

CITY OF JACKSONVILLE, OREGON

FINANCIAL STATEMENTS

JUNE 30, 2011



Certified Public Accountants

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June 30, 2011**

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INTRODUCTORY SECTION

**City of Jacksonville, Oregon
Elected and Appointed Officials
For the Year Ended June 30, 2011**

Mayor

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

Council Members

Christina Duane
240 Coachman Dr.
Jacksonville, Oregon
(Elected 11/10)

David Jesser
884 Hill St.
Jacksonville, Oregon
(Elected 11/10)

Donna Schatz
405 Mary Ann Dr
Jacksonville, Oregon
(Elected 11/96 and re-elected 11/00, 11/04 and 11/08)

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

Dan Winterburn
245 Laurel Wood
Jacksonville, Oregon
(Elected 11/08)

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

City Administrator

Jeff Alvis
P.O. Box 1913
Jacksonville, Oregon

City Attorney

Kurt Knudsen
1875 Hwy 99 N., Suite 4
Ashland, Oregon

Treasurer

Stacey McNichols
1848 Northwood Dr.
Central Point, Oregon

City Recorder

Jan Garcia
3053 Adams Circle
Medford, Oregon

Municipal Court Judge

Mark Burkhalter
Two North Oakdale Ave.
Medford, Oregon

FINANCIAL SECTION



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

A0611-47300-5

Certified Public Accountants

Independent Auditors' Report

City Council
City of Jacksonville, Oregon
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 City of Jacksonville, Oregon as of and for the year ended June 30, 2011, which collectively comprise City of Jacksonville, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Jacksonville, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, City of Jacksonville, Oregon, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 City of Jacksonville, Oregon, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, on our consideration of City of Jacksonville, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of funding progress, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the management's discussion and analysis. However, we did not audit the information and express no opinion on it. The budgetary comparison information and the schedules of funding progress have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jacksonville, Oregon's basic financial statements. The other supplementary information and other supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information and other supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Molatore, Scroggin, Peterson & Co. LLP



Andrew E. Peterson, Partner

Klamath Falls, Oregon
October 18, 2011

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

As management of the City of Jacksonville, Oregon, we offer readers of the City of Jacksonville, Oregon's financial statements this narrative overview and analysis of the financial activities of the City of Jacksonville, Oregon for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the City of Jacksonville, Oregon exceeded its liabilities at the close of the most recent fiscal year by \$ 12,453,518 (*net assets*). Of this amount, \$ 1,787,738 (*unrestricted net assets*) maybe used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,941,344. This increase is largely due to land donated to the City to help connect their cemetery lands together
- As of the close of the current fiscal year, the City of Jacksonville, Oregon's governmental funds reported combined ending fund balances of \$3,127,970 an increase of \$65,275 in comparison with the prior year. Approximately half of this total amount is *available for spending* at the government's discretion (*committed, assigned, & unassigned fund balances*).
- At the end of the current fiscal year, the fund balance for the general fund was \$308,105 or 36 percent of total general fund expenditures.
- The City of Jacksonville, Oregon's total long-term liabilities decreased by \$213,060 (three 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, Oregon's basic financial statements. The City of Jacksonville, Oregon 'S basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Jacksonville, Oregon 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, Oregon include general government, public safety, highways and streets, cemetery operation, historic preservation, and visitors' services and recreation. The business-type activities of the City of Jacksonville, Oregon include a Water Enterprise operation.

The government-wide financial statements include not only the City of Jacksonville, Oregon itself (known as the *primary government*), but also a legally separate Urban Renewal District for which the City of Jacksonville, Oregon is financially accountable. The Urban Renewal District, although also legally separate, functions for all practical purposes as a department of the City of Jacksonville, Oregon, and therefore has been included as an integral part of the primary government. The government-wide financial statements can be found on pages 10 & 11 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jacksonville, Oregon, 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, Oregon can be divided into two categories: governmental funds, and proprietary funds.

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

Governmental funds

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

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

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

The City of Jacksonville, Oregon maintains nine individual governmental funds.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each fund, all of which are considered to be major funds.

The City of Jacksonville, Oregon 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 14 through 16 of this report.

Proprietary funds

The City of Jacksonville, Oregon 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, Oregon 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, Oregon. The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 32 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Jacksonville, Oregon's progress in funding its obligation to provide pension benefits to its employees and budget to actual statements for the general fund and each special revenue fund. Required supplementary information can be found on page 34 through 41 of this report.

Budget to actual statements for other governmental funds and the propriety fund are presented immediately following the required supplementary information. The budget to actual statements can be found on pages 42 through 44 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Jacksonville, Oregon, assets exceeded liabilities by \$12,453,518 at the close of the most recent fiscal year. By far the largest portion of the City of Jacksonville, Oregon's net assets (60 percent) reflects its 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, Oregon uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Jacksonville, Oregon'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.

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

City of Jacksonville, Oregon's Net Assets

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$3,174,478	\$3,099,770	\$542,329	\$ 549,743	\$ 3,510,970	\$3,649,513
Capital assets	9,202,819	6,373,088	3,170,613	3,285,407	12,373,432	9,658,495
Total assets	<u>12,377,297</u>	<u>9,472,858</u>	<u>3,712,942</u>	<u>3,835,150</u>	<u>16,090,239</u>	<u>13,308,008</u>
Long-term liabilities outstanding	3,365,801	3,577,002	0	0	3,365,801	3,577,002
Other liabilities	259,125	242,284	11,795	10,701	270,920	252,985
Total liabilities	<u>3,624,926</u>	<u>3,819,286</u>	<u>11,795</u>	<u>10,701</u>	<u>3,636,721</u>	<u>3,829,987</u>
Net assets:						
Invested in capital assets, net of related debt	5,651,156	2,636,095	3,170,613	3,285,407	8,821,769	5,921,502
Restricted	1,844,010	1,989,781	0	0	1,844,010	1,989,781
Unrestricted	1,257,205	1,027,696	530,534	539,042	1,787,739	1,566,738
Total net assets	<u>\$8,752,371</u>	<u>\$5,653,572</u>	<u>\$3,701,146</u>	<u>\$3,824,449</u>	<u>\$12,453,517</u>	<u>\$9,478,021</u>

An additional portion of the City of Jacksonville, Oregon's net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,787,738) 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, Oregon is able to report positive balances in all three categories of net assets, 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.

There was a decrease of \$123,302 in net assets reported in connection with the City of Jacksonville, Oregon's business-type activities. This decrease resulted from depreciation on certain assets during the current fiscal year.

The government's net assets increased by \$2,941,344 during the current fiscal year. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenditures plus unexpected donation of property worth approx \$2,800,000.

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

Governmental activities

Governmental activities increased the City of Jacksonville, Oregon's net assets by \$3,064,646. Key elements of this increase are as follows:

City of Jacksonville, Oregon's Changes in Net Assets

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,261,225	\$ 1,158,224	\$ 578,967	\$617,662	\$1,840,192	\$ 1,775,886
Operating grants and contributions	18,673	74,822	-	0	18,673	74,822
Capital grants and contributions	2,943,080	726,385	-	0	2,943,080	726,385
General revenues:						
Property taxes	958,231	933,097	-	0	958,231	933,097
Other taxes	545,099	502,960	0	0	545,099	502,960
Grants and contributions not restricted to specific programs	15,833	33,036	3,483	4,629	19,316	37,665
Other	0	(5,343)	-	-	-	(5,343)
Total revenues	<u>5,742,141</u>	<u>3,423,181</u>	<u>582,450</u>	<u>622,291</u>	<u>6,324,590</u>	<u>4,045,472</u>
Expenses:						
General government	659,438	528,001	0	0	659,438	528,001
Public safety	911,692	941,173	0	0	911,692	941,173
Highways/streets	766,249	656,094	0	0	766,249	656,094
Recreation	162,165	263,423	0	0	162,165	263,423
Interest on long-term debt	177,951	198,554	0	0	177,951	198,554
Water	0	0	705,752	708,451	705,752	708,451
Total expenses	<u>2,677,495</u>	<u>2,587,245</u>	<u>705,752</u>	<u>708,451</u>	<u>3,383,247</u>	<u>3,295,696</u>
Change in net assets	3,064,646	835,936	(123,302)	(86,160)	2,941,344	749,776
Net assets – Beginning	<u>5,687,725</u>	<u>4,817,636</u>	<u>3,824,449</u>	<u>3,910,609</u>	<u>9,152,174</u>	<u>8,728,245</u>
Net assets - Ending	<u>\$ 8,752,371</u>	<u>\$ 5,653,572</u>	<u>\$ 3,701,147</u>	<u>\$ 3,824,449</u>	<u>\$ 12,453,518</u>	<u>\$ 9,478,021</u>

Property taxes increased by \$ 25,134 (2.7 percent) during the year, roughly the three percent allowed by Measure 50.

Operating grants for governmental activities decreased by \$ 56,149.

Expenses and Program Revenues - Governmental Activities

	Expenses	Program Revenues
Governmental Activities:		
General Government	659,438	\$456,410
Public Safety	911,692	594,336
Highways and Streets	766,249	299,983
Recreation	162,165	72,249
Interest on long-term debt	177,951	-
	<u>\$2,677,495</u>	<u>\$1,422,978</u>

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

Revenues by Source - Governmental Activities

General Revenues:	Amount	Percentage of Revenues
Charges for services	\$1,261,225	21%
Operating grants and contributions	18,673	0.5%
Capital grants and contributions	2,943,080	51%
Property taxes	958,231	17%
Franchise taxes	203,057	4%
Motor fuel taxes	128,633	2%
Alcoholic beverage taxes	36,805	1%
Transient room taxes	87,015	2%
Entertainment taxes	65,781	1%
Misc taxes and receipts from other governments	23,808	0.5%
Unrestricted investment earnings	15,833	0%
Gain (loss) on sale of capital assets	0	0%
	\$5,742,141	100%

For the most part, increases in expenses closely paralleled growth in the demand for services and the resulting revenue. One noteworthy exception, however, was the City of Jacksonville, Oregon's Cemetery function. In that instance, the growth was due to property that was donated with an approximate value of \$2,800,000

Expenses and Program Revenues - Business-type Activities

	Expenses	Program Revenues
Business-type Activities		
Water	\$705,752	\$582,450

Revenues by Source – Business-type Activities

General Revenues:	Amount	Percentage of Revenues
Charges for services	\$578,967	99%
Unrestricted investment earnings	3,483	1%
	\$582,450	100%

Business-type activities decreased the City of Jacksonville, Oregon's net assets by \$123,302.

Financial Analysis of the Government's Funds

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

Governmental funds

The focus of the City of Jacksonville, Oregon'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, Oregon'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, Oregon's governmental funds reported combined ending fund balances of \$3,127,970, an increase of \$65,275 in comparison with the prior year. Approximately one third of this total ending fund balance amount constitutes *unreserved, undesignated fund balance* which is available for spending at the government's

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

discretion. The remainder of fund balance is *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 restricted purposes.

The general fund is the chief operating fund of the City of Jacksonville, Oregon. At the end of the current fiscal year, the total fund balance reached \$308,105. This total fund balance represents 35.6 percent of the total General fund expenditures.

The overall General fund balance is an increase of \$63,692 from the prior beginning balance which is the result of careful planning and spending.

The Fire Protection fund balance was also increased; a net change of \$37,589, which is the result of a surcharge increase at the beginning of the fiscal year which has now been stabilized.

The debt service fund has a total fund balance of \$268,059, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$61,012; this decrease was intended to bring the ending fund balance more closely in line with the minimum reserve requirements of our bond holders and thereby minimize the tax burden on our citizens.

Proprietary fund

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

Unrestricted net assets of the Water Enterprise operations at the end of the year amounted to \$530,533. Other factors concerning the finances of this fund has already been addressed in the discussion of the City of Jacksonville, Oregon's business-type activities.

General Fund Budgetary Highlights

During the year there was an increase in appropriations between the original and final amended budget. Following are the main components of the increase:

- supplemental appropriation to the fire department for the expansion of the government's fire safety program; and

The increase was possible because of additional anticipated revenues from a surcharge increase and from interfund loans.

Capital Asset and Debt Administration

Capital assets. The City of Jacksonville, Oregon's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$12,373,432 (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, Oregon's investment in capital assets for the current fiscal year was \$352,835.

Major capital asset events during the current fiscal year included the following:

- Completion of Construction projects on Elm, M, and 'C' Streets; construction in progress for Governmental Activities as of the close of the fiscal year had reached \$29,684 which consists of the restoration project of the Britt Gardens.
- Cemetery land was acquired for \$100,000 with an additional piece of property being donated worth approximately \$2,800,000.

City of Jacksonville, Oregon's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$5,342,542	\$2,442,542	\$118,131	\$118,131	\$5,460,673	\$2,560,673
Construction in progress	29,684	474,881	0	62,873	29,684	537,754
Buildings	633,429	617,414	865,290	892,319	1,498,719	1,509,733
Machinery and equipment	241,549	128,122	30,074	31,676	271,623	159,798
Vehicles	192,837	243,548	8,742	11,022	201,579	254,570
Infrastructure	2,762,778	2,461,131	2,148,376	2,169,386	4,911,154	4,630,517
Total	\$9,202,819	\$6,367,638	\$3,170,613	\$3,285,407	\$12,373,432	\$9,653,045

City of Jacksonville, Oregon
Management's Discussion and Analysis
June 30, 2011

Additional information on the City of Jacksonville, Oregon's capital assets can be found in note 5 on pages 23 & 24 of this report.

Long-term debt

At the end of the current fiscal year, the City of Jacksonville, Oregon had total bonded debt outstanding of \$2,805,076 which is debt backed by the full faith and credit of the government. The remainder of the City of Jacksonville, Oregon's debt represents loans, leases, and contracts secured solely by specified revenue sources (i.e., Urban Renewal).

City of Jacksonville, Oregon's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	2,805,076	2,859,990	-	-	2,805,076	2,859,990
Contracts payable, 1982	20,527	40,407	-	-	20,527	40,407
Loan payable -OTIB	626,462	740,352	-	-	626,462	740,352
Lease payable - Key Gov	119,680	152,869	-	-	119,680	152,869
Total	\$ 3,571,745	\$ 3,793,618	\$ -	\$ -	\$ 3,571,745	\$ 3,793,618

Additional information on the City of Jacksonville, Oregon's long-term debt can be found in note 7 on pages 28 & 29 of this report.

Economic Factors and Next Year's Budget and Rates

The City of Jacksonville, Oregon has appropriated \$176,067 of the \$305,105 unreserved, undesignated fund balance in the general fund for spending in the 2011/12 fiscal year budget. This may be adjusted during supplemental budget to obviate the need for the transfer of additional resources to the general fund from the Urban Renewal District, as occurred during the 2011/12 fiscal year, or for other purposes.

The Water Enterprise operation's rates were not increased in the 2011/12 budget year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Jacksonville, Oregon
Statement of Net Assets – Modified Cash Basis
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 2,968,641	\$ 542,329	\$ 3,510,970
Temporarily restricted assets			
Cash and cash equivalents	197,938	-	197,938
Permanently restricted assets			
Cash and cash equivalents	7,899	-	7,899
Total Current Assets	<u>3,174,478</u>	<u>542,329</u>	<u>3,716,807</u>
Noncurrent Assets:			
Capital assets (net of accumulated depreciation)			
Land	5,342,542	118,131	5,460,673
Construction in progress	29,684	-	29,684
Buildings	633,429	865,290	1,498,719
Machinery and equipment	241,549	30,074	271,623
Vehicles	192,837	8,742	201,579
Infrastructure	2,762,778	2,148,376	4,911,154
Total Noncurrent Assets	<u>9,202,819</u>	<u>3,170,613</u>	<u>12,373,432</u>
Total Assets	<u>12,377,297</u>	<u>3,712,942</u>	<u>16,090,239</u>
Liabilities			
Current Liabilities:			
Accounts payable	4,193	-	4,193
Accrued payroll	15,535	-	15,535
Customer deposits	-	11,795	11,795
Deferred revenue	26,783	-	26,783
Loans payable	154,942	-	154,942
Bonds payable	57,672	-	57,672
Total Current Liabilities	<u>259,125</u>	<u>11,795</u>	<u>270,920</u>
Noncurrent Liabilities:			
Post employment benefit obligation	6,670	-	6,670
Loans payable	611,727	-	611,727
Bonds payable	2,747,404	-	2,747,404
Total Noncurrent Liabilities	<u>3,365,801</u>	<u>-</u>	<u>3,365,801</u>
Total Liabilities	<u>3,624,926</u>	<u>11,795</u>	<u>3,636,721</u>
Net Assets			
Invested in capital assets, net of related debt	5,651,156	3,170,613	8,821,769
Restricted for:			
System development	612,779	-	612,779
Debt service	268,057	-	268,057
Historical preservation	695,172	-	695,172
Perpetual care:			
Expendable	252,250	-	252,250
Nonexpendable	15,752	-	15,752
Unrestricted	<u>1,257,205</u>	<u>530,534</u>	<u>1,787,739</u>
Total Net Assets	<u>\$ 8,752,371</u>	<u>\$ 3,701,147</u>	<u>\$ 12,453,518</u>

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

City of Jacksonville, Oregon
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 659,438	\$ 294,657	\$ 18,673	\$ 143,080	\$ (203,028)	\$ -	\$ (203,028)
Public safety	911,692	594,336	-	-	(317,356)	-	(317,356)
Highways and streets	766,249	299,983	-	-	(466,266)	-	(466,266)
Recreation	162,165	72,249	-	2,800,000	2,710,084	-	2,710,084
Interest on long-term debt	177,951	-	-	-	(177,951)	-	(177,951)
Total Government Activities	<u>2,677,495</u>	<u>1,261,225</u>	<u>18,673</u>	<u>2,943,080</u>	<u>1,545,483</u>		<u>1,545,483</u>
Business-Type Activities:							
Water	<u>705,752</u>	<u>578,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,785)</u>	<u>(126,785)</u>
Total Business-Type Activities	<u>705,752</u>	<u>578,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,785)</u>	<u>(126,785)</u>
Total	<u>\$ 3,383,247</u>	<u>\$ 1,840,192</u>	<u>\$ 18,673</u>	<u>\$ 2,943,080</u>	<u>1,545,483</u>	<u>(126,785)</u>	<u>1,418,698</u>
		General Revenues:					
					958,231	-	958,231
					203,057	-	203,057
					128,633	-	128,633
					36,805	-	36,805
					87,015	-	87,015
					65,781	-	65,781
					23,808	-	23,808
					15,833	3,483	19,316
					-	-	-
				Total General Revenues and Transfers	<u>1,519,163</u>	<u>3,483</u>	<u>1,522,646</u>
				Change in Net Assets	3,064,646	(123,302)	2,941,344
				Net Assets - Beginning	<u>5,687,725</u>	<u>3,824,449</u>	<u>9,512,174</u>
				Net Assets - Ending	<u>\$ 8,752,371</u>	<u>\$ 3,701,147</u>	<u>\$ 12,453,518</u>

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

City of Jacksonville, Oregon
Balance Sheet – Modified Cash Basis
Governmental Funds
June 30, 2011

	General Fund	Fire Safety Fund	Streets and Storm Drains Fund	Parks and Visitor Services Fund	Systems Development Fund	Historic Preservation Fund	Urban Renewal Fund	Debt Service Fund	Permanent Fund	Total Governmental Funds
Assets										
Cash and cash equivalents	\$ 258,260	\$ 249,853	\$ 492,948	\$ 277,999	\$ 612,779	\$ 695,172	\$ 51,411	\$ 70,121	\$ 260,103	\$ 2,968,646
Advances to other funds	352,961	137,078	117,493	27,295	-	-	-	-	-	634,827
Temporarily restricted assets										
Cash and cash equivalents	-	-	-	-	-	-	-	197,938	-	197,938
Permanently restricted assets										
Cash and cash equivalents	-	-	-	-	-	-	-	-	7,899	7,899
Total Assets	\$ 611,221	\$ 386,931	\$ 610,441	\$ 305,294	\$ 612,779	\$ 695,172	\$ 51,411	\$ 268,059	\$ 268,002	\$ 3,809,310
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 4,194	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,194
Accrued payroll	15,535	-	-	-	-	-	-	-	-	15,535
Deferred revenue	1,520	-	25,263	-	-	-	-	-	-	26,783
Advances from other funds	281,867	-	-	-	-	-	352,961	-	-	634,828
Total Liabilities	303,116	-	25,263	-	-	-	352,961	-	-	681,340
Fund balances:										
Nonspendable:										
Permanent fund	-	-	-	-	-	-	-	-	268,002	268,002
Restricted for:										
Historical preservation	-	-	-	-	-	695,172	-	-	-	695,172
Fire safety	-	249,853	-	-	-	-	-	-	-	249,853
Urban Renewal	-	-	-	-	-	-	(301,550)	-	-	(301,550)
Committed to:										
System development charges	-	-	-	-	612,779	-	-	-	-	612,779
Interfund advances	352,961	137,078	117,493	27,295	-	-	-	-	-	634,827
Streets and storm drains	-	-	467,685	-	-	-	-	-	-	467,685
Parks and visitor services	-	-	-	277,999	-	-	-	-	-	277,999
Assigned to:										
Debt service fund	-	-	-	-	-	-	-	268,059	-	268,059
Unassigned:										
General fund	(44,856)	-	-	-	-	-	-	-	-	(44,856)
Total Fund Balances	308,105	386,931	585,178	305,294	612,779	695,172	(301,550)	268,059	268,002	3,127,970
Total Liabilities and Fund Balances	\$ 611,221	\$ 386,931	\$ 610,441	\$ 305,294	\$ 612,779	\$ 695,172	\$ 51,411	\$ 268,059	\$ 268,002	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resource and, therefore, are not reported in the funds.	6,402,816
Contributed capital assets are not financial resources and, therefore not reported in the funds	2,800,000
Long-term liabilities for post employment benefits	(6,670)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.	<u>(3,571,745)</u>
Net assets of governmental activities	<u>\$ 8,752,371</u>

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

City of Jacksonville, Oregon
Statement of Revenues, Expenditures, and Changes in Fund Balances
Modified Cash Basis – Governmental Funds
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Fire Safety Fund</u>	<u>Streets and Storm Drains Fund</u>	<u>Parks and Visitor Services Fund</u>	<u>Systems Development Fund</u>	<u>Historic Preservation Fund</u>	<u>Urban Renewal Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total Governmental Funds</u>
Revenues										
Taxes	\$ 625,033	\$ -	\$ -	\$ 152,796	\$ -	\$ -	\$ 196,748	\$ 136,450	\$ -	\$ 1,111,027
Intergovernmental	60,613	-	272,053	18,333	-	-	-	-	-	350,999
Licenses, fees and permits	148,985	532,169	8,864	50,255	76,339	-	-	-	-	816,612
Franchise fees	11,385	-	154,934	36,738	-	-	-	-	-	203,057
Charges for services	5,368	-	284,341	120	-	-	-	-	37,825	327,654
Fines and forfeits	53,456	-	-	-	-	-	-	-	-	53,456
Investment income	1,447	5,898	4,991	1,463	4,432	3,824	701	475	1,155	24,386
Miscellaneous revenues	20,520	6,131	6,778	21,873	-	8,000	-	-	200	63,502
Total Revenues	<u>926,807</u>	<u>544,198</u>	<u>731,961</u>	<u>281,578</u>	<u>80,771</u>	<u>11,824</u>	<u>197,449</u>	<u>136,925</u>	<u>39,180</u>	<u>2,950,693</u>
Expenditures										
Current:										
General government	364,899	-	-	-	-	55,324	4,840	-	21,977	447,040
Public safety	433,592	486,226	-	-	-	-	-	-	-	919,818
Highways and streets	-	-	526,298	-	-	-	-	-	-	526,298
Recreation	-	-	-	237,575	-	-	-	-	-	237,575
Debt service:										
Principal	8,553	16,970	-	-	19,880	-	113,891	54,913	-	214,207
Interest	6,012	6,335	-	-	1,314	-	27,277	143,024	-	183,962
Capital outlay:										
General government	50,059	-	-	-	18,037	-	-	-	100,000	168,096
Public safety	-	-	-	-	-	-	-	-	-	-
Highways and streets	-	-	177,004	-	-	-	-	-	-	177,004
Recreation	-	-	-	17,431	-	-	-	-	-	17,431
Total Expenditures	<u>863,115</u>	<u>509,531</u>	<u>703,302</u>	<u>255,006</u>	<u>39,231</u>	<u>55,324</u>	<u>146,008</u>	<u>197,937</u>	<u>121,977</u>	<u>2,891,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>63,692</u>	<u>34,667</u>	<u>28,659</u>	<u>26,572</u>	<u>41,540</u>	<u>(43,500)</u>	<u>51,441</u>	<u>(61,012)</u>	<u>(82,797)</u>	<u>59,262</u>
Other Financing Sources (Uses)										
Other	-	2,922	2,507	583	-	-	-	-	-	6,012
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,922</u>	<u>2,507</u>	<u>583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,012</u>
Net Change in Fund Balances	<u>63,692</u>	<u>37,589</u>	<u>31,166</u>	<u>27,155</u>	<u>41,540</u>	<u>(43,500)</u>	<u>51,441</u>	<u>(61,012)</u>	<u>(82,797)</u>	<u>65,274</u>
Fund Balances - Beginning	244,413	349,342	554,012	278,139	571,239	738,672	(352,991)	329,071	350,799	3,062,696
Fund Balances - Ending	<u>\$ 308,105</u>	<u>\$ 386,931</u>	<u>\$ 585,178</u>	<u>\$ 305,294</u>	<u>\$ 612,779</u>	<u>\$ 695,172</u>	<u>\$ (301,550)</u>	<u>\$ 268,059</u>	<u>\$ 268,002</u>	<u>\$ 3,127,970</u>

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

City of Jacksonville, Oregon
Reconciliation of the Statement of Revenues, Expenditures and Changes
In Fund Balance – Modified Cash Basis of Governmental Funds to the
Statement of Activities – Modified Cash Basis
For the Year Ended June 30, 2011

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balances - total governmental funds (page 13)	\$	65,274
Governmental funds report capital outlays 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.		46
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		2,800,000
Governmental funds do not report the post employment benefit obligation		(6,670)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		<u>205,996</u>
Change in net assets of governmental activities (page 11)	\$	<u><u>3,064,646</u></u>

City of Jacksonville, Oregon
Statement of Net Assets – Modified Cash Basis
Proprietary Fund
June 30, 2011

Assets	
Current Assets:	
Cash and cash equivalents	\$ 542,329
Total Current Assets	<u>542,329</u>
Noncurrent Assets:	
Capital assets (net of accumulated depreciation)	
Land	118,131
Construction in progress	-
Buildings	865,290
Machinery and equipment	30,074
Vehicles	8,742
Infrastructure	<u>2,148,376</u>
Total Noncurrent Assets	<u>3,170,613</u>
 Total Assets	 <u>3,712,942</u>
Liabilities	
Current Liabilities:	
Customer deposits	<u>11,795</u>
Total Current Liabilities	<u>11,795</u>
Net Assets	
Invested in capital assets, net of related debt	3,170,613
Unrestricted	<u>530,534</u>
 Total Net Assets	 <u>\$ 3,701,147</u>

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

City of Jacksonville, Oregon
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Modified Cash Basis
Proprietary Fund
June 30, 2011

Operating revenues:

Charges for sales and services:	
Water charges (net of allowances)	\$ 578,189
Other services	<u>778</u>
Total Operating Revenues	<u>578,967</u>

Operating expenses:

Costs of sales and services	581,808
Depreciation and amortization	<u>123,944</u>
Total Operating Expenses	<u>705,752</u>
Operating (loss)	<u>(126,785)</u>

Nonoperating revenues (expenses):

Investment earnings	<u>3,483</u>
Total Nonoperating Revenue (Expenses)	<u>3,483</u>
Change in net assets	(123,302)
Total Net Assets - Beginning	<u>3,824,449</u>
Total Net Assets - Ending	<u><u>\$ 3,701,147</u></u>

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

City of Jacksonville, Oregon
Statement of Cash Flows – Modified Cash Basis
Proprietary Fund
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Receipts from customers and users	\$ 580,065
Payments to suppliers	(287,138)
Payments to employees	(294,672)
	(1,745)
Net Cash Provided by Operating Activities	(1,745)

Cash Flows from Capital and Related Financing Activities

Purchases and construction of capital assets	(9,152)
	(9,152)
Net Cash (Used) by Capital and Related Financing Activities	(9,152)

Cash Flows from Investing Activities

Interest and dividends received	3,484
	3,484
Net Cash Provided by Investing Activities	3,484
Net Change in Cash and Cash Equivalents	(7,413)
Cash and Cash Equivalents - Beginning of Year	549,742
Cash and Cash Equivalents - End of Year	\$ 542,329

Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities:

Operating (loss)	\$ (126,785)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:	
Depreciation and amortization expense	123,944
Increase (decrease) in liabilities	1,096
Customer deposits	1,096
Total Adjustments	125,040
Net Cash Provided by Operating Activities	\$ (1,745)

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

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 1 – Summary of Significant Accounting Policies

Organization

The City of Jacksonville, Oregon (located in Jackson County), was 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 following is a summary of significant accounting policies utilized by the government in the preparation of the accompanying financial statements.

Reporting entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended Component Unit

The Jacksonville Urban Renewal Agency (Urban Renewal), is governed by a board comprised of the government's elected council. The Urban Renewal is reported as a special revenue fund.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 are 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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

The government reports the following 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 *public safety surcharge fund* accounts for receipts from a property tax levy and the utility surcharge. The funds are restricted for public safety 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, watershed 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 *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.

The government reports the following major proprietary fund:

The *water fund* accounts for the expansion, operation and maintenance of the government's water supply system.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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.

Deposits and investments

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.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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

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, 2011 is representative of the types of investments made throughout the year.

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, “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business type activities are reported in the government-wide statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and not expendable available financial resources.

All trade receivables are shown net of allowance for uncollectibles. Allowances for uncollectibles on trade accounts receivables is based on the government’s expected net write-offs for the next year based upon past history.

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

Restricted assets

Certain resources set aside for the repayment of the government’s general obligation bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

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.

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 backtrending (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.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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

Property, plant, and equipment of the primary government is 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 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. 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.

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund balances

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

Use of Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

Budgetary information

The 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.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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

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 modified cash basis of accounting for all funds with the following exceptions: interfund loans and repayments are budgeted similar to other debt transactions. The nature and amount of all significant adjustments necessary to convert data prepared on a basis consistent with the modified cash basis of accounting to a budgetary basis are noted on the budget to actual statements included in the financial statements.

Excess of expenditures over appropriations

For the year ended June 30, 2011, expenditures did not exceed appropriations in any of the funds.

Deficit fund equity

The Urban Renewal Fund had a deficit fund balance of \$(301,551) as of June 30, 2011.

Note 3 – Deposits and Investments

Cash and cash equivalents are comprised of the following at June 30, 2011:

Cash	\$ 420
Deposits with financial institutions	432,028
Deposits with Local Government Investment Pool	<u>3,284,359</u>
	<u>\$ 3,716,807</u>

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

Cash and cash equivalents	\$ 3,510,970
Current temporarily restricted cash and cash equivalents	197,938
Current permanently restricted cash and cash equivalents	<u>7,899</u>
	<u>\$ 3,716,807</u>

Credit Risk – Deposits

At year end, the book balance of the government's bank deposits was \$432,028 and the bank balance was \$586,566. 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.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 3 – Deposits and Investments *(continued)*

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.

Credit risk – Investments

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

Concentration of credit risk – Investments

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

Custodial credit risk – Investments

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

Note 4 – Receivables

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year *deferred revenue* reported in the governmental funds related to business licenses and other fees paid in advance.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,442,542	\$ 2,900,000	\$ -	\$ 5,342,542
Construction in progress	480,331	29,684	(480,331)	29,684
Total capital assets, not being depreciated	<u>2,922,873</u>	<u>2,929,684</u>	<u>(480,331)</u>	<u>5,372,226</u>
Capital assets, being depreciated:				
Buildings	968,249	34,993	-	1,003,242
Machinery and equipment	418,303	165,992	-	584,295
Vehicles	539,429	-	-	539,429
Infrastructure	6,524,768	493,007	-	7,017,775
Total capital assets being depreciated	<u>8,450,749</u>	<u>693,992</u>	<u>-</u>	<u>9,144,741</u>
Less accumulated depreciation for:				
Buildings	(350,835)	(18,978)	-	(369,813)
Machinery and equipment	(290,180)	(52,566)	-	(342,746)
Vehicles	(295,881)	(50,711)	-	(346,592)
Infrastructure	(4,063,637)	(191,360)	-	(4,254,997)
Total accumulated depreciation	<u>(5,000,533)</u>	<u>(313,615)</u>	<u>-</u>	<u>(5,314,148)</u>
Total capital assets being depreciated, net	<u>3,450,216</u>	<u>380,378</u>	<u>-</u>	<u>3,830,594</u>
Governmental activities capital assets, net	<u>\$ 6,373,089</u>	<u>\$ 3,310,062</u>	<u>\$ (480,331)</u>	<u>\$ 9,202,820</u>

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 5 – Capital Assets *(continued)*

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 118,131	\$ -	\$ -	\$ 118,131
Construction in progress	62,873	-	(62,873)	-
Total capital assets, not being depreciated	<u>181,004</u>	<u>-</u>	<u>(62,873)</u>	<u>118,131</u>
Capital assets, being depreciated:				
Buildings	1,351,469	-	-	1,351,469
Machinery and equipment	140,434	9,149	-	149,583
Vehicles	99,276	-	-	99,276
Infrastructure	4,124,370	62,873	-	4,187,243
Total capital assets being depreciated	<u>5,715,549</u>	<u>72,021</u>	<u>-</u>	<u>5,787,570</u>
Less accumulated depreciation for:				
Buildings	(459,150)	(27,029)	-	(486,179)
Machinery and equipment	(108,758)	(10,751)	-	(119,509)
Vehicles	(88,254)	(2,280)	-	(90,534)
Infrastructure	(1,954,984)	(83,882)	-	(2,038,866)
Total accumulated depreciation	<u>(2,611,146)</u>	<u>(123,942)</u>	<u>-</u>	<u>(2,735,088)</u>
Total capital assets being depreciated, net	<u>3,104,403</u>	<u>(51,921)</u>	<u>-</u>	<u>3,052,482</u>
Business-type activities capital assets, net	<u>\$ 3,285,407</u>	<u>\$ (51,921)</u>	<u>\$ (62,873)</u>	<u>\$ 3,170,613</u>

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

Governmental activities:	
General government	\$ 11,297
Public safety	61,705
Highways and streets, including depreciation of general infrastructure assets	214,367
Recreation	26,247
Total depreciation expense - governmental activities	<u>\$ 313,616</u>
Business-type activities:	
Water	\$ 123,944
Total depreciation expense - business-type activities	<u>\$ 123,944</u>

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 6 – Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2011, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Urban Renewal Fund	\$ 352,961
Parks Fund	General Fund	27,295
Public Safety Fund	General Fund	137,078
Streets and Storm Drains Fund	General Fund	117,493
Total		<u>\$ 634,827</u>

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

The amounts payable to the Parks Fund, Public Safety Fund, and the Streets and Storm Drains Fund relate to working capital loan made to the General Fund for the purchase of property to be utilized as a police station. \$6,193 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 Financial Statements
June 30, 2011

Note 7 – Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011:

Governmental Activities	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amounts Due Within One Year
General Obligation Bonds, Series 1996: Issued March 28, 1996, face amount \$2,430,800, water general obligation bond. Interest (5.000%) payments are required semi-annually on March 28 and September 28, with principal payments required on March 28 of each year until 2036. The debt service on these bonds is paid by the Debt Service Fund.	\$ 2,036,105	\$ -	\$ 39,838	\$ 1,996,267	\$ 41,844
General Obligation Bonds, Series 1997: Issued April 28, 1997, face amount \$965,500, water general obligation bond. Interest (5.000%) payments are required semi-annually on April 28 and August 28, with principal payments required on April 28 of each year until 2037. The debt service on these bonds is paid by the Debt Service Fund.	823,885	-	15,075	808,810	15,828
Contracts Payable, 1982: Issued June 25, 1982, face amount \$269,650, water rights contract. Annual payments of principal and interest (3.253%) are required on August 12 of each year until 2011. The debt service on this contract is paid by the Systems Development Fund.	40,407	-	19,880	20,527	20,527
Loan Payable - Oregon Transportation Infrastructure Bank Loan (OTIB): Issued October 3, 2003, face amount \$931,195, street improvement loan. Annual payments of interest only for the first 2 years, then annual payments of principal and interest (4.000%) are required on August 1 of each year for 10 years. The debt service on this loan is paid by the Urban Renewal Fund.	740,353	-	113,891	626,462	116,658
Lease Payable - Key Government Finance Issued April 23, 2007, face amount \$188,801, fire truck capital lease. Annual payments of principal and interest (4.529%) are required on August 27 of each year for 10 years. The debt service on this loan is paid by the Public Safety Surcharge Fund.	136,650	-	16,970	119,680	17,757
Governmental activities long-term liabilities	\$ 3,777,400	\$ -	\$ 205,654	\$ 3,571,746	\$ 212,614

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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

General Obligation Bonds

The government has issued general obligation bonds to provide funds for the acquisition of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>2026-2030</u>	<u>2031-2035</u>	<u>2036-2037</u>	<u>Total</u>
General Obligation Bonds, Series 1996											
Principal	\$ 41,844	\$ 43,936	\$ 46,133	\$ 48,439	\$ 50,861	\$ 295,092	\$ 376,621	\$ 480,674	\$ 612,667	\$ -	\$ 1,996,267
Interest	103,715	97,732	95,535	93,228	90,807	413,247	331,719	227,566	94,863	-	1,548,412
General Obligation Bonds, Series 1997											
Principal	15,828	16,621	17,452	18,324	19,241	111,632	142,473	181,837	232,076	53,325	808,809
Interest	42,596	39,649	38,818	37,948	37,027	169,718	148,877	99,513	49,274	2,666	666,086
 Total General Obligation Bonds	 <u>203,983</u>	 <u>197,938</u>	 <u>197,938</u>	 <u>197,939</u>	 <u>197,936</u>	 <u>989,689</u>	 <u>999,690</u>	 <u>989,590</u>	 <u>988,880</u>	 <u>55,991</u>	 <u>5,019,574</u>

Other Long-Term Liabilities

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

Contract Payable, 1982											
Principal	20,527	-	-	-	-	-	-	-	-	-	20,527
Interest	1,314	-	-	-	-	-	-	-	-	-	1,314
Loan Payable - OTIB											
Principal	116,658	121,324	126,177	131,224	131,524	-	-	-	-	-	626,907
Interest	27,722	19,844	14,991	9,944	4,695	-	-	-	-	-	77,196
Lease Payable - 2007											
Principal	17,757	18,580	19,442	63,901	-	-	-	-	-	-	119,680
Interest	7,805	4,725	3,864	6,014	-	-	-	-	-	-	22,408
 Total Other Long-Term Liabilities	 <u>191,783</u>	 <u>164,473</u>	 <u>164,474</u>	 <u>211,083</u>	 <u>136,219</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>868,032</u>
 Total Long-Term Liabilities	 <u>\$ 395,766</u>	 <u>\$ 362,411</u>	 <u>\$ 362,412</u>	 <u>\$ 409,022</u>	 <u>\$ 334,155</u>	 <u>\$ 989,689</u>	 <u>\$ 999,690</u>	 <u>\$ 989,590</u>	 <u>\$ 988,880</u>	 <u>\$ 55,991</u>	 <u>\$ 5,887,606</u>

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

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.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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 is in effect from January 1, 2009 through December 31, 2011.

Note 9 – Defined Benefit Pension Plan (OPERS)

Plan Description

The government is a participating employer in the Oregon Public Employees Retirement System (“PERS”), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (“OPERB”). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR, 97281-3700, by calling 503-598-7377, or by accessing the PERS web site at <http://oregon.gov/pers/>.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The government has elected to contribute the 6.0% “pick-up” or \$40,275 for all eligible employees as negotiated by contract, for the year ended June 30, 2011.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 9 – Defined Benefit Pension Plan (OPERS) (continued)

In addition to the 6.0% “pick-up”, the government is required to contribute at the rates shown below. Rates are set by OPERB and are periodically changed based upon actuarial computations of the amounts needed to adequately provide for benefits.

<u>Group</u>	PERS Employer Contribution Rates	
	Effective	
	<u>1-Jul-07</u>	<u>1-Jul-09</u>
Tier 1 / Tier II	11.45%	8.29%
OPSRP		
Police & Fire	13.87%	7.89%
General	10.60%	5.18%

Annual Pension Cost

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2011, the government’s annual pension expenditures/expense exclusive of the 6.0% “pick-up” was \$82,138. This amount consisted of the annual required contribution of \$82,138.

The government’s pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability (“UAL”) created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuation UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 3.75%, health cost inflation graded from 8.00% in 2008 to 5.0% in 2013, and a consumer price inflation component of 2.75%.

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

The following table presents three-year trend information for the government’s employee pension plan:

<u>Fiscal year ending June 30</u>	<u>Annual pension cost (APC)</u>		<u>Contributions</u>		<u>Percentage of APC contributed</u>
2009	\$	108,921	\$	108,921	100%
2010	\$	82,998	\$	82,998	100%
2011	\$	82,138	\$	82,138	100%

Note 10 – Defined Benefit Pension Plan (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS) the government contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publically available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 10 – Defined Benefit Pension Plan (RHIA) (continued)

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premium coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.37% of annual covered payroll for Tier 1 & 2 employees and 0.26% for OPSRP employees. The OPERS Board of Trustees 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 funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The government's contributions to RHIA for the years ended June 30, 2008, 2009, 2010, 2011 were \$2,241, \$2,362, \$1,709, and \$1,674 which equaled the required contributions each year.

Note 11 – 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, 2011, employees elected to contribute \$5,600 to the plan.

Note 12 – Other Post-Employment Benefits (OPEB)

Plan Description

The government provides a single-employer defined benefit postemployment health care program for employees who have left employment with the government. Benefits to eligible retirees, terminated employees, and their dependents.

These benefits are provided in accordance with various negotiated contracts, Oregon Revised Statutes Chapter 234, and the Consolidated Omnibus Budget Reconciliation Act (COBRA). The government does not issue a stand alone report for this plan.

These programs have generally provided provisions for medical benefits after retirement until the employee reaches age 65.

Funding Policy

Employees are required to pay all costs of the benefits generally on a pay-as-you-go basis.

Annual Pension Cost and Net Pension Obligation

The government's annual Other Postemployment Benefit Obligation (OPEB) cost and net OPEB obligation to the program for the current year were as follows:

Annual required contribution	\$ 6,670
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>6,670</u>
Contributions made	<u>-</u>
Increase in net OPEB obligation	6,670
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u><u>\$ 6,670</u></u>

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 12 – Other Post-Employment Benefits (OPEB) *(continued)*

The government’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage APC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	6,670	0.0%	\$ 6,670

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, claim cost, and health care trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

The annual required contribution for the current year was determined as part of the June 30, 2009, actuarial valuation using the projected unit credit actuarial cost method. Contribution levels are comprised of two components: normal cost and amortization payment. Under this method, the expected accrued benefit for each participant at benefit commencement (reflecting future expected increases in medical premiums) is allocated in equal proportion over the participant’s years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year. The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded accrued liability. The unfunded accrued liability is being amortized as a level percentage of payroll, over an initial period of ten years for the explicit medical benefit program and thirty years for the implicit medical benefit program. The government uses the alternative method permitted by Governmental Accounting Standards Board Statement No. 45 to calculate its OPEB obligation. The actuarial assumptions included (a) 4.0% interest rate for discounting future liabilities, (b) 5.0% increase per year in government paid benefits.

Note 13 – Risk Management

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

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

Note 14 - New Pronouncements

Statement No. 64

Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53

Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. This statement will have no affect on the government.

Statement No. 63

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. This statement will be adopted by the government for the year ending June 30, 2012. The effect of this statement on the government has not been determined.

City of Jacksonville, Oregon
Notes to the Financial Statements
June 30, 2011

Note 14 - New Pronouncements *(continued)*

Statement No. 61

The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34

Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The effect of this statement on the government has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

**City of Jacksonville, Oregon
Schedules of Funding Progress
For the Year Ended June 30, 2011**

1. Schedule of Funding Progress – Oregon PERS

The UAL at December 31, 2008 shown in the table below incorporates use of the following valuation methods:

1. Projected unit credit actuarial cost method,
2. Market value as the asset valuation method,
3. Amortize valuation gains and losses as a level percentage of combined valuation payroll as follows:
 - a. For Tier 1, Tier 2 and Retiree Healthcare, 20 years from the odd-year valuation in which they are first recognized, and
 - b. For OPSRP, 16 years from the odd-year valuation in which they are first recognized.
4. The contribution rate will not change from the prior contribution rate by more than the greater of 3.00% or 20.00% of the current rate (rate collar) unless the funded percentage drops below 80% or increases above 120%, in which case the rate collar will double.

	Valuation Date December 31,		
	2009	2008	2007
Actuarial Value of Assets (a)	\$2,892,816	\$2,427,908	\$3,139,017
Actuarial Accrued Liability (AAL) (b)	3,153,727	2,950,462	2,710,882
Unfunded AAL (b - a)	260,911	522,554	(428,135)
Funded Ratio (a ÷ b)	92%	82%	116%
Covered Payroll (CP)	907,545	931,696	874,617
UAAL as a percentage of CP	29%	56%	-49%

2. Schedule of Funding Progress – Oregon RHIA

UAL amounts for the pools (OPSRP and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool.

	Valuation Date December 31,		
	2009	2008	2007
Unfunded AAL	\$260,911	\$522,554	(\$428,135)
Allocated OPSRP UAL	9,606	7,594	(8,162)
Side account	0	0	0
Net unfunded pension actuarial accrued liability	270,517	530,148	(436,297)
Combined valuation payroll	907,545	931,696	874,617
Net UAL as a percentage of payroll	30%	57%	-50%
Calculated Side account rate of relief	0.00%	0.00%	0.00%
Allocated RHIA UAL	\$31,671	\$35,548	\$28,186

3. Schedule of Funding Progress – Post Employment Health Care Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Projected Unit Credit Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll
						((b-a)/c)
June 30, 2009	\$ -	\$ 38,401	\$ 38,401	0.0%	\$ 868,696	4.4%

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 518,000	\$ 583,000	\$ 625,033	\$ 42,033
Intergovernmental	54,428	54,428	60,613	6,185
Licenses, fees and permits	154,439	157,668	160,369	2,701
Charges for services	6,500	6,500	5,368	(1,132)
Fines and forfeits	73,000	73,000	53,456	(19,544)
Investment income	1,600	1,600	1,447	(153)
Miscellaneous revenues	7,250	7,250	20,520	13,270
	<u>815,217</u>	<u>883,446</u>	<u>926,806</u>	<u>43,360</u>
Expenditures				
Personal services	538,186	530,626	506,627	23,999
Materials and services	261,527	304,178	291,863	12,315
Debt service	14,616	14,616	14,565	51
Capital outlay	35,000	83,500	50,059	33,441
	<u>849,329</u>	<u>932,920</u>	<u>863,114</u>	<u>69,806</u>
(Deficiency) of Revenues (Under) Expenditures	(34,112)	(49,474)	63,692	113,166
Other Financing Sources (Uses)				
Operating transfers in	18,454	18,454	-	(18,454)
Debt proceeds	15,000	15,000	12,795	(2,205)
	<u>(658)</u>	<u>(16,020)</u>	<u>76,487</u>	<u>92,507</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)				
Fund Balance - Beginning of Year	<u>73,557</u>	<u>176,067</u>	<u>244,413</u>	<u>68,346</u>
Fund Balance - End of Year	<u>\$ 72,899</u>	<u>\$ 160,047</u>	320,900	<u>\$ 160,853</u>
Reconciliation				
Repayment of interfund loan			<u>(12,795)</u>	
Fund Balance - End of Year (OCBOA)			<u>\$ 308,105</u>	

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Public Safety Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses, fees and permits	\$ -	\$ -	\$ -	\$ -
Charges for services	516,450	516,450	532,169	15,719
Investment income	3,000	3,000	5,898	2,898
Miscellaneous revenues	100	100	6,131	6,031
	<u>519,550</u>	<u>519,550</u>	<u>544,198</u>	<u>24,648</u>
Total Revenues				
Expenditures				
Personal services	391,196	403,370	372,479	30,891
Materials and services	96,683	109,357	113,747	(4,390)
Debt service	23,306	23,306	23,305	1
Capital outlay	30,000	30,000	-	30,000
	<u>541,185</u>	<u>566,033</u>	<u>509,531</u>	<u>56,502</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,635)	(46,483)	34,667	81,150
Other Financing Sources (Uses)				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Debt proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)				
	<u>(21,635)</u>	<u>(46,483)</u>	<u>34,667</u>	<u>81,150</u>
Fund Balance - Beginning of Year	<u>148,597</u>	<u>209,342</u>	<u>349,342</u>	<u>140,000</u>
Fund Balance - End of Year	<u>\$ 126,962</u>	<u>\$ 162,859</u>	384,009	<u>\$ 221,150</u>
Reconciliation				
Payment of interfund loan			<u>2,922</u>	
Fund Balance - End of Year (OCBOA)			<u>\$ 386,931</u>	

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Streets and Storm Drains Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 289,452	\$ 290,452	\$ 272,053	\$ (18,399)
Licenses, fees and permits	-	-	8,864	8,864
Franchise fees	143,218	143,218	154,934	11,716
Charges for services	285,000	285,000	284,341	(659)
Investment income	1,600	1,600	4,991	3,391
Miscellaneous revenues	-	-	6,778	6,778
	<u>719,270</u>	<u>720,270</u>	<u>731,961</u>	<u>11,691</u>
Expenditures				
Personal services	126,135	130,221	114,776	15,445
Materials and services	454,634	455,108	411,522	43,586
Debt service	-	-	-	-
Capital outlay	546,000	550,000	177,004	372,996
	<u>1,126,769</u>	<u>1,135,329</u>	<u>703,302</u>	<u>432,027</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(407,499)	(415,059)	28,659	443,718
Other Financing Sources (Uses)				
Debt proceeds	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(407,499)	(415,059)	28,659	443,718
Fund Balance - Beginning of Year	<u>495,185</u>	<u>454,556</u>	<u>554,012</u>	<u>99,456</u>
Fund Balance - End of Year	<u>\$ 87,686</u>	<u>\$ 39,497</u>	582,671	<u>\$ 543,174</u>
Reconciliation				
Net payment of interfund loans			<u>2,507</u>	
Fund Balance - End of Year (OCBOA)			<u>\$ 585,178</u>	

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Parks and Visitors Services Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 152,796	\$ 152,796
Intergovernmental	75,130	67,760	18,333	(49,427)
Licenses, fees and permits	109,830	117,200	50,255	(66,945)
Franchise fees	35,000	35,000	36,738	1,738
Charges for services	-	-	120	120
Investment income	800	800	1,463	663
Miscellaneous revenues	8,600	124,600	21,873	(102,727)
	<u>229,360</u>	<u>345,360</u>	<u>281,578</u>	<u>(63,782)</u>
Total Revenues				
Expenditures				
Personal services	106,655	109,836	87,386	22,450
Materials and services	178,862	297,718	150,189	147,529
Debt service	-	-	-	-
Capital outlay	140,600	150,600	17,431	133,169
	<u>426,117</u>	<u>558,154</u>	<u>255,006</u>	<u>303,148</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	(196,757)	(212,794)	26,572	239,366
Other Financing Sources (Uses)				
Debt proceeds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	(196,757)	(212,794)	26,572	239,366
Fund Balance - Beginning of Year	<u>259,334</u>	<u>250,260</u>	<u>278,139</u>	<u>27,879</u>
Fund Balance - End of Year	<u>\$ 62,577</u>	<u>\$ 37,466</u>	304,711	<u>\$ 267,245</u>
Reconciliation				
Repayment of interfund loan			<u>583</u>	
Fund Balance - End of Year (OCBOA)			<u>\$ 305,294</u>	

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Systems Development Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses, fees and permits	\$ 20,731	\$ 20,731	\$ 76,339	\$ 55,608
Charges for services	-	-	-	-
Investment income	4,950	4,950	4,432	(518)
Total Revenues	<u>25,681</u>	<u>25,681</u>	<u>80,771</u>	<u>55,090</u>
Expenditures				
Materials and services	-	13,000	-	13,000
Debt service	21,195	21,195	21,195	-
Capital outlay	563,126	562,725	18,037	544,688
Total Expenditures	<u>584,321</u>	<u>596,920</u>	<u>39,232</u>	<u>557,688</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(558,640)	(571,239)	41,539	612,778
Fund Balance - Beginning of Year	<u>558,640</u>	<u>571,239</u>	<u>571,239</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 612,778</u>	<u>\$ 612,778</u>

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Historic Preservation Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment income	\$ 2,000	\$ 2,000	\$ 3,824	\$ 1,824
Miscellaneous income	-	-	8,000	8,000
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>11,824</u>	<u>9,824</u>
Expenditures				
Personal services	19,235	19,235	10,162	9,073
Materials and services	580,500	590,500	45,162	545,338
Total Expenditures	<u>599,735</u>	<u>609,735</u>	<u>55,324</u>	<u>554,411</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(597,735)	(607,735)	(43,500)	564,235
Fund Balance - Beginning of Year	<u>731,914</u>	<u>757,907</u>	<u>738,672</u>	<u>(19,235)</u>
Fund Balance - End of Year	<u><u>\$ 134,179</u></u>	<u><u>\$ 150,172</u></u>	<u><u>\$ 695,172</u></u>	<u><u>\$ 545,000</u></u>

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Urban Renewal Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 180,535	\$ 204,764	\$ 196,748	\$ (8,016)
Investment income	1,000	1,000	701	(299)
 Total Revenues	 <u>181,535</u>	 <u>205,764</u>	 <u>197,449</u>	 <u>(8,315)</u>
Expenditures				
Personal services	-	-	-	-
Materials and services	24,254	24,294	4,840	19,454
Debt service	156,168	156,168	153,963	2,205
Capital outlay	-	-	-	-
 Total Expenditures	 <u>180,422</u>	 <u>180,462</u>	 <u>158,803</u>	 <u>21,659</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 1,113	 25,302	 38,646	 13,344
 Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other (Uses)	 1,113	 25,302	 38,646	 13,344
 Fund Balance - Beginning of Year	 <u>54,915</u>	 <u>19,765</u>	 <u>(352,991)</u>	 <u>(372,756)</u>
 Fund Balance - End of Year	 <u>\$ 56,028</u>	 <u>\$ 45,067</u>	 (314,345)	 <u>\$ (359,412)</u>
 Reconciliation				
Repayment of interfund loan			<u>12,795</u>	
 Fund Balance - End of Year (OCBOA)			 <u>\$ (301,550)</u>	

OTHER SUPPLEMENTARY INFORMATION

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Debt Service Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Schedule A-1 Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Taxes	\$ 197,937	\$ 197,140	\$ 136,450	\$ (60,690)
Investment income	750	750	475	(275)
Total Revenues	<u>198,687</u>	<u>197,890</u>	<u>136,925</u>	<u>(60,965)</u>
Expenditures				
Debt service	<u>197,937</u>	<u>197,937</u>	<u>197,937</u>	<u>-</u>
Total Expenditures	<u>197,937</u>	<u>197,937</u>	<u>197,937</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	750	(47)	(61,012)	(60,965)
Fund Balance - Beginning of Year	<u>429,440</u>	<u>329,071</u>	<u>329,071</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 430,190</u>	<u>\$ 329,024</u>	<u>\$ 268,059</u>	<u>\$ (60,965)</u>

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Permanent Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Schedule A-2
	<u>Original</u>	<u>Final</u>		Variance with
				Final Budget -
				(Negative)
Revenues				
Charges for services	\$ 26,000	\$ 26,000	\$ 37,825	\$ 11,825
Investment income	1,200	1,200	1,155	(45)
Miscellaneous revenues	500	500	200	(300)
	<u>27,700</u>	<u>27,700</u>	<u>39,180</u>	<u>11,480</u>
Expenditures				
Personal services	16,265	16,264	13,737	2,527
Materials and services	13,450	18,450	8,243	10,207
Capital outlay	95,000	195,000	100,000	95,000
	<u>124,715</u>	<u>229,714</u>	<u>121,980</u>	<u>107,734</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(97,015)	(202,014)	(82,800)	119,214
Fund Balance - Beginning of Year	<u>342,783</u>	<u>350,798</u>	<u>350,799</u>	<u>1</u>
Fund Balance - End of Year	<u><u>\$ 245,768</u></u>	<u><u>\$ 148,784</u></u>	<u><u>\$ 267,999</u></u>	<u><u>\$ 119,215</u></u>

City of Jacksonville, Oregon
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Proprietary Fund (Budgetary Basis)
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Schedule A-3 Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues				
Charges for services	\$ 645,000	\$ 649,000	\$ 578,189	\$ (70,811)
Investment income	4,000	4,000	3,484	(516)
Miscellaneous revenues	25,000	25,000	777	(24,223)
Total Revenues	<u>674,000</u>	<u>678,000</u>	<u>582,450</u>	<u>(95,550)</u>
Expenditures				
Personal services	317,820	321,905	294,671	27,234
Materials and services	359,189	369,663	287,138	82,525
Capital outlay	371,000	371,000	9,150	361,850
Total Expenditures	<u>1,048,009</u>	<u>1,062,568</u>	<u>590,959</u>	<u>471,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(374,009)	(384,568)	(8,509)	376,059
Net Assets - Beginning of Year	<u>490,912</u>	<u>549,743</u>	<u>3,824,448</u>	<u>3,274,705</u>
Net Assets - End of Year	<u>\$ 116,903</u>	<u>\$ 165,175</u>	3,815,939	<u>\$ 3,650,764</u>
Reconciliation				
Capital outlay			9,150	
Depreciation			<u>(123,944)</u>	
Fund Balance - End of Year (OCBOA)			<u>\$ 3,701,145</u>	

OTHER SUPPLEMENTARY SCHEDULES

City of Jacksonville, Oregon
Schedule of Property Tax Transactions
For the Year Ended June 30, 2011

Schedule B-1

	<u>Assessor's Current Levy and Balances June 30, 2010</u>	<u>Discounts/ Adjustments</u>	<u>Taxes Collected</u>	<u>Balance Uncollected June 30, 2011</u>	<u>Interest Collected (Memo Only)</u>
Fiscal Year					
2010-2011	\$ 988,010	\$ 26,540	\$ 921,211	\$ 40,259	\$ 621
Prior years					
2009-10	40,539	1,199	20,334	19,006	1,556
2008-09	18,178	325	7,194	10,659	1,396
2007-08	7,720	205	4,148	3,367	1,311
2006-07	2,975	151	1,523	1,301	590
2005-06	1,002	122	16	864	72
2004-05	398	2	22	374	14
2003-04 and prior	1,817	-	95	1,722	124
Total - Prior Years	<u>72,629</u>	<u>2,004</u>	<u>33,332</u>	<u>37,293</u>	<u>5,063</u>
Total	<u><u>\$ 1,060,639</u></u>	<u><u>\$ 28,544</u></u>	<u><u>\$ 954,543</u></u>	<u><u>\$ 77,552</u></u>	<u><u>\$ 5,684</u></u>
Summary by Fund					
General Fund				\$ 62,937	
Urban Renewal Fund				<u>14,615</u>	
Total				<u><u>\$ 77,552</u></u>	

**GOVERNMENT AUDITING STANDARDS
AND AUDIT COMMENTS SECTIONS**

GOVERNMENT AUDITING STANDARDS



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

Certified Public Accountants

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

City Council
City of Jacksonville
Jacksonville, Oregon

We have audited the basic financial statements of City of Jacksonville, Oregon, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Jacksonville, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Jacksonville, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Jacksonville, Oregon's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable probability that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses or significant deficiencies, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Jacksonville, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of Jacksonville, Oregon, in a separate letter dated October 18, 2011.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Molatore, Scroggin, Peterson & Co. LLP



Andrew E. Peterson, Partner

Klamath Falls, Oregon
October 18, 2011

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



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

Certified Public Accountants

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

City Council
City of Jacksonville, Oregon
Jacksonville, Oregon

We have audited the basic financial statements of City of Jacksonville, Oregon as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Compliance

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

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2011 and 2012.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other government agencies.
- The requirements pertaining to the use of revenues from taxes on motor vehicle use fuel funds.
- The requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

Internal Control over Financial Reporting

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, on our consideration of City of Jacksonville, Oregon's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and results of that testing, and not to provide an opinion on the internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. This report is intended solely for the information of management, City Council, and the Secretary of State, Audits Division and is not intended to be and should not be used by anyone other than those specified parties.

Molatore, Scroggin, Peterson & Co. LLP



Andrew E. Peterson, Partner

Klamath Falls, Oregon
October 18, 2011