1, 2012 through December 31, 2014.

Note 8 – Defined Benefit Pension Plan (OPERS)

Plan Description

The City contributes to two plans administered by the State of Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan.

The Oregon Public Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portions of the plan applies to qualifying City employees hired after August 20, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. As of January 1, 2004, all PERS members' contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publically available financial report that includes financial statements and required supplementary information. The financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377, or by accessing the PERS website at www.pers.state.or.us.

Funding Policy and Annual Pension Cost

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The employer is allowed to pay any or all of the employees' contribution in addition to the required employer's contribution. The City is required by ORS 235.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPERF rate in effect was 14.32 for the year ended June 30, 2014. The OPSRP rate in effect was 13.94% for general service employees and 16.67% for police employees for the year ended June 30, 2014. The City participates in the state and local government rate pool.

The City's annual pension cost for the years ending June 30, 2014, 2013, and 2012, were \$85,326, \$95,353, and \$105,084 respectively, which equaled the required contribution for the year.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 8 – Defined Benefit Pension Plan (OPERS) (continued)

Funding Policy and Annual Pension Cost (continued)

The required contribution was determined as part of the actuarial valuation at December 31, 2012, using the projected unit credit actuarial cost method. The fair market value method is used to determine the actuarial value for the plan's assets. Significant actuarial assumptions used in the valuation include: (i) consumer price inflation of 2.75% per year, (ii) healthcare cost inflation assumed at 8% in 2008, then decreasing to 5.0% in 2013, (iii) a rate of return on the future investment earnings of the assets of the member's regular accounts are assumed to accrue at an annual rate of 8.0% compounded annually; (iv) a rate of return on the future investment earnings of the members' variable accounts are assumed to accrue at an annual rate of 8.0% compounded annually; (v) projected annual rate of wage inflation of 3.75%, compounded annually, excluding merit or longevity increases; (vi) unfunded actuarial liability is amortized on a level percentage of combined annual payroll on a closed group fixed term bases over twenty years.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

Note 9 – Defined Contribution Plan

Plan Description

The government offers its employees a tax deferred retirement plan established pursuant to Section 457 of the Internal Revenue Service Code (the Code).

Funding Policy

Contributions are made through salary reductions from participating employees up to amounts specified in the Code. The government does not make a matching contribution to the plan and the plan assets are not included in the financial statements of the government. During the year ended June 30, 2014, employees elected to contribute \$2,450 to the plan.

Note 10 – Other Post-Employment Benefits (OPEB)

City HealthCare Plan

Plan Description

As required by ORS 243.303, the City provides retirees group health insurance from the date of retirement to the age of 65 when retirees and spouses typically become eligible for Medicare. The City, however, does not pay directly for any portion of its retirees' health care or life insurance coverages. The City's defined benefit postemployment healthcare plan is administered by William C. Earhart (WCE) agent multiple-employer healthcare provider. The City does not issue a standalone report for this plan.

The City implemented GASB 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension prospectively beginning in fiscal year June 30, 2009. The City has determined the implicit unfunded liability that results from this health care plan is immaterial to the financial position of the City.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 10 – Other Post-Employment Benefits (OPEB) (continued)

Retirement Health Insurance Account Plan

Plan Description

The City contributes to the Oregon Public Employees Retirement Systems (OPERS) Retiree Health Insurance Account (RHIA), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the Oregon Public Employees Retirement Board (OPERB). RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. The plan, which was established under Oregon Revised Statutes 238.420, provides a payment of up to \$60 per month towards the costs of health insurance for eligible PERS retirees. RHIA post-employment benefits are set by state statute. A comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700 or by accessing the PERS website at www.oregon.gov/PERS/.

Funding Policy

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OEPRB, currently 0.37% of annual covered payroll for Tier 1/Tier 2, and 0.26% for OPSRP. The OPERB sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize an unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to PERS' RHIA for the year ended June 30, 2014, was \$4,103, which equaled the required contributions for the year.

Note 11 – Risk Management

The government 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 government carries commercial insurance. The government has not elected to self-insure for any of these risks, except for the deductible portions of the commercial insurance.

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 12 – Concentrations of Risk

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 13 – Current Vulnerability Due to Certain Concentrations

The City'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 14 – Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2014, through November 21, 2014, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. The following event and transaction occurred after June 30, 2014 through the date the financial statements were available for issuance.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2014

Note 14 – Subsequent Events (continued)

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

On August 15, 2014, the City and the Jacksonville Urban Renewal Agency, Oregon (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.

SUPPLEMENTARY INFORMATION

Reconciliation of budgetary revenues and expenditures to changes in net position, general fund and governmental funds.

MAJOR GOVERNMENTAL FUNDS

These funds account for the City's collection and disbursement of earmarked monies.

General Fund (General Fund) – This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Protection Fund – This fund accounts for costs receipts from the utility surcharge. The funds are restricted for fire department purposes.

Street and Storm Drain Fund – This fund accounts for the expenditure of intergovernmental revenues, which are restricted for spending on street and storm drain repair.

Parks and Visitor Services Fund – This fund accounts for funds receipts from entertainment and lodging taxes and governmental revenues which are restricted for maintenance and operations of the government's park system.

System Development Fund – This fund accounts for the receipt of systems development charges which are restricted for capital improvements.

Historic Preservation Fund – This fund accounts for the receipt of donations which are restricted for historic preservation projects.

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

Capital Project Fund – This fund accounts for the resources and expenditures needed to finance the building or acquisition of capital facilities that are nonrecurring major expenditure items.

Debt Service Fund – This fund accounts for receipts from property tax levies which are restricted repayment of bonded debt.

Permanent Fund – This accounts expansion, operation and maintenance of the government's cemetery.

MAJOR ENTERPRISE FUNDS

These funds account for activities supported by user charges and where the emphasis is on change in working capital.

Water Fund – This fund accounts for operating the City's water system and distribution and treatment facility. Principal sources of revenue are user fees and earnings on investments.

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 616,018	\$ 616,018	\$ 618,718	\$ 2,700
Franchise fees	63,879	63,879	49,544	(14,335)
Licenses and permits	164,925	164,925	342,807	177,882
Fines and forfeitures	55,150	55,150	40,938	(14,212)
Charges for services	6,000	6,000	5,717	(283)
Intergovernmental	70,275	70,275	71,533	1,258
Earnings on investments	1,632	1,632	1,782	150
Miscellaneous	11,100	11,100	12,295	1,195
TOTAL REVENUES	988,979	988,979	1,143,334	154,355
EXPENDITURES				
Current				
Personal services	633,328	633,328	572,952	60,376
Materials and services	396,439	396,439	386,314	10,125
Debt service (interfund loan)	14,616	14,616	14,597	19
Capital outlay	105,000	105,000	32,205	72,795
TOTAL EXPENDITURES	1,149,383	1,149,383	1,006,068	143,315
OTHER FINANCING SOURCES (USES):				
Proceeds from interfund loan	25,000	25,000	25,000	-
Transfers In (out)	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(145,404)	(145,404)	152,266	297,670
FUND BALANCE, July 1, 2013	265,350	265,350	398,427	133,077
FUND BALANCE, June 30, 2014	\$ 119,946	\$ 119,946	550,693	\$ 430,747
Reconciliation				
Principle receipts on interfund loan, net			(18,408)	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			\$ 532,285	

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
FIRE PROTECTION FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 461,000	\$ 461,000	\$ 501,090	\$ 40,090
Investment income	10,090	10,090	6,337	(3,753)
Miscellaneous revenues	200	200	21,160	20,960
TOTAL REVENUES	471,290	471,290	528,587	57,297
EXPENDITURES				
Current				
Maintenance				
Personal services	404,433	404,433	363,249	41,184
Materials and services	144,034	144,034	156,197	(12,163)
Capital outlay	75,000	75,000	26,686	48,314
TOTAL EXPENDITURES	623,467	623,467	546,132	77,335
OTHER FINANCING SOURCES (USES):				
Proceeds from interfund loan	-	-	3,295	3,295
TOTAL OTHER FINANCING SOURCES (USES)	-	-	3,295	3,295
NET CHANGE IN FUND BALANCE	(152,177)	(152,177)	(14,250)	137,927
FUND BALANCE, July 1, 2013	241,253	241,253	441,603	200,350
FUND BALANCE, June 30, 2014	\$ 89,076	\$ 89,076	427,353	\$ 338,277
Reconciliation				
Principle receipts on interfund loan			(3,295)	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			\$ 424,058	

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
STREET AND STORM DRAINS FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Intergovernmental	\$ 167,255	\$ 167,255	\$ 162,416	\$ (4,839)
Licenses, fees and permits	5,000	5,000	5,443	443
Franchise fees	141,861	141,861	184,625	42,764
Investment income	1,600	1,600	5,339	3,739
Passthrough payments	285,000	285,000	304,439	19,439
Miscellaneous revenues	1,000	1,000	1,865	865
TOTAL REVENUES	601,716	601,716	664,127	62,411
EXPENDITURES				
Current				
Maintenance				
Personal services	156,134	156,134	145,231	10,903
Materials and services	172,614	172,614	140,060	32,554
Capital outlay	395,000	395,000	6,975	388,025
Passthrough projects	285,000	285,000	309,178	(24,178)
TOTAL EXPENDITURES	1,008,748	1,008,748	601,444	407,304
OTHER FINANCING SOURCES (USES):				
Proceeds from interfund loan	-	-	2,704	2,704
TOTAL OTHER FINANCING SOURCES (USES)	-	-	2,704	2,704
NET CHANGE IN FUND BALANCE	(407,032)	(407,032)	65,387	410,873
FUND BALANCE, July 1, 2013	566,700	566,700	723,180	156,480
FUND BALANCE, June 30, 2014	\$ 159,668	\$ 159,668	788,567	\$ 628,899
Reconciliation				
Principle receipts on interfund loan			(2,704)	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			\$ 785,863	

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
PARKS AND VISITOR SERVICES FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 160,555	\$ 160,555	\$ 172,216	\$ 11,661
Licenses, fees and permits	43,580	43,580	50,382	6,802
Franchise fees	54,372	54,372	48,770	(5,602)
Investment income	2,230	2,230	1,666	(564)
Miscellaneous revenues	3,500	3,500	17,127	13,627
TOTAL REVENUES	264,237	264,237	290,161	25,924
EXPENDITURES				
Current				
Maintenance				
Personal services	113,917	113,917	94,299	19,618
Materials and services	192,226	192,226	167,369	24,857
Capital outlay	146,600	146,600	7,236	139,364
TOTAL EXPENDITURES	452,743	452,743	268,904	183,839
OTHER FINANCING SOURCES (USES):				
Proceeds from interfund loan	-	-	593	593
TOTAL OTHER FINANCING SOURCES (USES)	-	-	593	593
NET CHANGE IN FUND BALANCE	(188,506)	(188,506)	21,850	210,356
FUND BALANCE, July 1, 2013	283,835	283,835	400,424	116,589
FUND BALANCE, June 30, 2014	\$ 95,329	\$ 95,329	422,274	\$ 326,945
Reconciliation				
Principle receipts on interfund loan			(593)	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			\$ 421,681	

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
SYSTEMS DEVELOPMENT FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Licenses, fees and permits	\$ 61,229	\$ 61,229	\$ 266,282	\$ 205,053
Investment income	4,550	4,550	6,225	1,675
TOTAL REVENUES	<u>65,779</u>	<u>65,779</u>	<u>272,507</u>	<u>206,728</u>
EXPENDITURES				
Current				
Maintenance				
Materials and services	13,000	13,000	-	13,000
Capital outlay	694,955	694,955	108,148	586,807
TOTAL EXPENDITURES	<u>707,955</u>	<u>707,955</u>	<u>108,148</u>	<u>599,807</u>
NET CHANGE IN FUND BALANCE	(642,176)	(642,176)	164,359	806,535
FUND BALANCE, July 1, 2013	<u>642,176</u>	<u>642,176</u>	<u>758,686</u>	<u>116,510</u>
FUND BALANCE, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 923,045</u>	<u>\$ 923,045</u>

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
HISTORIC PRESERVATION FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 14,000	\$ 14,000	\$ 6,832	\$ (7,168)
Earnings on investments	2,000	2,000	3,470	1,470
TOTAL REVENUES	<u>16,000</u>	<u>16,000</u>	<u>10,302</u>	<u>(5,698)</u>
EXPENDITURES				
Current				
Collection and treatment				
Personal services	19,196	19,196	18,209	987
Materials and services	484,000	484,000	41,668	442,332
TOTAL EXPENDITURES	<u>503,196</u>	<u>503,196</u>	<u>59,877</u>	<u>443,319</u>
NET CHANGE IN FUND BALANCE	(487,196)	(487,196)	(49,575)	437,621
FUND BALANCE, July 1, 2013	<u>568,926</u>	<u>568,926</u>	<u>602,058</u>	<u>33,132</u>
FUND BALANCE, June 30, 2014	<u>\$ 81,730</u>	<u>\$ 81,730</u>	<u>\$ 552,483</u>	<u>\$ 470,753</u>

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
URBAN RENEWAL FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 239,255	\$ 239,255	\$ 259,905	\$ 20,650
Earnings on investments	1,000	1,000	2,949	1,949
TOTAL REVENUES	<u>240,255</u>	<u>240,255</u>	<u>262,854</u>	<u>22,599</u>
EXPENDITURES				
Materials and services	40,454	40,454	40,454	-
Debt service	149,942	149,942	149,942	-
TOTAL EXPENDITURES	<u>190,396</u>	<u>190,396</u>	<u>190,396</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	49,859	49,859	72,458	22,599
FUND BALANCE, July 1, 2013	<u>115,841</u>	<u>115,841</u>	<u>(195,392)</u>	<u>(311,233)</u>
FUND BALANCE, June 30, 2014	<u>\$ 165,700</u>	<u>\$ 165,700</u>	<u>(122,934)</u>	<u>\$ (288,634)</u>
Reconciliation				
Repayment of interfund loan			<u>25,000</u>	
FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)			<u>\$ (97,934)</u>	

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Adopted</u>	<u>Final</u>		
EXPENDITURES				
Current				
Projects				
Materials and services	\$ 200,000	\$ 200,000	\$ 161,396	\$ 38,604
Capital outlay	150,000	150,000	-	150,000
Debt service	270,000	270,000	-	270,000
TOTAL EXPENDITURES	<u>620,000</u>	<u>620,000</u>	<u>161,396</u>	<u>458,604</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from land swap	680,000	680,000	680,610	610
TOTAL OTHER FINANCING SOURCES	<u>680,000</u>	<u>680,000</u>	<u>680,610</u>	<u>610</u>
NET CHANGE IN FUND BALANCE	<u>60,000</u>	<u>60,000</u>	<u>519,214</u>	<u>459,214</u>
FUND BALANCE, July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, June 30, 2014	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 519,214</u>	<u>\$ 459,214</u>

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Taxes	\$ 212,850	\$ 212,850	\$ 212,850	\$ -
Earnings on investments	750	750	667	(83)
TOTAL REVENUES	<u>213,600</u>	<u>213,600</u>	<u>213,517</u>	<u>(83)</u>
EXPENDITURES				
Debt service	<u>212,850</u>	<u>212,850</u>	<u>213,300</u>	<u>(450)</u>
TOTAL EXPENDITURES	<u>212,850</u>	<u>212,850</u>	<u>213,300</u>	<u>(450)</u>
NET CHANGE IN FUND BALANCE	750	750	217	(533)
FUND BALANCE, July 1, 2013	<u>269,496</u>	<u>269,496</u>	<u>269,285</u>	<u>(211)</u>
FUND BALANCE, June 30, 2014	<u>\$ 270,246</u>	<u>\$ 270,246</u>	<u>\$ 269,502</u>	<u>\$ (744)</u>

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
PERMANENT FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for services	\$ 27,500	\$ 27,500	\$ 58,300	\$ 30,800
Earnings on investments	1,200	1,200	1,556	356
Miscellaneous revenues	500	500	75	(425)
TOTAL REVENUES	<u>29,200</u>	<u>29,200</u>	<u>59,931</u>	<u>30,731</u>
EXPENDITURES				
Personal services	24,649	24,649	14,832	9,817
Materials and services	13,450	13,450	11,809	1,641
Capital outlay	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>43,099</u>	<u>43,099</u>	<u>26,641</u>	<u>16,458</u>
NET CHANGE IN FUND BALANCE	(13,899)	(13,899)	33,290	47,189
FUND BALANCE, July 1, 2013	<u>273,531</u>	<u>273,531</u>	<u>291,891</u>	<u>18,360</u>
FUND BALANCE, June 30, 2014	<u>\$ 259,632</u>	<u>\$ 259,632</u>	<u>\$ 325,181</u>	<u>\$ 65,549</u>

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
WATER FUND
FISCAL YEAR ENDED JUNE 30, 2014**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES				
Charges for services	\$ 641,000	\$ 641,000	\$ 672,974	\$ 31,974
Investment income	4,000	4,000	4,891	891
Passthrough payments	25,000	25,000	10,578	(14,422)
Miscellaneous	3,000	3,000	50	(2,950)
TOTAL REVENUES	673,000	673,000	688,493	15,493
EXPENDITURES				
Current				
Collection and treatment				
Personal services	342,283	342,283	317,855	24,428
Materials and services	362,051	362,051	362,914	(863)
Capital outlay	331,000	331,000	-	331,000
Passthrough projects	25,000	25,000	11,226	13,774
TOTAL EXPENDITURES	1,060,334	1,060,334	691,995	368,339
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	10,000	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	10,000	-
NET CHANGE IN WORKING CAPITAL	(377,334)	(377,334)	6,498	383,832
WORKING CAPITAL, July 1, 2013	458,317	458,317	518,480	60,163
WORKING CAPITAL, June 30, 2014	\$ 80,983	\$ 80,983	524,978	\$ 443,995
Add (deduct) adjustments to budgetary basis working capital to reconcile ending net position.				
Non-current assets			2,814,115	
ENDING NET POSITION			\$ 3,339,093	

OTHER FINANCIAL SCHEDULES

**CITY OF JACKSONVILLE
SCHEDULE OF PROPERTY TAX TRANSACTIONS
FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Tax Year</u>	<u>Uncollected July 1, 2013</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts & Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2014</u>
<u>GENERAL FUND</u>							
CURRENT	2013-14	\$	\$ 609,798	\$ (16,818)	\$ 146	\$ 569,784	\$ 23,342
PRIOR	2012-13	21,977		(126)	574	11,483	10,942
	2011-12	11,548		(47)	703	5,631	6,573
	2010-11	5,881		(31)	653	3,516	2,989
	2009-10	2,657		(104)	503	2,171	885
	2008-09	989		(92)	149	454	592
	Prior	2,769		(621)	312	834	1,626
Total Prior		45,821	-	(1,021)	2,894	24,089	23,607
TOTAL GENERAL FUND		<u>\$ 45,821</u>	<u>\$ 609,798</u>	<u>\$ (17,839)</u>	<u>\$ 3,040</u>	<u>\$ 593,873</u>	<u>\$ 46,949</u>
<u>DEBT FUND</u>							
CURRENT	2013-14	\$	\$ 237,143	\$ (6,540)	\$ 57	\$ 221,583	\$ 9,077
PRIOR	2012-13	8,546		(49)	223	4,466	4,254
	2011-12	4,491		(18)	274	2,190	2,557
	2010-11	2,287		(12)	254	1,367	1,164
	2009-10	1,033		(41)	195	844	343
	2008-09	384		(36)	58	176	230
	Prior	1,077		(242)	121	325	631
Total Prior		17,818	-	(398)	1,125	9,368	9,179
TOTAL DEBT FUND		<u>\$ 17,818</u>	<u>\$ 237,143</u>	<u>\$ (6,938)</u>	<u>\$ 1,182</u>	<u>\$ 230,951</u>	<u>\$ 18,256</u>
<u>URBAN RENEWAL FUND</u>							
CURRENT	2013-14	\$	\$ 266,561	\$ (7,352)	\$ 64	\$ 249,070	\$ 10,203
PRIOR	2012-13	8,863		5,061	231	4,629	9,526
	2011-12	4,459		(18)	272	2,175	2,538
	2010-11	2,136		(12)	237	1,276	1,085
	2009-10	854		(35)	161	697	283
	2008-09	300		(28)	45	137	180
	Prior	243		(66)	27	81	123
Total Prior		16,855	-	4,902	973	8,995	13,735
TOTAL URBAN RENEWAL FUND		<u>\$ 16,855</u>	<u>\$ 266,561</u>	<u>\$ (2,450)</u>	<u>\$ 1,037</u>	<u>\$ 258,065</u>	<u>\$ 23,938</u>



640 Superior Court
Medford, OR97504
Tel: (541)773-6633
Fax: (541)773-1965
www.kdcoCPA.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Jacksonville
Jacksonville, Oregon

We have audited the basic financial statements of the City of Jacksonville, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated November 21, 2014. 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 City'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.
- Highway revenues used for public highways, roads, and streets.
- 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 District 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 of the financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Restrictions on Use

This report is intended solely for the information and use of the City Council and management of the City 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.

Stewart C. Parmele, CPA, Partner

Stewart C. Parmele, CPA, Partner
KDCO Piels, Certified Public Accountants, LLP
Medford, Oregon
November 21, 2014

THIS PAGE INTENTIONALLY LEFT BLANK