

**CITY OF JACKSONVILLE, OREGON**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

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



A Kosmatka, Donnelly, and Piels Company  
640 Superior Court, Medford, OR 97504

**CITY OF JACKSONVILLE, OREGON**

**Year Ended June 30, 2015**

**Mayor**

Paul Becker  
1055 N. 5<sup>Th</sup> St. No 117  
Jacksonville, Oregon  
(Elected 11/10)

**Council Members**

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

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

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

**City Administrator**

Jeff Alvis  
P.O. Box 1913  
Jacksonville, Oregon

**City Attorneys**

Kurt Knudsen  
1875 Hwy 99 N., Suite 4

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

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

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

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

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

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

**City Recorder**

Kimberlyn Collins  
772 Summer Glen Dr.  
Medford, Oregon

**Municipal Court Judge**

Mark Burkhalter  
Two North Oakdale Ave.

**Treasurer**

Stacey McNichols  
Central Point, Oregon

**CITY OF JACKSONVILLE, OREGON**

**Year Ended June 30, 2015**

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**CITY OF JACKSONVILLE, OREGON**

**Year Ended June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council  
City of Jacksonville  
Jacksonville, Oregon

We have audited the accompanying modified cash basis 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, 2015, 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, 2015, 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.

Honorable Mayor and Council  
City of Jacksonville  
Jacksonville, Oregon

***Basis of Accounting***

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

***Other Matters***

*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 January 29, 2016 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.



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

**CITY OF JACKSONVILLE, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

- The assets of the City of Jacksonville exceeded its liabilities at the close of the most recent fiscal year by \$ 17,639,958 (*net position*). Of this amount, \$3,560,904 (*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 \$286,752. 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 \$5,643,821 an increase of \$988,443 in comparison with the prior year. \$761,882 of this total amount is *unassigned*.
- At the end of the current fiscal year, the fund balance for the general fund was \$870,602 or 88 percent of the total fiscal 2015 general fund expenditures.
- The City of Jacksonville's total long-term liabilities increased by \$589,336 (approximately 21 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 modified cash basis financial statements. The City of Jacksonville's financial statements comprise three components:

1. Government-wide financial statements (modified cash basis)
2. Fund financial statements (modified cash basis)
3. Notes to the 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, 2015**

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, 2015**

**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 31 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 32 through 42 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 \$17,639,958 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	
	2015	2014	2015	2014	2015	2014
Current & other assets	\$ 5,694,170	\$ 4,682,742	\$ 669,630	\$ 537,758	\$ 6,363,800	\$ 5,220,500
Capital assets	11,907,124	12,126,175	2,790,395	2,814,115	14,697,519	14,940,290
<b>Total assets</b>	<b>\$ 17,601,294</b>	<b>\$ 16,808,917</b>	<b>\$ 3,460,025</b>	<b>\$ 3,351,873</b>	<b>\$ 21,061,319</b>	<b>\$ 20,160,790</b>
Long term debt	\$ 2,946,642	\$ 2,516,925	\$ -	\$ -	\$ 2,946,642	\$ 2,516,925
Other liabilities	460,484	277,879	14,235	12,780	474,719	299,106
<b>Total liabilities</b>	<b>\$ 3,407,126</b>	<b>\$ 2,794,804</b>	<b>\$ 14,235</b>	<b>\$ 12,780</b>	<b>\$ 3,421,361</b>	<b>\$ 2,816,031</b>
Net investment in capital assets	\$ 9,586,518	\$ 9,358,735	\$ 2,790,395	\$ 2,814,115	\$ 12,376,913	\$ 12,172,850
Restricted	1,702,141	1,517,728	-	-	1,702,141	1,517,728
Unrestricted	2,905,509	3,137,650	655,395	524,978	3,560,904	3,662,628
<b>Total net position</b>	<b>\$ 14,194,168</b>	<b>\$ 14,014,113</b>	<b>\$ 3,445,790</b>	<b>\$ 3,339,093</b>	<b>\$ 17,639,958</b>	<b>\$ 17,353,206</b>

An additional portion of the City of Jacksonville's net position \$1,702,141 (9.65 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$3,560,904 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, 2015**

The government's total net position increased by \$286,752 during the current fiscal year. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenditures.

Analysis of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,459,993	\$ 1,655,430	\$ 902,561	\$ 683,602	\$ 2,362,554	\$ 2,339,032
Operating grants	-	7,107	-	-	-	7,107
Capital grants/contributions	55,029	1,004,535	-	-	55,029	1,004,535
General revenues:						
Property taxes for General	948,723	878,623	-	-	948,723	878,623
Property taxes for Debt	219,785	212,850	-	-	219,785	212,850
Franchise Tax	290,697	282,897	-	-	290,697	282,897
Motor Fuel Tax	161,516	162,415	-	-	161,516	162,415
Alcoholic beverage tax	37,217	42,609	-	-	37,217	42,609
Transient room tax	117,144	104,145	-	-	117,144	104,145
Entertainment taxes	67,000	68,071	-	-	67,000	68,071
Earnings on investments	26,523	21,985	6,046	4,891	32,569	26,876
Gain (Loss) on disposal assets	-	894,741	-	-	-	894,741
Transfer to and from other funds	(10,000)	(10,000)	10,000	10,000	-	-
<b>Total revenues</b>	<b>3,373,627</b>	<b>5,325,408</b>	<b>918,607</b>	<b>698,493</b>	<b>4,292,234</b>	<b>6,023,901</b>
<b>Expenses</b>						
General government	818,646	785,627	-	-	818,646	785,627
Public Safety	1,126,705	1,255,593	-	-	1,126,705	1,255,593
Highways and streets	820,029	638,022	-	-	820,029	638,022
Recreation	347,492	286,701	-	-	347,492	286,701
Interest on long-term debt	80,700	83,300	-	-	80,700	83,300
Water Department	-	-	811,910	813,592	811,910	813,592
<b>Total expenses</b>	<b>3,193,572</b>	<b>3,049,243</b>	<b>811,910</b>	<b>813,592</b>	<b>4,005,482</b>	<b>3,862,835</b>
Change in net position	180,055	2,276,165	106,697	(115,099)	286,752	2,161,066
Beginning net position	14,014,113	11,737,948	3,339,093	3,454,192	17,353,206	15,192,140
Ending net position	\$ 14,194,168	\$ 14,014,113	\$ 3,445,790	\$ 3,339,093	\$ 17,639,958	\$ 17,353,206

**Governmental Activities**

Governmental activities increased the City's net position by approximately \$180,055. Revenues totaled \$3,373,627 and consisted primarily of property taxes and charges for services.

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.

**CITY OF JACKSONVILLE, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2015**

**Business-Type Activities**

Business-type activities increased the City's net position by \$106,697. Business-type revenues totaled \$918,607 and consisted primarily of charges for services.

Charges for services, which totaled \$902,561, are comprised of water 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 \$5,643,821, an increase of \$988,443 in comparison with the prior year. Approximately 13.4 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 \$870,602. This total fund balance represents 88 percent of the total fiscal 2015 general fund expenditures.

The overall general fund balance increased by of \$338,317 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 the removal of the dam and work on City owned historic properties. The remaining fund balance changes are the result of normal fund activity.

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.

**CITY OF JACKSONVILLE, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2015**

Unrestricted net position of the water enterprise operation at the end of the year amounted to \$655,395. 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, 2015, amounts to \$14,697,519 (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 \$262,424.

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 5,807,473	\$ 5,807,473	\$ 118,131	\$ 118,131	\$ 5,925,604	\$ 5,925,604
Construction in progress	47,176	28,130	-	-	47,176	28,130
Buildings	2,646,432	2,707,857	757,172	784,202	3,403,604	3,492,059
Machinery and equipment	140,478	137,556	42,921	14,724	183,399	152,280
Vehicles	67,435	95,130	-	1,900	67,435	97,030
Infrastructure	3,198,130	3,350,029	1,872,171	1,895,158	5,070,301	5,245,187
<b>Total</b>	<b>\$ 11,907,124</b>	<b>\$ 12,126,175</b>	<b>\$ 2,790,395</b>	<b>\$ 2,814,115</b>	<b>\$ 14,697,519</b>	<b>\$ 14,940,290</b>

Additional information on the City of Jacksonville's capital assets can be found in note 4 on pages 20 through 22 of this report.

**DEBT ADMINISTRATION**

At the end of the current fiscal year, the City of Jacksonville had total bonded debt outstanding of \$2,381,640 (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, 2014	Additions	Reductions	Balance June 30, 2015
<b>Governmental-type Activities:</b>				
Series 2012 G.O. Bonds	\$ 2,350,000	\$ -	\$ (135,000)	\$ 2,215,000
Bank Loan (OTIB)	235,652	-	(115,515)	120,137
Series 2014 Obligations	-	1,000,000	(145,000)	855,000
	<u>2,585,652</u>	<u>1,000,000</u>	<u>(395,515)</u>	<u>3,190,137</u>
Unamortized Premium	<u>181,789</u>	<u>-</u>	<u>(15,149)</u>	<u>166,640</u>
<b>Total</b>	<b>\$ 2,767,441</b>	<b>\$ 1,000,000</b>	<b>\$ (410,664)</b>	<b>\$ 3,356,777</b>

Additional information on the City of Jacksonville's long-term debt can be found in note 7 on pages 24 - 26 of this report.

**CITY OF JACKSONVILLE, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended June 30, 2015**

**Economic Factors and Next Year's Budget and Rates**

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

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

Anticipated highlights for the fiscal year 2015-2016 are ongoing work towards removal of the spillway and renovation of the courthouse and anticipated move of City Offices to the first floor of the courthouse. Continuation of building capital reserves to complete projects that are spelled out in the Water Master Plan Parking improvements with work towards a new parking lot located on Main street by Doc Griffith Park.

**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, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 4,375,636	\$ 669,630	\$ 5,045,266
Restricted assets			
Cash and cash equivalents	1,318,534	-	1,318,534
<b>Total current assets:</b>	<u>5,694,170</u>	<u>669,630</u>	<u>6,363,800</u>
<b>Noncurrent assets:</b>			
Capital assets (net of accumulated depreciation)			
Land	5,807,473	118,131	5,925,604
Construction in progress	47,176	-	47,176
Buildings	2,646,432	757,172	3,403,604
Machinery and equipment	140,478	42,921	183,399
Vehicles	67,435	-	67,435
Infrastructure	3,198,130	1,872,171	5,070,301
<b>Total noncurrent assets</b>	<u>11,907,124</u>	<u>2,790,395</u>	<u>14,697,519</u>
<b>TOTAL ASSETS</b>	<u>17,601,294</u>	<u>3,460,025</u>	<u>21,061,319</u>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Customer deposits	-	14,235	14,235
Passthrough payable	50,349	-	50,349
Current portion of long-term debt	410,135	-	410,135
<b>Total current liabilities</b>	<u>460,484</u>	<u>14,235</u>	<u>474,719</u>
<b>Noncurrent liabilities:</b>			
Long-term debt, net of unamortized premium	2,946,642	-	2,946,642
<b>Total noncurrent liabilities</b>	<u>2,946,642</u>	<u>-</u>	<u>2,946,642</u>
<b>TOTAL LIABILITIES</b>	<u>3,407,126</u>	<u>14,235</u>	<u>3,421,361</u>
<b>NET POSITION:</b>			
Net investment in capital assets	9,586,518	2,790,395	12,376,913
Restricted for:			
Systems development	1,071,746	-	1,071,746
Debt service	274,412	-	274,412
Perpetual care:			
Expendable	348,032	-	348,032
Nonexpendable	7,951	-	7,951
Unrestricted	2,905,509	655,395	3,560,904
<b>TOTAL NET POSITION</b>	<u>\$ 14,194,168</u>	<u>\$ 3,445,790</u>	<u>\$ 17,639,958</u>

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

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
<b>Governmental activities:</b>							
General government							
General government	\$ 818,646	\$ 575,499	\$ -	\$ -	\$ (243,147)	\$ -	\$ (243,147)
Public safety	1,126,705	530,897	-	-	(595,808)	-	(595,808)
Highways and streets	820,029	282,379	-	55,029	(482,621)	-	(482,621)
Recreation	347,492	71,218	-	-	(276,274)	-	(276,274)
Interest on long-term debt	80,700	-	-	-	(80,700)	-	(80,700)
Total government activities	<u>3,193,572</u>	<u>1,459,993</u>	<u>-</u>	<u>55,029</u>	<u>(1,678,550)</u>	<u>-</u>	<u>(1,678,550)</u>
<b>Business-type activities:</b>							
Water	811,910	902,561	-	-	-	90,651	90,651
Total business-type activities	<u>811,910</u>	<u>902,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,651</u>	<u>90,651</u>
Total Common City	<u>\$ 4,005,482</u>	<u>\$ 2,362,554</u>	<u>\$ -</u>	<u>\$ 55,029</u>	<u>(1,678,550)</u>	<u>90,651</u>	<u>(1,587,899)</u>
General revenues:							
					948,723		948,723
					219,785	-	219,785
					290,697	-	290,697
					161,516	-	161,516
					37,217	-	37,217
					117,144	-	117,144
					67,000	-	67,000
					-	-	-
					26,523	6,046	32,569
					<u>1,868,605</u>	<u>6,046</u>	<u>1,874,651</u>
Transfer to and from other funds					<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>					<u>180,055</u>	<u>106,697</u>	<u>286,752</u>
<b>Net position - June 30, 2014</b>					<u>14,014,113</u>	<u>3,339,093</u>	<u>17,353,206</u>
<b>Net position - June 30, 2015</b>					<u>\$ 14,194,168</u>	<u>\$ 3,445,790</u>	<u>\$ 17,639,958</u>

**FUND FINANCIAL STATEMENTS**

**CITY OF JACKSONVILLE  
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS  
GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	<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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 627,525	\$ 372,597	\$ 907,986	\$ 412,745	\$ 1,071,746
Advances to other funds	244,507	-	-	-	-
Restricted Assets:					
Cash and cash equivalents	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 872,032</u>	<u>\$ 372,597</u>	<u>\$ 907,986</u>	<u>\$ 412,745</u>	<u>\$ 1,071,746</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Passthrough payable	\$ 1,430	\$ -	\$ 48,919	\$ -	\$ -
Advances from other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>1,430</u>	<u>-</u>	<u>48,919</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Nonspendable:					
Permanent fund	-	-	-	-	-
Restricted for:					
System development charges	-	-	-	-	1,071,746
Permanent - cemetery	-	-	-	-	-
Urban renewal	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Fire safety	-	372,597	-	-	-
Streets and storm drains	-	-	859,067	-	-
Parks and visitor services	-	-	-	412,745	-
Historic preservation	-	-	-	-	-
Unassigned:					
General fund	870,602	-	-	-	-
Urban renewal fund	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>870,602</u>	<u>372,597</u>	<u>859,067</u>	<u>412,745</u>	<u>1,071,746</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 872,032</u>	<u>\$ 372,597</u>	<u>\$ 907,986</u>	<u>\$ 412,745</u>	<u>\$ 1,071,746</u>

Historic Preservation Fund	Urban Renewal Fund	Capital Project Fund	Debt Service Fund	Permanent Fund	Total
\$ 499,218	\$ 135,787	\$ -	\$ -	\$ 348,032	\$ 4,375,636
-	-	-	-	-	244,507
-	-	1,036,171	274,412	7,951	1,318,534
<u>\$ 499,218</u>	<u>\$ 135,787</u>	<u>\$ 1,036,171</u>	<u>\$ 274,412</u>	<u>\$ 355,983</u>	<u>\$ 5,938,677</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,349
-	244,507	-	-	-	244,507
-	244,507	-	-	-	294,856
-	-	-	-	7,951	7,951
-	-	-	-	-	1,071,746
-	-	-	-	348,032	348,032
-	-	1,036,171	-	-	1,036,171
-	-	-	274,412	-	274,412
-	-	-	-	-	372,597
-	-	-	-	-	859,067
-	-	-	-	-	412,745
499,218	-	-	-	-	499,218
-	-	-	-	-	870,602
-	(108,720)	-	-	-	(108,720)
<u>499,218</u>	<u>(108,720)</u>	<u>1,036,171</u>	<u>274,412</u>	<u>355,983</u>	<u>5,643,821</u>
<u>\$ 499,218</u>	<u>\$ 135,787</u>	<u>\$ 1,036,171</u>	<u>\$ 274,412</u>	<u>\$ 355,983</u>	<u>\$ 5,938,677</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, 2015**

<b>TOTAL FUND BALANCES</b>		\$ 5,643,821
Capital assets and contributed capital assets are not financial resources therefore are not reported in the governmental funds:		
Cost	\$ 18,639,883	
Accumulated depreciation	<u>(6,732,759)</u>	11,907,124
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.		
These liabilities consist of:		
Long-term debt		<u>(3,356,777)</u>
<b>TOTAL NET POSITION</b>		<u>\$ 14,194,168</u>

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

	General Fund	Fire Protection Fund	Street and Storm Drains Fund	Parks and Visitor Services Fund	Systems Development Fund
<b>REVENUES</b>					
Taxes	\$ 630,733	\$ -	\$ -	\$ 184,144	\$ -
Intergovernmental	67,524	-	161,516	-	-
Licenses, fees, and permits	261,063	-	5,424	64,978	168,909
Franchise fees	45,817	-	184,386	60,494	-
Charges for services	4,826	529,109	-	-	-
Fines and forfeits	38,689	-	-	-	-
Investment income	2,237	3,023	2,474	1,099	7,695
Passthrough payments	13,785	-	276,221	-	-
Miscellaneous revenues	-	1,788	734	6,240	-
<b>TOTAL REVENUES</b>	<b>1,064,674</b>	<b>533,920</b>	<b>630,755</b>	<b>316,955</b>	<b>176,604</b>
<b>EXPENDITURES</b>					
Current:					
General government	940,594	-	-	-	-
Public safety	-	568,469	-	-	-
Highways and streets	-	-	265,262	-	-
Recreation	-	-	-	299,105	-
Debt service	-	-	-	-	-
Capital outlay:					
General government	34,340	-	-	-	27,903
Public safety	-	6,912	-	-	-
Highways and streets	-	-	15,699	-	-
Recreation	-	-	-	26,786	-
Passthrough payments	14,141	-	276,590	-	-
<b>TOTAL EXPENDITURES</b>	<b>989,075</b>	<b>575,381</b>	<b>557,551</b>	<b>325,891</b>	<b>27,903</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	262,718	(10,000)	-	-	-
Bond proceeds	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>262,718</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>338,317</b>	<b>(51,461)</b>	<b>73,204</b>	<b>(8,936)</b>	<b>148,701</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>532,285</b>	<b>424,058</b>	<b>785,863</b>	<b>421,681</b>	<b>923,045</b>
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 870,602</b>	<b>\$ 372,597</b>	<b>\$ 859,067</b>	<b>\$ 412,745</b>	<b>\$ 1,071,746</b>

Historic Preservation Fund	Urban Renewal Fund	Project Fund	Debt Service Fund	Permanent Fund	Total
\$ -	\$ 317,990	\$ -	\$ 219,785	\$ -	\$ 1,352,652
-	-	-	-	-	229,040
-	-	-	-	-	500,374
-	-	-	-	-	290,697
-	-	-	-	57,920	591,855
-	-	-	-	-	38,689
3,992	3,238	-	825	1,940	26,523
-	-	-	-	-	290,006
-	-	-	-	-	8,762
<u>3,992</u>	<u>321,228</u>	<u>-</u>	<u>220,610</u>	<u>59,860</u>	<u>3,328,598</u>
57,257	40,454	220,325	-	29,058	1,287,688
-	-	-	-	-	568,469
-	-	-	-	-	265,262
-	-	-	-	-	299,105
-	291,560	-	215,700	-	507,260
-	-	-	-	-	62,243
-	-	-	-	-	6,912
-	-	-	-	-	15,699
-	-	-	-	-	26,786
-	-	-	-	-	290,731
<u>57,257</u>	<u>332,014</u>	<u>220,325</u>	<u>215,700</u>	<u>29,058</u>	<u>3,330,155</u>
-	(1,000,000)	737,282	-	-	(10,000)
-	1,000,000	-	-	-	1,000,000
-	-	737,282	-	-	990,000
(53,265)	(10,786)	516,957	4,910	30,802	988,443
<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>\$ 499,218</u>	<u>\$ (108,720)</u>	<u>\$ 1,036,171</u>	<u>\$ 274,412</u>	<u>\$ 355,983</u>	<u>\$ 5,643,821</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, 2015**

**NET CHANGE IN FUND BALANCE** \$ 988,443

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	\$ 111,603	
Less current year depreciation	<u>(385,683)</u>	(274,080)

The net effect of various miscellaneous transactions involving capital assets (in this case, donated infrastructure improvements (First and Main Street))		55,029
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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>(589,337)</u>
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**CHANGE IN NET POSITION** \$ 180,055

**CITY OF JACKSONVILLE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
JUNE 30, 2015**

	<u>Water Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 669,630
<b>Total current assets</b>	<u>669,630</u>
Noncurrent assets:	
Land	118,131
Buildings, net	757,172
Machinery and equipment, net	42,921
Infrastructure, net	<u>1,872,171</u>
<b>Total noncurrent assets</b>	<u>2,790,395</u>
<b>TOTAL ASSETS</b>	<u>3,460,025</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Current liabilities:	
Customer deposits	<u>14,235</u>
<b>Total current liabilities</b>	<u>14,235</u>
<b>TOTAL LIABILITIES</b>	<u>14,235</u>
Net Position:	
Net investment in capital assets	2,790,395
Unrestricted	<u>655,395</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,445,790</u>

**CITY OF JACKSONVILLE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Water Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 902,545
Miscellaneous	<u>16</u>
<b>TOTAL OPERATING REVENUES</b>	<u>902,561</u>
<b>OPERATING EXPENSES</b>	
Personal services	323,903
Materials and services	368,548
Depreciation/amortization	<u>119,459</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>811,910</u>
<b>OPERATING INCOME (LOSS)</b>	<u>90,651</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Earnings on investments	<u>6,046</u>
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>6,046</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	96,697
Transfers (to) from other funds	<u>10,000</u>
<b>CHANGES IN NET POSITION</b>	106,697
<b>NET POSITION, July 1, 2014</b>	<u>3,339,093</u>
<b>NET POSITION, June 30, 2015</b>	<u>\$ 3,445,790</u>

**CITY OF JACKSONVILLE  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Water Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 904,016
Payments to suppliers	(323,903)
Payments to employees	<u>(368,548)</u>
<b>Net cash provided (used) by operating activities</b>	<u>211,565</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Interfund transfer from (to) other funds	<u>10,000</u>
<b>Net cash provided (used) by capital and related financing activities</b>	<u>10,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(95,739)
Interest and dividends	<u>6,046</u>
<b>Net cash provided (used) by investing activities</b>	<u>(89,693)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	131,872
Balances - beginning of the year	<u>537,758</u>
Balances - end of the year	<u><u>\$ 669,630</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 90,651
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation/amortization expense	119,459
Change in assets and liabilities:	
Customer deposits	<u>1,455</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ 211,565</u></u>

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**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, 2015.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**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 funds.

***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, 2015**

**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.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

The modified cash basis is a special-purpose framework other than GAAP. If the 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 and expenses when incurred, regardless of timing of related cash flows.

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, 2015 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, 2015**

**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, 2015**

**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 attributable to the acquisition, construction, or improvement of those.

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 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 following 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.

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.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

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

**Net Position and Fund Balances (continued)**

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.

**Deficit fund equity**

The Urban Renewal Fund had a deficit fund balance of \$(108,720) as of June 30, 2015.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 3 – Deposits and Cash Equivalents**

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

Demand deposits	\$	526,658
Investments-LGIP		5,837,142
		\$ 6,363,800

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

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 5,694,170	\$ 669,630	\$ 6,363,800

**Credit Risk – Deposits**

At year end, the book balance of the government’s bank deposits was \$526,239 and the bank balance was \$453,313. 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.

Investment Type	Maturity	Percentage of Portfolio	Fair Value
Local Government Investment Pool	1 day	100%	\$ 5,837,142

**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.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 3 – Deposits and Investments (continued)**

**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.

**Note 4 – Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

<b>Governmental Activities:</b>	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 5,807,473	\$ -	\$ -	\$ 5,807,473
Construction in progress	<u>28,130</u>	<u>19,046</u>	<u>-</u>	<u>47,176</u>
 Total capital assets not being depreciated	 <u>5,835,603</u>	 <u>19,046</u>	 <u>-</u>	 <u>5,854,649</u>
 Capital assets being depreciated:				
Buildings and improvements	3,201,740	2,600	-	3,204,340
Machinery and equipment	661,153	42,378	-	703,531
Vehicles	549,342	-	-	549,342
Infrastructure	<u>8,225,413</u>	<u>102,607</u>	<u>-</u>	<u>8,328,020</u>
 Total capital assets being depreciated	 <u>12,637,648</u>	 <u>147,585</u>	 <u>-</u>	 <u>12,785,233</u>
 Less accumulated depreciation for:				
Buildings and improvements	(493,883)	(64,025)	-	(557,908)
Machinery and equipment	(523,597)	(39,456)	-	(563,053)
Vehicles	(454,212)	(27,695)	-	(481,907)
Infrastructure	<u>(4,875,384)</u>	<u>(254,506)</u>	<u>-</u>	<u>(5,129,890)</u>
 Total accumulated depreciation	 <u>(6,347,076)</u>	 <u>(385,682)</u>	 <u>-</u>	 <u>(6,732,758)</u>
 Total capital assets being depreciated, net	 <u>6,290,572</u>	 <u>(238,097)</u>	 <u>-</u>	 <u>6,052,475</u>
 Total capital assets, governmental activities, net	 <u>\$ 12,126,175</u>	 <u>\$ (219,051)</u>	 <u>\$ -</u>	 <u>\$ 11,907,124</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 \$55,029.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 4 – Capital Assets (continued)**

<b>Business-type Activities:</b>	Balance <u>June 30, 2014</u>	Additions	Disposals	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 118,131	\$ -	\$ -	\$ 118,131
 Total capital assets not being depreciated	 <u>118,131</u>	 <u>-</u>	 <u>-</u>	 <u>118,131</u>
 Capital assets being depreciated:				
Buildings and improvements	1,351,469	-	-	1,351,469
Machinery and equipment	169,386	33,713	-	203,099
Vehicles	99,276	-	-	99,276
Infrastructure	4,187,243	62,026	-	4,249,269
 Total capital assets being depreciated	 <u>5,807,374</u>	 <u>95,739</u>	 <u>-</u>	 <u>5,903,113</u>
 Less accumulated depreciation for:				
Buildings and improvements	(567,267)	(27,030)	-	(594,297)
Machinery and equipment	(154,662)	(5,516)	-	(160,178)
Vehicles	(97,376)	(1,900)	-	(99,276)
Infrastructure	(2,292,085)	(85,013)	-	(2,377,098)
 Total accumulated depreciation	 <u>(3,111,390)</u>	 <u>(119,459)</u>	 <u>-</u>	 <u>(3,230,849)</u>
 Total capital assets being depreciated, net	 <u>2,695,984</u>	 <u>(23,720)</u>	 <u>-</u>	 <u>2,672,264</u>
 Total capital assets, governmental activities, net	 <u>\$ 2,814,115</u>	 <u>\$ (23,720)</u>	 <u>\$ -</u>	 <u>\$ 2,790,395</u>

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 4 – Capital Assets (continued)**

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

**Governmental Activities:**

<u>Program</u>	
General government	\$ 56,992
Public safety	44,612
Highways and streets, including depreciation of general infrastructure assets	262,478
Recreation	<u>21,601</u>
Total:	<u><u>\$ 385,683</u></u>

**Business-type Activities**

<u>Program</u>	
Water department	<u>\$ 119,459</u>
Total	<u><u>\$ 119,459</u></u>

**Note 5 – Receivables, Payables and Transfers**

The composition of interfund balances as of June 30, 2015, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental-Type Activities:		
General Fund	Urban Renewal Fund	\$ 244,507

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.

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, 2015**

**Note 5 – Receivables, Payables and Transfers (continued)**

Interfund transfers during the year ended June 30, 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental-Type Activities:		
General Fund	\$ 262,718	\$ -
Project Fund	979,700	262,718
Urban Renewal Fund	-	979,700
Fire Protection Fund	-	10,000
Total Governmental-Type Activities	<u>1,242,418</u>	<u>1,252,418</u>
Business-Type Activities:		
Water Fund	<u>10,000</u>	<u>-</u>
Total Transfers	<u>\$ 1,252,418</u>	<u>\$ 1,252,418</u>

The City made a transfer from General Fund to the Fire Protection Fund to the General Fund for operating expenses, a transfer from the Urban Renewal Fund to the Project Fund for capital projects, and a transfer from the Project Fund to the General Fund for debt reduction. 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 – Operating Leases**

The City has several operating leases associated with office equipment. Total expense for such leases was \$8,662 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2016	\$ 7,797
2017	3,304
2018	2,148
2019	2,148
2020	-
	<u>\$ 15,397</u>

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 7 – Long-Term Liabilities**

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
<u>Governmental Activities</u>				
Series 2012 G.O Bonds	\$ 2,350,000	\$ -	\$ (135,000)	\$ 2,215,000
Bank Loan (OTIB)	235,652	-	(115,515)	120,137
Series 2014 Obligations	-	1,000,000	(145,000)	855,000
Total Governmental Activities	\$ 2,585,652	\$ 1,000,000	\$ (395,515)	\$ 3,190,137
Unamortized Premium/(Discount)	181,789	-	(15,149)	166,640
Total Governmental Activities	<u>\$ 2,767,441</u>	<u>\$ 1,000,000</u>	<u>\$ (410,664)</u>	<u>\$ 3,356,777</u>

**Business Loan (OTIB)**

On October 3, 2003 the City entered into a Business Loan Agreement, Promissory Note, and Security Agreement with the State of Oregon, acting by and through its Department of Transportation (the State) and Oregon Transportation Infrastructure Bank (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.

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

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

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

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 7 – Long-Term Liabilities (continued)**

**Series 2012 G.O. Bonds**

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
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	190,000	63,000	253,000
2021-2025	1,185,000	188,800	1,373,800
2026	200,000	8,000	208,000
	<u>\$ 2,215,000</u>	<u>\$ 551,800</u>	<u>\$ 2,766,800</u>

**Note 7 – Long-Term Liabilities (continued)**

**Series 2014 Full Faith Credit Obligation**

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 1<sup>st</sup> and May 1<sup>st</sup>. Principal is payable annually on May 1<sup>st</sup> (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. As a result of the intergovernmental agreement, debt service is paid by the Urban Renewal Fund.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 7 – Long-Term Liabilities (continued)**

**Series 2014 Full Faith Credit Obligation (continued)**

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

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

**Note 8 – 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.

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. The new union contract was ratified in November 2015 thru December 2017.

**Note 9 – Pension Plan**

The Oregon Public Employees Retirement System (PERS) consists of a single cost-sharing multiple-employer defined benefit plan.

**Plan Benefits**

All benefits of the System are established by the legislature pursuant to Oregon Revised Statute (ORS) Chapter 238 and 238A.

***Tier One/Tier Two Retirement Benefit (Chapter 238)***

The ORS Chapter 238 Defined Benefit Plan is closed to new members hired on or after August 29, 2003.

*Pension Benefits* - The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage of 1.67 percent for general service employees is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 9 – Pension Plan (continued)**

**Plan Benefits (continued)**

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

*Death Benefits* - Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- Member was employed by a PERS employer at the time of death,
- Member died within 120 days after termination of PERS-covered employment,
- Member died as a result of injury sustained while employed in a PERS-covered job, or
- Member was on an official leave of absence from a PERS-covered job at the time of death.

*Disability Benefits* - A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

*Benefit Changes After Retirement* – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

***OPSRP Pension Program (Chapter 238A)***

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

*Pension Benefits* - This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

*General Service* - 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 9 – Pension Plan (continued)**

**Plan Benefits (continued)**

*Death Benefits* - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

*Disability Benefits* - A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

*Benefit Changes After Retirement* - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

**Contributions**

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation, which became effective July, 2013. The State of Oregon and certain schools, community colleges, and political subdivisions have made unfunded actuarial liability payments, and their rates have been reduced. Employer contributions for the year ended June 30, 2015 were \$102,090, excluding amounts to fund employer specific liabilities. A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

A 10 year schedule of Defined Benefit Pension Plan Contributions can be found beginning on page 58 of the June 30, 2014 PERS CAFR.

**Pension Plan Comprehensive Annual Financial Report (CAFR)**

Oregon PERS produces an independently audited CAFR which can be found at:  
[http://www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx).

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the entry age normal actuarial cost method. For the Tire One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 9 – Pension Plan (continued)**

**Actuarial Methods and Assumptions Used in Developing Total Pension Liability**

<b>Valuation Date:</b>	December 31, 2012 rolled forward to June 30, 2014.
<b>Actuarial Cost Method:</b>	Entry age normal .
<b>Experience Study Report:</b>	2012, published September 18, 2013.
<b>Amortization Method:</b>	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
<b>Asset Valuation Method:</b>	Market value of assets.
<b>Asset Valuation Method:</b>	Market value of assets
<b>Inflation Rate:</b>	2.75%
<b>Investment Rate of Return:</b>	7.75%
<b>Projected Salary Increases</b>	3.75%
<b>Mortality:</b>	Health Retirees and Beneficiaries: RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled Retirees: Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

**Pension Liabilities/Assets**

The City reports its financial position using the modified cash basis of accounting, it does not recognize in the Statement of Net Position its proportionate share of the PERS net pension asset as of June 30, 2015. The City's proportionate share of the net pension asset held by PERS was \$27,176 as of June 30, 2015 (measured at June 30, 2014).

**Note 10 – 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, 2015, employees elected to contribute \$5,250 to the plan.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 11 – 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.

***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/](http://www.oregon.gov/PERS/).

**Funding Policy**

Participating employers are contractually required to contribute at a rate assessed bi-annually by the OPERB, 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, 2015, was \$4,539, which equaled the required contributions for the year.

**Note 12 – 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.

**CITY OF JACKSONVILLE, OREGON**  
**Notes to the Basic Financial Statements**  
**June 30, 2015**

**Note 13 – 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.

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, 2015, through January 29, 2016, 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, 2015 through the date the financial statements were available for issuance.

## **SUPPLEMENTARY INFORMATION**

### **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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 634,268	\$ 634,268	\$ 630,733	\$ (3,535)
Franchise fees	65,795	65,795	45,817	(19,978)
Licenses and permits	158,379	158,379	261,063	102,684
Fines and forfeitures	45,000	45,000	38,689	(6,311)
Charges for services	6,150	6,150	4,826	(1,324)
Intergovernmental	70,325	70,325	67,524	(2,801)
Passthrough payments	34,100	34,100	13,785	(20,315)
Earnings on investments	1,648	1,648	2,237	589
Miscellaneous	2,000	2,000	-	(2,000)
<b>TOTAL REVENUES</b>	<b>1,017,665</b>	<b>1,017,665</b>	<b>1,064,674</b>	<b>47,009</b>
<b>EXPENDITURES</b>				
Current				
Personal services	652,168	652,168	602,150	50,018
Materials and services	429,289	429,289	338,444	90,845
Debt service (interfund loan)	262,718	262,718	262,718	-
Capital outlay	117,000	117,000	34,340	82,660
Special payments	25,000	25,000	14,141	10,859
<b>TOTAL EXPENDITURES</b>	<b>1,486,175</b>	<b>1,486,175</b>	<b>1,251,793</b>	<b>234,382</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from interfund loan	25,000	25,000	25,000	-
Transfers In	262,718	262,718	262,718	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>287,718</b>	<b>287,718</b>	<b>287,718</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(180,792)</b>	<b>(180,792)</b>	<b>100,599</b>	<b>281,391</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>367,246</b>	<b>367,246</b>	<b>550,693</b>	<b>183,447</b>
Prior period adjustment	-	-	(25,197)	(25,197)
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 186,454</b>	<b>\$ 186,454</b>	<b>626,095</b>	<b>\$ 464,838</b>
Reconciliation				
Interfund receivable			244,507	
<b>FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)</b>			<b>\$ 870,602</b>	

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Charges for services	\$ 491,500	\$ 491,500	\$ 529,109	\$ 37,609
Earnings on investments	3,000	3,000	3,023	23
Miscellaneous	100	100	1,788	1,688
<b>TOTAL REVENUES</b>	<b>494,600</b>	<b>494,600</b>	<b>533,920</b>	<b>39,320</b>
<b>EXPENDITURES</b>				
Current				
Personal services	463,832	463,832	446,998	16,834
Materials and services	135,614	135,614	121,471	14,143
Capital outlay	145,000	145,000	6,912	138,088
<b>TOTAL EXPENDITURES</b>	<b>744,446</b>	<b>744,446</b>	<b>575,381</b>	<b>169,065</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from interfund loan	127,680	127,680	127,681	1
Transfers out	(10,000)	(10,000)	(10,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>117,680</b>	<b>117,680</b>	<b>117,681</b>	<b>1</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(132,166)</b>	<b>(132,166)</b>	<b>76,220</b>	<b>(129,744)</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>253,450</b>	<b>253,450</b>	<b>427,353</b>	<b>173,903</b>
Prior period adjustment	-	-	(130,976)	(130,976)
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 121,284</b>	<b>\$ 121,284</b>	<b>\$ 372,597</b>	<b>\$ 44,159</b>

**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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Franchise fees	\$ 152,079	\$ 152,079	\$ 184,386	\$ 32,307
Licenses and permits	5,000	5,000	5,424	424
Intergovernmental	162,500	162,500	161,516	(984)
Passthrough payments	285,000	285,000	276,221	(8,779)
Earnings on investments	1,600	1,600	2,474	874
Miscellaneous	1,000	1,000	734	(266)
<b>TOTAL REVENUES</b>	<b>607,179</b>	<b>607,179</b>	<b>630,755</b>	<b>23,576</b>
<b>EXPENDITURES</b>				
Current				
Personal services	168,061	168,061	147,090	20,971
Materials and services	177,439	177,439	118,172	59,267
Capital outlay	550,000	550,000	15,699	534,301
Special payments	285,000	285,000	276,590	8,410
<b>TOTAL EXPENDITURES</b>	<b>1,180,500</b>	<b>1,180,500</b>	<b>557,551</b>	<b>622,949</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from interfund loan	109,553	109,553	109,553	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>109,553</b>	<b>109,553</b>	<b>109,553</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(463,768)</b>	<b>(463,768)</b>	<b>182,757</b>	<b>646,525</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>623,207</b>	<b>623,207</b>	<b>788,567</b>	<b>165,360</b>
Prior period adjustment	-	-	(112,257)	-
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 159,439</b>	<b>\$ 159,439</b>	<b>\$ 859,067</b>	<b>\$ 811,885</b>

**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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 163,555	\$ 163,555	\$ 184,144	\$ 20,589
Franchise fees	58,372	58,372	60,494	2,122
Licenses and permits	60,700	60,700	64,978	4,278
Earnings on investments	800	800	1,099	299
Miscellaneous	3,500	3,500	6,240	2,740
<b>TOTAL REVENUES</b>	<b>286,927</b>	<b>286,927</b>	<b>316,955</b>	<b>30,028</b>
<b>EXPENDITURES</b>				
Current				
Personal services	111,074	111,074	94,093	16,981
Materials and services	219,011	219,011	205,012	13,999
Capital outlay	149,600	149,600	26,786	122,814
<b>TOTAL EXPENDITURES</b>	<b>479,685</b>	<b>479,685</b>	<b>325,891</b>	<b>153,794</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from interfund loan	25,483	25,483	25,484	1
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>25,483</b>	<b>25,483</b>	<b>25,484</b>	<b>1</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(167,275)</b>	<b>(167,275)</b>	<b>16,548</b>	<b>183,823</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>250,328</b>	<b>250,328</b>	<b>422,274</b>	<b>171,946</b>
Prior period adjustment	-	-	(26,077)	-
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 83,053</b>	<b>\$ 83,053</b>	<b>\$ 412,745</b>	<b>\$ 355,769</b>

**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, 2015**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and permits	\$ 183,000	\$ 183,000	\$ 168,909	\$ (14,091)
Earnings on investments	4,550	4,550	7,695	3,145
<b>TOTAL REVENUES</b>	<b>187,550</b>	<b>187,550</b>	<b>176,604</b>	<b>(10,946)</b>
<b>EXPENDITURES</b>				
Current				
Materials and services	13,000	13,000	-	13,000
Capital outlay	1,018,350	1,018,350	27,903	990,447
<b>TOTAL EXPENDITURES</b>	<b>1,031,350</b>	<b>1,031,350</b>	<b>27,903</b>	<b>1,003,447</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(843,800)</b>	<b>(843,800)</b>	<b>148,701</b>	<b>992,501</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>843,800</b>	<b>843,800</b>	<b>923,045</b>	<b>79,245</b>
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,071,746</b>	<b>\$ 1,071,746</b>

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Earnings on investments	\$ 2,000	\$ 2,000	\$ 3,992	\$ 1,992
<b>TOTAL REVENUES</b>	<u>2,000</u>	<u>2,000</u>	<u>3,992</u>	<u>1,992</u>
<b>EXPENDITURES</b>				
Current				
Personal services	19,283	19,283	18,396	887
Materials and services	<u>400,000</u>	<u>400,000</u>	<u>38,861</u>	<u>361,139</u>
<b>TOTAL EXPENDITURES</b>	<u>419,283</u>	<u>419,283</u>	<u>57,257</u>	<u>362,026</u>
<b>NET CHANGE IN FUND BALANCE</b>	(417,283)	(417,283)	(53,265)	364,018
<b>FUND BALANCE, July 1, 2014</b>	<u>514,862</u>	<u>514,862</u>	<u>552,483</u>	<u>37,621</u>
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ 97,579</u>	<u>\$ 97,579</u>	<u>\$ 499,218</u>	<u>\$ 401,639</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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Taxes	\$ 266,000	\$ 266,000	\$ 317,990	\$ 51,990
Earnings on investments	2,000	2,000	3,238	1,238
<b>TOTAL REVENUES</b>	<u>268,000</u>	<u>268,000</u>	<u>321,228</u>	<u>53,228</u>
<b>EXPENDITURES</b>				
Current				
Materials and services	40,454	40,454	40,454	-
Debt service	325,942	325,942	316,560	9,382
<b>TOTAL EXPENDITURES</b>	<u>366,396</u>	<u>366,396</u>	<u>357,014</u>	<u>9,382</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bond proceeds	1,000,000	1,000,000	1,000,000	-
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(98,396)</u>	<u>(98,396)</u>	<u>(35,786)</u>	<u>62,610</u>
<b>FUND BALANCE, July 1, 2014</b>	148,974	148,974	(122,934)	(271,908)
Prior period adjustment	-	-	294,507	294,507
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ 50,578</u>	<u>\$ 50,578</u>	135,787	<u>\$ (209,298)</u>
Reconciliation				
Interfund payable			<u>(244,507)</u>	
<b>FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS)</b>			<u>\$ (108,720)</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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>EXPENDITURES</b>				
Current				
Materials and services	1,055,000	1,055,000	220,325	834,675
Capital outlay	200,000	200,000	-	200,000
<b>TOTAL EXPENDITURES</b>	<b>1,255,000</b>	<b>1,255,000</b>	<b>220,325</b>	<b>1,034,675</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	(262,718)	(262,718)	(262,718)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>737,282</b>	<b>737,282</b>	<b>737,282</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(517,718)</b>	<b>(517,718)</b>	<b>516,957</b>	<b>1,034,675</b>
<b>FUND BALANCE, July 1, 2014</b>	<b>520,610</b>	<b>520,610</b>	<b>519,214</b>	<b>(1,396)</b>
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ 2,892</b>	<b>\$ 2,892</b>	<b>\$ 1,036,171</b>	<b>\$ 1,033,279</b>

**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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Taxes	\$ 215,250	\$ 215,250	\$ 219,785	\$ 4,535
Earnings on investments	750	750	825	75
<b>TOTAL REVENUES</b>	<u>216,000</u>	<u>216,000</u>	<u>220,610</u>	<u>4,610</u>
<b>EXPENDITURES</b>				
Current				
Debt service	<u>215,700</u>	<u>215,700</u>	<u>215,700</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>215,700</u>	<u>215,700</u>	<u>215,700</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	300	300	4,910	4,610
<b>FUND BALANCE, July 1, 2014</b>	<u>270,035</u>	<u>270,035</u>	<u>269,502</u>	<u>(533)</u>
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ 270,335</u>	<u>\$ 270,335</u>	<u>\$ 274,412</u>	<u>\$ 4,077</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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Charges for services	\$ 27,500	\$ 27,500	\$ 57,920	\$ 30,420
Earnings on investments	1,200	1,200	1,940	740
Miscellaneous	500	500	-	(500)
<b>TOTAL REVENUES</b>	<u>29,200</u>	<u>29,200</u>	<u>59,860</u>	<u>30,660</u>
<b>EXPENDITURES</b>				
Current				
Personal services	25,003	25,003	18,704	6,299
Materials and services	23,450	23,450	10,354	13,096
Capital outlay	5,000	5,000	-	5,000
<b>TOTAL EXPENDITURES</b>	<u>53,453</u>	<u>53,453</u>	<u>29,058</u>	<u>24,395</u>
<b>NET CHANGE IN FUND BALANCE</b>	(24,253)	(24,253)	30,802	55,055
<b>FUND BALANCE, July 1, 2014</b>	<u>282,992</u>	<u>282,992</u>	<u>325,181</u>	<u>42,189</u>
<b>FUND BALANCE, June 30, 2015</b>	<u>\$ 258,739</u>	<u>\$ 258,739</u>	<u>\$ 355,983</u>	<u>\$ 97,244</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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
<b>REVENUES</b>				
Charges for services	\$ 849,000	\$ 849,000	\$ 902,545	\$ 53,545
Investment Income	4,000	4,000	6,046	2,046
Passthrough payments	25,000	25,000	-	(25,000)
Miscellaneous	3,000	3,000	16	(2,984)
<b>TOTAL REVENUES</b>	<b>881,000</b>	<b>881,000</b>	<b>908,607</b>	<b>27,607</b>
<b>EXPENDITURES</b>				
Current				
Collection and treatment				
Personal services	355,297	355,297	323,903	31,394
Materials and services	389,844	389,844	368,548	21,296
Capital outlay	456,500	456,500	95,739	360,761
Special payments	25,000	25,000	-	25,000
<b>TOTAL EXPENDITURES</b>	<b>1,226,641</b>	<b>1,226,641</b>	<b>788,190</b>	<b>438,451</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	10,000	10,000	10,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>
<b>NET CHANGE IN WORKING CAPITAL</b>	<b>(335,641)</b>	<b>(335,641)</b>	<b>130,417</b>	<b>466,058</b>
<b>WORKING CAPITAL, July 1, 2014</b>	<b>476,148</b>	<b>476,148</b>	<b>524,978</b>	<b>48,830</b>
<b>WORKING CAPITAL, July 1, 2015</b>	<b>\$ 140,507</b>	<b>\$ 140,507</b>	<b>655,395</b>	<b>\$ 514,888</b>
Reconciliation				
Non-current assets			2,790,395	
<b>ENDING NET POSITION</b>			<b>\$ 3,445,790</b>	

**OTHER FINANCIAL SCHEDULES**

**CITY OF JACKSONVILLE  
SCHEDULE OF PROPERTY TAX TRANSACTIONS  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>Tax Year</u>	<u>Uncollected July 1, 2014</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts &amp; Adjustments</u>	<u>Interest</u>	<u>Collections Per Treasurer</u>	<u>Uncollected June 30, 2015</u>
<b><u>GENERAL FUND</u></b>							
CURRENT	2014-15	\$	\$ 626,298	\$ (17,304)	\$ 137	\$ 587,462	\$ 21,668
PRIOR	2013-14	23,342		(4,064)	505	9,538	10,245
	2012-13	10,941		(721)	505	4,100	6,625
	2011-12	6,574		(657)	487	2,434	3,970
	2010-11	2,987		(992)	348	1,549	794
	2009-10	884		(163)	63	230	553
	Prior	2,217		(132)	145	372	1,858
Total Prior		46,945	-	(6,729)	2,053	18,223	24,045
<b>TOTAL GENERAL FUND</b>		<u>\$ 46,945</u>	<u>\$ 626,298</u>	<u>\$ (24,033)</u>	<u>\$ 2,190</u>	<u>\$ 605,685</u>	<u>\$ 45,713</u>
<b><u>DEBT FUND</u></b>							
CURRENT	2014-15	\$	\$ 243,560	\$ (6,730)	\$ 53	\$ 228,457	\$ 8,426
PRIOR	2013-14	9,077		(1,580)	196	3,709	3,984
	2012-13	4,255		(280)	197	1,595	2,577
	2011-12	2,556		(255)	189	946	1,546
	2010-11	1,162		(386)	135	602	309
	2009-10	344		(64)	24	90	214
	Prior	862		(51)	57	145	723
Total Prior		18,256	-	(2,616)	798	7,087	9,353
<b>TOTAL DEBT FUND</b>		<u>\$ 18,256</u>	<u>\$ 243,560</u>	<u>\$ (9,346)</u>	<u>\$ 851</u>	<u>\$ 235,544</u>	<u>\$ 17,779</u>
<b><u>URBAN RENEWAL FUND</u></b>							
CURRENT	2014-15	\$	\$ 328,135	\$ (9,066)	\$ 72	\$ 307,788	\$ 11,353
PRIOR	2013-14	10,203		(1,777)	221	4,169	4,478
	2012-13	9,526		(290)	204	1,653	7,787
	2011-12	2,538		(253)	188	940	1,533
	2010-11	1,085		(360)	126	562	289
	2009-10	283		(52)	20	74	177
	Prior	303		(28)	20	60	235
Total Prior		23,938	-	(760)	779	7,458	14,499
<b>TOTAL URBAN RENEWAL FUND</b>		<u>\$ 23,938</u>	<u>\$ 328,135</u>	<u>\$ (11,826)</u>	<u>\$ 851</u>	<u>\$ 315,246</u>	<u>\$ 25,852</u>

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

Honorable Mayor and Council  
City of Jacksonville  
Jacksonville, Oregon

We have audited the basic financial statements of the City of Jacksonville, Oregon (the City) as of and for the year ended June 30, 2015, and have issued our report thereon dated January 29, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the 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 City 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*.

Honorable Mayor and Council  
City of Jacksonville  
Jacksonville, Oregon

**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.



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

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