

CITY OF JACKSONVILLE, OREGON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITOR'S REPORT



Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2018

Mayor

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

Council Members

Criss Garcia
645 E. California
Jacksonville, Oregon
(Elected 11/16)

David Jesser
884 Hill St.
Jacksonville, Oregon
(Elected 11/16)

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

City Administrator

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Jacksonville, Oregon

Assistant Administrator / Finance Director

Stacey Bray
1893 Valley View Drive
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City Attorneys

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

Ken Gregg
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Jacksonville, Oregon
(Elected 01/15)

Jim Lewis
622 Grove St.
Jacksonville, Oregon
(Elected 11/15)

City Recorder

Angela Watson
206 N. 5th St
Jacksonville, Oregon

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
City of Jacksonville
Jacksonville, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Jacksonville, Oregon (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2018, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis information listed in the Table of Contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the Table of Contents is presented for purposes of additional analysis and is not required as part of the basic financial statements. This information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required Oregon State Regulations

In accordance with Oregon State Regulation, we have also issued our report dated October 5, 2018 on our consideration of the City's compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
October 5, 2018

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

As management of the City of Jacksonville, we offer readers of the City of Jacksonville's modified cash basis financial statements this narrative overview and analysis of the financial activities of the City of Jacksonville for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets of the City of Jacksonville exceeded its liabilities at the close of the most recent fiscal year by \$19,699,426 (*net position*). Of this amount, \$4,888,854 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$776,879. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenses.
- As of the close of the current fiscal year, the City of Jacksonville's governmental funds reported combined ending fund balances of \$5,602,163 an increase of \$424,186 in comparison with the prior year. Of the \$5,602,163 fund balance, \$1,108,621 is *unassigned*.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,108,621 or 88 percent of the total fiscal 2018 general fund expenditures.
- The City of Jacksonville's total long-term debt decreased by \$468,149 (approximately 19 percent) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

1. Government-wide financial statements

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

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

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

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

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

The government-wide financial statements include not only the City of Jacksonville itself (known as the *primary government*), but also a legally separate Urban Renewal District for which the City of Jacksonville is financially accountable. The Urban Renewal District, although also legally separate, functions for all practical purposes as a department of the City of Jacksonville, and therefore has been included as an integral part of the primary government. The government-wide financial statements can be found on pages 1 & 2 of this report.

2. Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Jacksonville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Jacksonville can be divided into two categories: governmental funds, and proprietary funds.

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

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

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

The City of Jacksonville maintains ten individual governmental funds.

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

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

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

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

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

3. Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 34 of this report.

Budget to actual statements for all governmental funds and the proprietary fund are presented immediately following the notes to the financial statements. The budget to actual statements can be found on pages 35 through 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Jacksonville, assets exceeded liabilities by \$19,699,426 at the close of the most recent fiscal year. By far the largest portion of the City of Jacksonville's net position (66.44 percent) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Jacksonville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Jacksonville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Analysis of Net Position

| | Governmental activities | | Business-type activities | | Totals | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current & other assets | \$ 5,635,431 | \$ 5,208,531 | \$ 1,028,333 | \$ 842,202 | \$ 6,663,764 | \$ 6,050,733 |
| Capital assets | 12,201,066 | 12,403,652 | 2,889,494 | 2,983,170 | 15,090,560 | 15,386,822 |
| Total assets | 17,836,497 | 17,612,183 | 3,917,827 | 3,825,372 | 21,754,324 | 21,437,555 |
| Long term debt | 1,696,193 | 2,161,342 | - | - | 1,696,193 | 2,161,342 |
| Other liabilities | 340,268 | 340,554 | 18,437 | 13,112 | 358,705 | 353,666 |
| Total liabilities | 2,036,461 | 2,501,896 | 18,437 | 13,112 | 2,054,898 | 2,515,008 |
| Net investment in capital assets | 10,197,873 | 9,932,310 | 2,889,494 | 2,983,170 | 13,087,367 | 12,915,480 |
| Restricted | 1,723,205 | 1,513,064 | - | - | 1,723,205 | 1,513,064 |
| Unrestricted | 3,878,958 | 3,664,913 | 1,009,896 | 829,090 | 4,888,854 | 4,494,003 |
| Total net position | \$ 15,800,036 | \$ 15,110,287 | \$ 3,899,390 | \$ 3,812,260 | \$ 19,699,426 | \$ 18,922,547 |

An additional portion of the City of Jacksonville's net position \$1,723,205 (8.75 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$4,888,854 may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's total net position increased by \$776,879 during the current fiscal year. This increase represents the careful departmental management, which ensures that ongoing revenues are matched by controlled expenditures.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

Analysis of Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,965,006 | \$ 1,921,177 | \$ 1,034,234 | \$ 991,233 | \$ 2,999,240 | \$ 2,912,410 |
| General revenues: | | | | | | |
| Property taxes for general | 1,097,785 | 1,054,163 | - | - | 1,097,785 | 1,054,163 |
| Property taxes for debt | 237,000 | 230,100 | - | - | 237,000 | 230,100 |
| Franchise tax | 306,435 | 303,200 | - | - | 306,435 | 303,200 |
| Motor fuel tax | 186,316 | 173,726 | - | - | 186,316 | 173,726 |
| Alcoholic beverage tax | 47,123 | 43,698 | - | - | 47,123 | 43,698 |
| Transient room tax | 180,388 | 158,629 | - | - | 180,388 | 158,629 |
| Entertainment taxes | 70,000 | 69,000 | - | - | 70,000 | 69,000 |
| Earnings on investments | 93,363 | 54,681 | 16,997 | 11,217 | 110,360 | 65,898 |
| Gain (Loss) on sale of assets | - | 304,471 | - | - | - | 304,471 |
| Transfer to and from other funds | (10,000) | (10,000) | 10,000 | 10,000 | - | - |
| Total revenues | <u>4,173,416</u> | <u>4,302,845</u> | <u>1,061,231</u> | <u>1,012,450</u> | <u>5,234,647</u> | <u>5,315,295</u> |
| Expenses | | | | | | |
| General government | 926,842 | 801,438 | - | - | 926,842 | 801,438 |
| Public Safety | 1,178,275 | 1,249,307 | - | - | 1,178,275 | 1,249,307 |
| Highways and streets | 955,056 | 1,003,501 | - | - | 955,056 | 1,003,501 |
| Recreation | 351,494 | 420,179 | - | - | 351,494 | 420,179 |
| Interest on long-term debt | 72,000 | 75,100 | - | - | 72,000 | 75,100 |
| Water Department | - | - | 974,101 | 924,112 | 974,101 | 924,112 |
| Total expenses | <u>3,483,667</u> | <u>3,549,525</u> | <u>974,101</u> | <u>924,112</u> | <u>4,457,768</u> | <u>4,473,637</u> |
| Change in net position | 689,749 | 753,320 | 87,130 | 88,338 | 776,879 | 841,658 |
| Beginning net position | <u>15,110,287</u> | <u>14,356,967</u> | <u>3,812,260</u> | <u>3,723,922</u> | <u>18,922,547</u> | <u>18,080,889</u> |
| Ending net position | <u>\$ 15,800,036</u> | <u>\$ 15,110,287</u> | <u>\$ 3,899,390</u> | <u>\$ 3,812,260</u> | <u>\$ 19,699,426</u> | <u>\$ 18,922,547</u> |

Governmental Activities

Governmental activities increased the City's net position by approximately \$689,749. Revenues totaled \$4,183,416 and consisted primarily of property taxes and charges for services.

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

Business-Type Activities

Business-type activities increased the City's net position by \$87,130. Business-type revenues totaled \$1,061,231 and consisted primarily of charges for services.

Charges for services, which totaled \$1,034,234, are comprised of water charges. Business-type activities are self-supporting where revenues are expected to cover expenses.

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

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

FUND ANALYSIS

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

Governmental funds

The focus of the City of Jacksonville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Jacksonville's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Jacksonville's governmental funds reported combined ending fund balances of \$5,602,163, an increase of \$424,186 in comparison with the prior year. Approximately 20.5 percent of this total ending fund balance amount constitutes *undesignated fund balance* which is available for spending at the government's discretion. The remainder of fund balance is *committed, reserved or nonspendable* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) to pay debt service, 3) to generate income to pay for the perpetual care of the municipal cemetery, or 4) for a variety of other committed or restricted purposes.

The general fund is the chief operating fund of the City of Jacksonville. At the end of the current fiscal year, the total fund balance was \$1,108,621 This total fund balance represents 87.8 percent of the total fiscal 2018 general fund expenditures.

The overall general fund balance increased by of \$77,652 from the prior beginning balance which is the result of careful planning and spending.

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

Proprietary fund

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

Unrestricted net position of the water enterprise operation at the end of the year amounted to \$1,009,896. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Jacksonville's business-type activities.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

CAPITAL ASSETS

Governmental and business-type activities as of June 30, 2018, amounts to \$15,090,560 (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 decrease in the City of Jacksonville's investment in capital assets for the current fiscal year was \$296,262.

| | Governmental activities | | Business-type activities | | Totals | |
|--------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 5,807,473 | \$ 5,807,473 | \$ 118,131 | \$ 118,131 | \$ 5,925,604 | \$ 5,925,604 |
| Construction in progress | 10,753 | 137,544 | - | - | 10,753 | 137,544 |
| Buildings | 3,074,870 | 3,145,845 | 676,085 | 703,114 | 3,750,955 | 3,848,959 |
| Machinery and equipment | 111,532 | 75,066 | 112,249 | 107,054 | 223,781 | 182,120 |
| Vehicles | 102,797 | 82,255 | 31,735 | 15,991 | 134,532 | 98,246 |
| Infrastructure | 3,093,641 | 3,155,469 | 1,951,294 | 2,038,880 | 5,044,935 | 5,194,349 |
| Total net position | <u>\$ 12,201,066</u> | <u>\$ 12,403,652</u> | <u>\$ 2,889,494</u> | <u>\$ 2,983,170</u> | <u>\$ 15,090,560</u> | <u>\$ 15,386,822</u> |

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

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Jacksonville had total bonded debt outstanding of \$2,003,193 (including the premium) which is debt backed by the full faith and credit of the government. The remainder of the City of Jacksonville's debt represents loans, leases, and contracts secured solely by specified revenue sources.

| | Balance June 30, 2017 | Additions | Reductions | Balance June 30, 2018 |
|--|--------------------------|-----------|---------------------|--------------------------|
| Governmental Activities: | | | | |
| Series 2012 G.O. Bond | \$ 1,915,000 | \$ - | \$ (165,000) | \$ 1,750,000 |
| Series 2014 Obligations | 420,000 | - | (288,000) | 132,000 |
| Total Governmental Activities before Premium/(Discount) | \$ 2,335,000 | \$ - | \$ (453,000) | \$ 1,882,000 |
| Unamortized Premium/(Discount) | 136,342 | - | (15,149) | 121,193 |
| Total Governmental Activities | <u>\$ 2,471,342</u> | <u>-</u> | <u>\$ (468,149)</u> | <u>\$ 2,003,193</u> |

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

Economic Factors and Next Year's Budget and Rates

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

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2018**

The City's official population estimate as of July 1, 2017, was 2,950, reflecting a small increase from the previous year. The assessed value of property in the City was \$441 million and \$419 million in 2018 and 2017, respectively. The increase in assessed value should provide an increase in property tax revenue in fiscal 2019.

Anticipated highlights for the fiscal year 2018-2019 are continuation of building capital reserves to complete projects that are spelled out in the Water Master Plan and continuing to work on the elevator for the courthouse. A planning code revision and looking at the comprehensive plan are also on the horizon.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF JACKSONVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2018

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS: | | | |
| Current assets: | | | |
| Cash and investments | \$ 4,930,383 | \$ 1,028,333 | \$ 5,958,716 |
| Restricted assets | | | |
| Cash and investments | 705,048 | - | 705,048 |
| Total current assets: | <u>5,635,431</u> | <u>1,028,333</u> | <u>6,663,764</u> |
| Noncurrent assets: | | | |
| Capital assets (net of accumulated depreciation) | | | |
| Land | 5,807,473 | 118,131 | 5,925,604 |
| Construction in progress | 10,753 | - | 10,753 |
| Buildings | 3,074,870 | 676,085 | 3,750,955 |
| Machinery and equipment | 111,532 | 112,249 | 223,781 |
| Vehicles | 102,797 | 31,735 | 134,532 |
| Infrastructure | 3,093,641 | 1,951,294 | 5,044,935 |
| Total noncurrent assets | <u>12,201,066</u> | <u>2,889,494</u> | <u>15,090,560</u> |
| TOTAL ASSETS | <u>17,836,497</u> | <u>3,917,827</u> | <u>21,754,324</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Customer deposits | - | 18,437 | 18,437 |
| Passthrough payable | 33,268 | - | 33,268 |
| Current portion of long-term debt | 307,000 | - | 307,000 |
| Total current liabilities | <u>340,268</u> | <u>18,437</u> | <u>358,705</u> |
| Noncurrent liabilities: | | | |
| Long-term debt, net of unamortized premium | 1,696,193 | - | 1,696,193 |
| Total noncurrent liabilities | <u>1,696,193</u> | <u>-</u> | <u>1,696,193</u> |
| TOTAL LIABILITIES | <u>2,036,461</u> | <u>18,437</u> | <u>2,054,898</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 10,197,873 | 2,889,494 | 13,087,367 |
| Restricted for: | | | |
| Systems development | 1,147,786 | - | 1,147,786 |
| Debt service | 131,240 | - | 131,240 |
| Urban renewal | 39,147 | - | 39,147 |
| Permanent - Cemetary | 405,032 | - | 405,032 |
| Unrestricted | 3,878,958 | 1,009,896 | 4,888,854 |
| TOTAL NET POSITION | <u>\$ 15,800,036</u> | <u>\$ 3,899,390</u> | <u>\$ 19,699,426</u> |

CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|---|--|--|----------------------------|-----------------------------|---------------|
| | Expenses | Fines, Fees, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | | | | | | | |
| General government | \$ 926,842 | \$ 752,919 | \$ - | \$ - | \$ (173,923) | \$ - | \$ (173,923) |
| Public safety | 1,178,275 | 716,883 | - | - | (461,392) | - | (461,392) |
| Highways and streets | 955,056 | 419,645 | - | - | (535,411) | - | (535,411) |
| Recreation | 351,494 | 75,559 | - | - | (275,935) | - | (275,935) |
| Interest on long-term debt | 72,000 | - | - | - | (72,000) | - | (72,000) |
| Total government activities | 3,483,667 | 1,965,006 | - | - | (1,518,661) | - | (1,518,661) |
| Business-type activities: | | | | | | | |
| Water | | | | | | | |
| Water | 974,101 | 1,034,234 | - | - | - | 60,133 | 60,133 |
| Total business-type activities | 974,101 | 1,034,234 | - | - | - | 60,133 | 60,133 |
| Total Common City | \$ 4,457,768 | \$ 2,999,240 | \$ - | \$ - | (1,518,661) | 60,133 | (1,458,528) |
| General revenues: | | | | | | | |
| Property taxes levied for general purposes | | | | | 1,097,785 | - | 1,097,785 |
| Property taxes levied for debt service | | | | | 237,000 | - | 237,000 |
| Franchise taxes | | | | | 306,435 | - | 306,435 |
| Motor fuel taxes | | | | | 186,316 | - | 186,316 |
| Alcoholic beverage taxes | | | | | 47,123 | - | 47,123 |
| transient taxes | | | | | 180,388 | - | 180,388 |
| Entertainment taxes | | | | | 70,000 | - | 70,000 |
| Unrestricted investment earnings | | | | | 93,363 | 16,997 | 110,360 |
| Total general revenues | | | | | 2,218,410 | 16,997 | 2,235,407 |
| Transfer to and from other funds | | | | | (10,000) | 10,000 | - |
| CHANGE IN NET POSITION | | | | | 689,749 | 87,130 | 776,879 |
| Net position - June 30, 2017 | | | | | 15,110,287 | 3,812,260 | 18,922,547 |
| Net position - June 30, 2018 | | | | | \$ 15,800,036 | \$ 3,899,390 | \$ 19,699,426 |

FUND FINANCIAL STATEMENTS

**CITY OF JACKSONVILLE
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2018**

| | <u>General Fund</u> | <u>Fire Protection Fund</u> | <u>Streets and Storm Drains Fund</u> | <u>Parks and Visitor Services Fund</u> |
|--|-------------------------|-------------------------------------|--|--|
| ASSETS: | | | | |
| Cash and investments | \$ 939,114 | \$ 421,513 | \$ 976,528 | \$ 393,100 |
| Advances to other funds | 169,507 | - | - | - |
| Restricted Assets: | | | | |
| Cash and investments | - | - | - | - |
| TOTAL ASSETS | <u>\$ 1,108,621</u> | <u>\$ 421,513</u> | <u>\$ 976,528</u> | <u>\$ 393,100</u> |
| LIABILITIES AND FUND BALANCES: | | | | |
| Liabilities: | | | | |
| Deferred Revenue | \$ - | \$ - | \$ 33,268 | \$ - |
| Advances from other funds | - | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>33,268</u> | <u>-</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Permanent fund | - | - | - | - |
| Restricted for: | | | | |
| System development charges | - | - | - | - |
| Permanent - cemetery | - | - | - | - |
| Urban renewal | - | - | - | - |
| Debt service | - | - | - | - |
| Committed to: | | | | |
| Fire safety | - | 421,513 | - | - |
| Streets and storm drains | - | - | 943,260 | - |
| Parks and visitor services | - | - | - | 393,100 |
| Historic preservation | - | - | - | - |
| Assigned to: | | | | |
| Capital projects | - | - | - | - |
| Unassigned: | | | | |
| General fund | 1,108,621 | - | - | - |
| TOTAL FUND BALANCES | <u>1,108,621</u> | <u>421,513</u> | <u>943,260</u> | <u>393,100</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,108,621</u> | <u>\$ 421,513</u> | <u>\$ 976,528</u> | <u>\$ 393,100</u> |

| Systems Development Fund | Historic Preservation Fund | Urban Renewal Fund | Capital Project Fund | Debt Service Fund | Permanent Fund | Total |
|---|---|-----------------------------------|-------------------------------------|----------------------------------|---------------------------|---------------------|
| \$ 1,147,786 | \$ 446,607 | \$ 208,654 | \$ - | \$ - | \$ 397,081 | \$ 4,930,383 |
| - | - | - | - | - | - | 169,507 |
| - | - | - | 565,857 | 131,240 | 7,951 | 705,048 |
| <u>\$ 1,147,786</u> | <u>\$ 446,607</u> | <u>\$ 208,654</u> | <u>\$ 565,857</u> | <u>\$ 131,240</u> | <u>\$ 405,032</u> | <u>\$ 5,804,938</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 33,268 |
| - | - | 169,507 | - | - | - | 169,507 |
| - | - | 169,507 | - | - | - | 202,775 |
| - | - | - | - | - | 7,951 | 7,951 |
| 1,147,786 | - | - | - | - | - | 1,147,786 |
| - | - | - | - | - | 397,081 | 397,081 |
| - | - | 39,147 | - | - | - | 39,147 |
| - | - | - | - | 131,240 | - | 131,240 |
| - | - | - | - | - | - | 421,513 |
| - | - | - | - | - | - | 943,260 |
| - | - | - | - | - | - | 393,100 |
| - | 446,607 | - | - | - | - | 446,607 |
| - | - | - | 565,857 | - | - | 565,857 |
| - | - | - | - | - | - | 1,108,621 |
| <u>1,147,786</u> | <u>446,607</u> | <u>39,147</u> | <u>565,857</u> | <u>131,240</u> | <u>405,032</u> | <u>5,602,163</u> |
| <u>\$ 1,147,786</u> | <u>\$ 446,607</u> | <u>\$ 208,654</u> | <u>\$ 565,857</u> | <u>\$ 131,240</u> | <u>\$ 405,032</u> | <u>\$ 5,804,938</u> |

**CITY OF JACKSONVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS TO THE STATEMENT OF NET POSITION -
MODIFIED CASH BASIS
JUNE 30, 2018**

| | | |
|---|--------------------|----------------------|
| TOTAL FUND BALANCES | | \$ 5,602,163 |
| Capital assets and contributed capital assets are not financial resources therefore are not reported in the governmental funds: | | |
| Cost | \$ 19,872,707 | |
| Accumulated depreciation | <u>(7,671,641)</u> | 12,201,066 |
| Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. | | |
| These liabilities consist of: | | |
| Long-term debt | | <u>(2,003,193)</u> |
| TOTAL NET POSITION | | <u>\$ 15,800,036</u> |

**CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

| | General Fund | Fire Protection Fund | Street and Storm Drains Fund | Parks and Visitor Services Fund |
|---|-------------------------|-------------------------------------|---|--|
| REVENUES | | | | |
| Taxes | \$ 709,462 | \$ - | \$ - | \$ 250,388 |
| Intergovernmental | 89,650 | - | 186,316 | - |
| Licenses, fees, and permits | 334,956 | - | 5,755 | 71,771 |
| Franchise fees | 52,176 | - | 198,470 | 55,789 |
| Charges for services | 43,903 | 715,833 | - | - |
| Fines and forfeits | 33,044 | - | - | - |
| Investment income | 16,347 | 9,443 | 14,165 | 5,666 |
| Special payments | 57,754 | - | 397,705 | - |
| Miscellaneous revenues | 2,571 | 1,050 | 16,185 | 3,788 |
| TOTAL REVENUES | 1,339,863 | 726,326 | 818,596 | 387,402 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,110,127 | - | - | - |
| Fire protection | - | 644,567 | - | - |
| Highways and streets | - | - | 317,406 | - |
| Recreation | - | - | - | 344,165 |
| Debt service | - | - | - | - |
| Capital outlay: | | | | |
| General government | 12,639 | 62,771 | - | - |
| Highways and streets | - | - | 41,210 | - |
| Special payments | 139,445 | - | 370,045 | - |
| TOTAL EXPENDITURES | 1,262,211 | 707,338 | 728,661 | 344,165 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in (out) | - | (10,000) | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | - | (10,000) | - | - |
| NET CHANGE IN FUND BALANCE | 77,652 | 8,988 | 89,935 | 43,237 |
| FUND BALANCE, July 1, 2017 | 1,030,969 | 412,525 | 853,325 | 349,863 |
| FUND BALANCE, June 30, 2018 | \$ 1,108,621 | \$ 421,513 | \$ 943,260 | \$ 393,100 |

| <u>Systems Development Fund</u> | <u>Historic Preservation Fund</u> | <u>Urban Renewal Fund</u> | <u>Capital Project Fund</u> | <u>Debt Service Fund</u> | <u>Permanent Fund</u> | <u>Total</u> |
|---|---|-----------------------------------|-------------------------------------|----------------------------------|---------------------------|---------------------|
| \$ - | \$ - | \$ 388,323 | \$ - | \$ 237,000 | \$ - | \$ 1,585,173 |
| - | - | - | - | - | - | 275,966 |
| 207,743 | - | - | - | - | - | 620,225 |
| - | - | - | - | - | - | 306,435 |
| - | - | - | - | - | 61,475 | 821,211 |
| - | - | - | - | - | - | 33,044 |
| 11,332 | 5,820 | 13,593 | 9,443 | 3,777 | 3,777 | 93,363 |
| - | - | - | - | - | - | 455,459 |
| - | - | - | - | - | - | 23,594 |
| <u>219,075</u> | <u>5,820</u> | <u>401,916</u> | <u>9,443</u> | <u>240,777</u> | <u>65,252</u> | <u>4,214,470</u> |
| 1,538 | 19,324 | 31,054 | 32,237 | - | 38,220 | 1,232,500 |
| - | - | - | - | - | - | 644,567 |
| - | - | - | - | - | - | 317,406 |
| - | - | - | - | - | - | 344,165 |
| - | - | 301,184 | - | 237,000 | - | 538,184 |
| 77,352 | - | - | - | - | - | 152,762 |
| - | - | - | - | - | - | 41,210 |
| - | - | - | - | - | - | 509,490 |
| <u>78,890</u> | <u>19,324</u> | <u>332,238</u> | <u>32,237</u> | <u>237,000</u> | <u>38,220</u> | <u>3,780,284</u> |
| - | - | - | - | - | - | (10,000) |
| - | - | - | - | - | - | (10,000) |
| 140,185 | (13,504) | 69,678 | (22,794) | 3,777 | 27,032 | 424,186 |
| <u>1,007,601</u> | <u>460,111</u> | <u>(30,531)</u> | <u>588,651</u> | <u>127,463</u> | <u>378,000</u> | <u>5,177,977</u> |
| <u>\$ 1,147,786</u> | <u>\$ 446,607</u> | <u>\$ 39,147</u> | <u>\$ 565,857</u> | <u>\$ 131,240</u> | <u>\$ 405,032</u> | <u>\$ 5,602,163</u> |

**CITY OF JACKSONVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE ARISING FROM CASH TRANSACTIONS OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018**

NET CHANGE IN FUND BALANCE \$ 424,186

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

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

| | | |
|--|------------------|-----------|
| Expenditures for capital assets | \$ 192,497 | |
| Less current year depreciation and adjustments | <u>(395,083)</u> | (202,586) |

Government funds report proceeds from the sale of capital assets as revenue. However, only the net gain (loss) on sale is reported in the Statement of Activities

| | | |
|---------------------------|---------------|---|
| Cost basis of assets sold | \$ (53,062) | |
| Accumulated depreciation | <u>53,062</u> | - |

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

468,149

CHANGE IN NET POSITION \$ 689,749

**CITY OF JACKSONVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2018**

| | <u>Water Fund</u> |
|--------------------------------------|-----------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,028,333 |
| Total current assets | <u>1,028,333</u> |
| Noncurrent assets: | |
| Land | 118,131 |
| Buildings, net | 676,085 |
| Machinery and equipment, net | 112,249 |
| Vehicles, net | 31,735 |
| Infrastructure, net | <u>1,951,294</u> |
| Total noncurrent assets | <u>2,889,494</u> |
| TOTAL ASSETS | <u>3,917,827</u> |
| LIABILITIES AND FUND BALANCES | |
| Current liabilities: | |
| Customer deposits | <u>18,437</u> |
| Total current liabilities | <u>18,437</u> |
| TOTAL LIABILITIES | <u>18,437</u> |
| Net Position: | |
| Net investment in capital assets | 2,889,494 |
| Unrestricted | <u>1,009,896</u> |
| TOTAL NET POSITION | <u>\$ 3,899,390</u> |

**CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Water Fund</u> |
|--|-----------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 1,034,234 |
| TOTAL OPERATING REVENUES | <u>1,034,234</u> |
| OPERATING EXPENSES | |
| Personal services | 410,178 |
| Materials and services | 417,738 |
| Depreciation/amortization | <u>146,049</u> |
| TOTAL OPERATING EXPENSES | <u>973,965</u> |
| OPERATING INCOME (LOSS) | <u>60,269</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Gain (loss) on sale of asset | (136) |
| Earnings on investments | <u>16,997</u> |
| TOTAL NONOPERATING REVENUE (EXPENSES) | <u>16,861</u> |
| INCOME (LOSS) BEFORE TRANSFERS | 77,130 |
| Transfers (to) from other funds | <u>10,000</u> |
| CHANGES IN NET POSITION | 87,130 |
| NET POSITION, July 1, 2017 | <u>3,812,260</u> |
| NET POSITION, June 30, 2018 | <u>\$ 3,899,390</u> |

**CITY OF JACKSONVILLE
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Water Fund</u> |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 1,039,559 |
| Payments to suppliers | (417,738) |
| Payments to employees | <u>(410,178)</u> |
| Net cash provided (used) by operating activities | <u>211,643</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Interfund transfer from (to) other funds | <u>10,000</u> |
| Net cash provided (used) by capital and related financing activities | <u>10,000</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of property and equipment | (52,509) |
| Interest and dividends | <u>16,997</u> |
| Net cash provided (used) by investing activities | <u>(35,512)</u> |
| Net increase (decrease) in cash and cash equivalents | 186,131 |
| Balances - beginning of the year | <u>842,202</u> |
| Balances - end of the year | <u><u>\$ 1,028,333</u></u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 60,269 |
| Adjustments to reconcile operating income to cash provided by operating activities: | |
| Depreciation/amortization expense | 146,049 |
| Change in assets and liabilities: | |
| Customer deposits | <u>5,325</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 211,643</u></u> |

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

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

The Financial Reporting Entity

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

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

Blended Component Unit

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

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

In the government-wide statement of net position and statement of activities, governmental and business-like activities are presented using a modified cash basis of accounting. The modified cash basis of accounting uses elements of both the cash basis and accrual basis of accounting. Under the cash basis, transactions are recognized when there is either incoming cash or outgoing cash; thus, the receipt of cash triggers recordation or revenue, while the payment of cash triggers the recordation of expense. Under the accrual basis, revenue is recorded when earned and expenses when incurred, irrespective of any cash transaction. The modified cash basis records short term items when cash levels change hands (i.e. the cash basis), and records longer-term balance sheet items with accruals. The City makes certain exceptions to short term assets and liabilities that result from cash transactions. For example, the City would accrue a current liability for pass-through cash that the City had yet to transfer as of June 30, 2018.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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

The modified cash basis is a special-purpose framework other than GAAP. If the City utilized GAAP, the government-wide financial statements would use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses when incurred, regardless of timing of related cash flows.

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

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

Fund Financial Statements

The City uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate funds. Fund financial statements are provided for governmental and proprietary funds.

Governmental Funds

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

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

The cash basis is a special-purpose framework other than GAAP. If the City utilized GAAP, the governmental fund financial statements would use the modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Proprietary/Enterprise Fund

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

The proprietary fund financial statement is presented on the modified cash basis of accounting. The modified cash basis of accounting uses elements of both the cash basis and accrual basis of accounting. Under the cash basis, transactions are recognized when there is either incoming cash or outgoing cash; thus, the receipt of cash triggers recordation or revenue, while the payment of cash triggers the recordation of expense. Under the accrual basis, revenue is recorded when earned and expenses when incurred, irrespective of any cash transaction. The modified cash basis records short term items when cash levels change hands (i.e. the cash basis), and records longer-term balance sheet items with accruals. The City makes certain exceptions to short term assets and liabilities that result from cash transactions.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

The modified cash basis is a special-purpose framework other than GAAP. If the City utilized GAAP, the proprietary fund financial statements would use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses when incurred, regardless of timing of related cash flows.

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

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

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

Cash and investments

The government's cash and investments are considered to be cash on hand, demand deposits, local government investment pool deposits, certificates of deposit and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the 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, 2018 is representative of the types of investments made throughout the year.

Interfund receivables and payables

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

Restricted assets

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

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Capital assets

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

In the case of the initial capitalization of general infrastructure assets, (i.e., those reported by the governmental activities) the government chose to include all such items regardless of the acquisition date or amount. The government was able to estimate historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these assets at the estimated fair value of the item at the date of its donation.

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

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

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

Compensated absences

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

Use of Estimates

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

Net Position and Fund Balances

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

Net investments in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

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

Non-spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items committed by the City Council, by formal action.

Assigned – Includes items assigned for specific uses, authorized by the City Council and the City Administrator, but do not meet the criteria to be classified as restricted or committed. City policy requires that the City Council approve any other use for those funds.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

Unassigned – This is the residual classification used for those balances not included in another category.

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

Note 2 – Appropriation and Budgetary Controls

Budgetary information

The City is subject to provisions of the Oregon Revised Statutes which set forth local budget procedures. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by department in the General Fund, and by function (personal services, materials and services, capital outlay, debt service, transfers to other funds and contingency) in other funds.

The City Council may, however, approve additional appropriations for unexpected additional resources or necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution or ordinance of the City Council. The resolution or ordinance must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of contingency appropriations which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget less than 10% of the fund's original budget may be adopted at a regular meeting of the governing body. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Council. Budget amounts shown in the financial statements include the original budget, supplemental budgets, and budget transfers. All appropriations terminate on June 30th.

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 by the use of appropriation transfers between levels of control. Such transfers require approval by passing a Council resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 394.565 (Oregon Budget Law). Budget amounts are as originally budgeted, or as amended by the City Council. During the year there were no supplemental budget appropriating unanticipated resources and one resolution transferring appropriation authority within the General Fund. Appropriations lapse at the end of each fiscal year.

During the fiscal year ended June 30, 2018 the City was in compliance with Local Budget Law.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 3 – Cash and Investments

Cash and Investments are comprised of the following as of June 30, 2018:

| | |
|------------------------------------|----------------------------|
| Petty cash | \$ 420 |
| Carrying amount of demand deposits | 24,552 |
| Carrying amount of investments | <u>6,638,792</u> |
| | <u><u>\$ 6,663,764</u></u> |

Cash and investments are reflected on the basic financial statements as follows:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------|----------------------------|-----------------------------|---------------------|
| Cash and investments | <u>\$ 5,635,431</u> | <u>\$ 1,028,333</u> | <u>\$ 6,663,764</u> |

Deposits. For the fiscal year ended June 30, 2018, the carrying amount of the City’s deposits in a qualifying financial institution were \$118,883 and the bank balances were \$209,678. All deposits are held in the name of the City. At June 30, 2018 the City’s deposits were covered by federal depository and were deposited in an approved depository as identified by the State Treasury.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

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

The City has invested funds in the State Treasurer’s Oregon Short-term Fund Local Government Investment Pool during fiscal year 2017-2018. Investments in the Local Government Investment Pool (LGIP) are included in the Oregon Short-Term Fund, which is an external investment pool that is not a 2a-7-like external investment pool, and is not registered with the U.S. Securities and Exchange Commission as an investment company. Fair value of the LGIP is calculated at the same value as the number of pool shares owned. The unit of account is each share held, and the value of the position would be the fair value of the pool’s share price multiplied by the number of shares held. Investments in the Short-Term Fund are governed by ORS 294.135, Oregon Investment Council, and portfolio guidelines issued by the Oregon Short-Term Fund Board. Investment in the LGIP is neither insured nor guaranteed by the FDIC or any other government agency. Although the LGIP seeks to maintain the value of share investments at \$1.00 per share, it is possible to lose money by investing in the pool.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 3 – Cash and Investments (continued)

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

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

As of June 30, 2018 and for the year then ended, the City was in compliance with the aforementioned State of Oregon statutes.

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

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

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

Disclosures about Fair Value of Assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

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

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

| Investments Measured at Fair Value: | Totals as of 6/30/2018 | Level One | Level Two | Level Three | Amortized Cost Not Measured at Fair Value |
|--|---------------------------|-------------------|-----------------|-------------|---|
| Local Government | | | | | |
| Investment Pool | \$ 6,288,812 | \$ - | \$ - | \$ - | \$ 6,288,812 |
| US Government Securities | 342,029 | 342,029 | - | - | - |
| Certificates of Deposit | 7,951 | - | 7,951 | - | - |
| | <u>\$ 6,638,792</u> | <u>\$ 342,029</u> | <u>\$ 7,951</u> | <u>\$ -</u> | <u>\$ 6,288,812</u> |

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 4 – Capital Assets

The changes in capital assets for the year ended June 30, 2018, are as follows:

Governmental Activities:

| | Balance 7/1/2017 | Additions | Disposals | Transfers / Adjustments | Balance 6/30/2018 |
|---|---------------------|------------------|--------------|----------------------------|----------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 5,807,473 | \$ - | \$ - | \$ - | \$ 5,807,473 |
| Construction-in-progress | 137,544 | 10,753 | - | (137,544) | 10,753 |
| Total capital assets not being depreciated | 5,945,017 | 10,753 | - | (137,544) | 5,818,226 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 3,737,722 | 3,929 | (5,257) | - | 3,736,394 |
| Machinery and equipment | 650,335 | 60,063 | (47,805) | - | 662,593 |
| Vehicles | 552,415 | 32,211 | - | - | 584,626 |
| Infrastructure | 8,847,783 | 85,541 | - | 137,544 | 9,070,868 |
| Total capital assets being depreciated | 13,788,255 | 181,744 | (53,062) | 137,544 | 14,054,481 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (591,877) | (74,557) | 5,257 | (347) | (661,524) |
| Machinery and equipment | (575,269) | (22,641) | 47,805 | (956) | (551,061) |
| Vehicles | (470,160) | (16,729) | - | 5,060 | (481,829) |
| Infrastructure | (5,692,314) | (284,965) | - | 52 | (5,977,227) |
| Total accumulated depreciation | (7,329,620) | (398,892) | 53,062 | 3,809 | (7,671,641) |
| Total capital assets being depreciated, net | 6,458,635 | (217,148) | - | - | 6,382,840 |
| Total capital assets, Governmental activities, net | \$12,403,652 | \$ (206,395) | \$ - | \$ 3,809 | \$12,201,066 |

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 4 – Capital Assets (continued)

| Business-type Activities: | Balance 7/1/2017 | Additions | Disposals | Balance 6/30/2018 |
|--|---------------------|-----------------|--------------|----------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 118,131 | \$ - | \$ - | \$ 118,131 |
| Total capital assets not being depreciated | 118,131 | - | - | 118,131 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,351,469 | - | - | 1,351,469 |
| Machinery and equipment | 305,501 | 28,109 | (43,598) | 290,012 |
| Vehicles | 116,109 | 18,452 | - | 134,561 |
| Infrastructure | 4,600,792 | 5,948 | - | 4,606,740 |
| Total capital assets being depreciated | 6,373,871 | 52,509 | (43,598) | 6,382,782 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (648,355) | (27,029) | - | (675,384) |
| Machinery and equipment | (198,447) | (22,778) | 43,462 | (177,763) |
| Vehicles | (100,118) | (2,708) | - | (102,826) |
| Infrastructure | (2,561,912) | (93,534) | - | (2,655,446) |
| Total accumulated depreciation | (3,508,832) | (146,049) | 43,462 | (3,611,419) |
| Total capital assets being depreciated, net | 2,865,039 | (93,540) | (136) | 2,771,363 |
| Total capital assets, Business-type activities, net | \$ 2,983,170 | \$ (93,540) | \$ (136) | \$2,889,494 |

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 4 – Capital Assets (continued)

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

Governmental Activities:

| <u>Program</u> | |
|--|-------------------|
| General government | \$ 80,492 |
| Public safety | 29,519 |
| Highways and streets, including depreciation of general infrastructure assets | 264,212 |
| Recreation | <u>20,860</u> |
| Total: | <u>\$ 395,083</u> |

Business-type Activities

| <u>Program</u> | |
|------------------|-------------------|
| Water department | <u>\$ 146,049</u> |
| Total: | <u>\$ 146,049</u> |

Note 5 – Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2018, are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|---------------------|---------------|
| General Fund | Urban Renewal Fund | \$169,507 |

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

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 5 – Receivables, Payables and Transfers (continued)

Interfund transfers during the year ended June 30, 2018 were as follows:

| | Transfers In | Transfers Out |
|-------------------------------|--------------|---------------|
| Governmental-type Activities: | | |
| Fire Protection Fund | \$ - | \$ 10,000 |
| Business-type Activities: | | |
| Water Fund | 10,000 | - |
| Total Transfers | \$ 10,000 | \$ 10,000 |

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

Note 6 – Operating Leases

The City has several operating leases associated with office equipment. Total expense for such leases was \$8,700 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

| Year Ending June 30, | Total |
|-------------------------|-----------|
| 2019 | \$ 8,579 |
| 2020 | 4,812 |
| 2021 | 2,026 |
| 2022 | 169 |
| 2023 | - |
| | \$ 15,586 |

Note 7 – Long-Term Liabilities

Series 2012 G.O. Bonds

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

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

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 7 – Long-Term Liabilities (continued)

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

| 2012 GO Bond: | Year Ending June 30, | Principal | Interest | Total |
|---------------|-------------------------|---------------------|-------------------|---------------------|
| | 2019 | 175,000 | 68,250 | \$ 243,250 |
| | 2020 | 190,000 | 63,000 | 253,000 |
| | 2021 | 205,000 | 55,400 | 260,400 |
| | 2022 | 220,000 | 47,200 | 267,200 |
| | 2023 | 235,000 | 38,400 | 273,400 |
| | 2024-2026 | 725,000 | 55,800 | 780,800 |
| | | <u>\$ 1,750,000</u> | <u>\$ 328,050</u> | <u>\$ 2,078,050</u> |

Series 2014 Full Faith Credit Obligation

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

On August 15, 2014, the City and the Jacksonville Urban Renewal Agency, Oregon (the Agency) entered into an intergovernmental agreement in connection with the Series 2014 Obligations. As a result, the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2014 Obligations under the terms of such obligations. As a result of the intergovernmental agreement, debt service is paid by the Urban Renewal Fund.

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

| 2014 Obligation: | Year Ending June 30, | Principal | Interest | Total |
|------------------|-------------------------|-------------------|-----------------|-------------------|
| | 2019 | 132,000 | 4,014 | \$ 136,014 |
| | | <u>\$ 132,000</u> | <u>\$ 4,014</u> | <u>\$ 136,014</u> |

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 7 – Long-Term Liabilities (continued)

Long-term liability activity for the year ended June 30, 2018:

| | <u>Balance</u> <u>June 30, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|--|--|------------------|---------------------|--|
| Governmental Activities: | | | | |
| Series 2012 G.O. Bond | \$ 1,915,000 | \$ - | \$ (165,000) | \$ 1,750,000 |
| Series 2014 Obligations | 420,000 | - | (288,000) | 132,000 |
| Total Governmental Activities before Premium/(Discount) | \$ 2,335,000 | \$ - | \$ (453,000) | \$ 1,882,000 |
| Unamortized Premium/(Discount) | 136,342 | - | (15,149) | 121,193 |
| Total Governmental Activities | <u>\$ 2,471,342</u> | <u>-</u> | <u>\$ (468,149)</u> | <u>\$ 2,003,193</u> |

Note 8 – Contingent Liabilities

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

There are currently labor agreements in effect between the government and its employees. The agreement with Teamsters Local Union No. 223, International Brotherhood of Teamsters, of Portland, Oregon was ratified in March 2018 and is in effect thru December 2018. The City is currently in negotiations on the labor agreement.

Note 9 – Pension Plan

Plan Description

Employees are provided pensions as participants under one or more plans currently available through Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit plan in accordance with Oregon Revised Statutes Chapter 238 and 238A, and Internal Revenue Service Code Section 401(a).

There are currently two programs within OPERS, with eligibility determined by the date of employment. Those employed prior to August 29, 2003 are OPERS Program members, and benefits are provided based on whether a member qualifies for Tier One or Tier Two described below. Those employed on or after August 29, 2003 are Oregon Public Service Retirement Plan (OPSRP) Program members. OPSRP is a hybrid retirement plan with two components: 1) the Pension Program (defined benefit; established and maintained as a tax-qualified governmental defined benefit plan), and 2) the Individual Account Program (IAP) (defined contribution; established and maintained as a tax-qualified governmental defined contribution plan).

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

Beginning January 1, 2004, all employees who were active members of OPERS became members of the OPSRP IAP Program. OPERS plan member contributions (the employee contribution, whether made by the employee or "picked-up" by the employer) go into the IAP portion of OPSRP. OPERS plan members retain their existing OPERS accounts; however, member contributions after January 1, 2004 are deposited in the member's IAP, not into the member's OPERS account.

Plan Benefits

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

Tier One/Tier Two Retirement Benefit (Chapter 238)

The ORS Chapter 238 Defined Benefit Plan was closed to new members hired on or after August 29, 2003. In 1995, the Oregon Legislature created a second tier of benefits for those who became OPERS Program members after 1995 but before August 29, 2003. The second tier does not have the Tier One assumed earnings rate guarantee.

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

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

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

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

A member's beneficiary may choose a monthly payment for life instead of a lump-sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occurred July 30, 2003, and earlier; \$200 per month for deaths that occur after July 30, 2003.

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

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

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0%.

OPSRP Pension Program (Chapter 238A)

Pension Benefits - The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

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

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

Death Benefits - Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit. Payment must commence no later than December 31 of the calendar year in which the member would have reached 70 ½ years of age.

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

Benefit Changes After Retirement - Under ORS 238A.210, monthly benefits are adjusted annually through cost-of-living adjustment (COLA). The COLA is capped at 2.0%.

Contributions

PERS' funding policy provides for periodic member and employer contributions at rates established by the Public Employees Retirement Board, subject to limits set in statute. The rates established for member and employer contributions were approved based on the recommendations of the System's third-party actuary.

The City's employer contributions for the year ended June 30, 2018 were \$138,928 excluding amounts to fund employer specific liabilities. The contribution rates in effect for the fiscal year ended June 30, 2018 for each pension program were: Tier1/Tier 2 – 18.73%, OPSRP Police and Fire – 12.09%, and OPSRP general service – 7.32%.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS produces an independently audited CAFR which can be found at:
<http://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

Proportionate Share Allocation Methodology

The basis for the employer’s proportion is actuarially determined by calculating the employer’s projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. The contribution rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The results of the December 31, 2015 actuarial valuation reflect the Oregon Supreme Court ruling in *Moro v. State of Oregon*, issued on April 30, 2015. The *Moro* decision reversed a significant portion of the reductions the 2013 Oregon Legislature made to future system Cost of Living Adjustments (COLA) through Senate Bills 822 and 861. This reversal increased the benefits projected to be paid compared to those developed in the most recent actuarial valuation prior to the *Moro* decision, and consequently increased plan liabilities. The employers’ long-term contribution effort reflects the impact of the *Moro* decision and interest on the liability as current active members get closer to retirement.

Actuarial Valuation

| | |
|--|---|
| Valuation date | December 31, 2015 |
| Measurement date | June 30, 2017 |
| Experience Study | 2014, published September 23, 2015 |
| Actuarial assumptions: Actuarial cost method Inflation rate Long-term expected rate of return Discount rate Projected salary increases Cost of living adjustments (COLA) | Entry age normal 2.50 percent 7.50 percent 7.50 percent 3.50 percent Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service. |
| Mortality | Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage (70% for males, 95% for females) of the RP-2000 Sex-distinct, generational per Scale BB, disabled mortality table. |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed Asset Allocation

| <u>Asset Class</u> | <u>Target Allocation</u> |
|-----------------------|--------------------------|
| Cash | 0.00% |
| Debt securities | 20.00% |
| Public equity | 37.50% |
| Private equity | 17.50% |
| Real estate | 12.50% |
| Alternative equity | 12.50% |
| Opportunity portfolio | 0.00% |
| Total | <u>100.00%</u> |

Investment Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the OPERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

Investment Rate of Return (continued)

The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at the time based on the OIC long-term target asset allocation. The OIC's description of each asset was used to map the target allocation to the asset classes shown below.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Compounded Annual Return</u> |
|-----------------------------------|--------------------------|---------------------------------|
| Core fixed income | 8.00% | 4.00% |
| Short-term bonds | 8.00% | 3.61% |
| Intermediate-term bonds | 3.00% | 5.42% |
| High yield bonds | 1.00% | 6.20% |
| Large/Mid cap US equities | 15.75% | 6.70% |
| Small Cap US equities | 1.31% | 6.99% |
| Micro Cap US equities | 1.31% | 7.01% |
| Developed foreign equities | 13.13% | 6.73% |
| Emerging market equities | 4.12% | 7.25% |
| Non-US small Cap equities | 1.88% | 7.22% |
| Private equities | 17.50% | 7.97% |
| Real estate (property) | 10.00% | 5.84% |
| Real estate (REITS) | 2.50% | 6.69% |
| Hedge fund of funds - diversified | 2.50% | 4.64% |
| Hedge fund - event-driven | 0.63% | 6.72% |
| Timber | 1.88% | 5.85% |
| Farmland | 1.88% | 6.37% |
| Infrastructure | 3.75% | 7.13% |
| Commodities | 1.86% | 4.58% |
| Total | <u>100.00%</u> | |
| Assumed inflation - mean | | 2.50% |

Pension Liabilities/Assets and Pension Expense

The City reports its financial position using the modified cash basis of accounting, it does not recognize in the Statement of Net Position its proportionate share of the OPERS net pension liability. The City's proportionate share of the net pension liability held by OPERS was \$1,398,350 as of June 30, 2018. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2017, the City's proportion was approximately 0.01037349 percent.

For the year ended June 31, 2017, the District incurred pension expense of \$312,435. Pension expense was generated during the measurement period as a result of less than anticipated investment returns at the OPERS level.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 9 – Pension Plan (continued)

Sensitivity for the District’s Proportionate Share of the Net Pension Liability to Changes in Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50 percent) or 1-percentage point higher (8.50 percent) than the current rate:

| | 1% Decrease (6.50%) | Current Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------|------------------------|
| Proportionate share of net pension liability | \$ 2,383,044 | \$ 1,398,350 | \$ 574,964 |

Defined Contribution Plan – Individual Account Program (IAP)

Pension Benefits - Participants in OPERS defined contribution pension plans also participate in their defined contribution plan. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. All covered employees are required by State statute to contribute 6% of their salary to the plan. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits - Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions - During 2018, the City, as an employee benefit, paid the employees portion of the contribution. For 2018, the City paid \$64,575 for this contribution.

Note 10 – Other Post-Employment Benefits (OPEB)

City HealthCare Plan –

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

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

Retirement Health Insurance Account (RHIA)

Plan Description – As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment 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 provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004.

OPERS issues a publicly 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.

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 dollars or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 dollars 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 the subsidy 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, and the City currently contributes 0.53% of annual covered OPERF payroll and 0.08% of OPSRP payroll.

The ARC represents a level of 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 City's contributions to PERS' RHIA for the year ended June 30, 2018, was \$4,945 which equaled the required contributions for the year.

Since the City's financial statements are reported on the modified cash basis, no RHIA related amounts are reported on the Statement of Net Position for pension related assets, deferred outflows, liabilities or deferred inflows.

Note 11 – Risk Management

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

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2018

Note 12 – Tax Abatements

As of June 30, 2018, Jackson county provides tax abatement through the Enterprize Zone program.

Enterprise Zone (ORS 285C.175)

The Oregon Enterprise Zone program is a State of Oregon economic development program, that allows for property tax exemptions for up to five years. In exchange for receiving property tax exemption, participating firms are required to meet the program requirements set by state statute and the local sponsor.

The Enterprise Zone program provides qualified firms that will be making a substantial new capital investment within the defined enterprise zone, a waiver of 100% of the amount of real property taxes attributable to the new investment for a period of five years following completion of the new investment. Land or existing machinery or equipment is not tax exempt; therefore, there is no loss of current property tax levies to local taxing jurisdiction.

For the fiscal year ended June 30, 2018, the City had no abated property taxes under the Enterprise Zone program.

Note 13 – Concentrations of Risk

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

The City's operations are concentrated within Jackson County. In addition, substantially all of the City's revenues for continuing operations are from federal, state, and local government agencies.

Note 14 – Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2018, through October 5, 2018, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements.

Changes in OPERS Pension Plan Provisions

At its July 28, 2017 meeting, the OPERS Board lowered its effective "assumed rate" from 7.5% to 7.2% effective, January 1, 2018. The assumed rate is the rate of investment return (including inflation) that the OPERS Fund's regular account is expected to earn over the long term. Oregon Administrative Rule 459-007-0001(2) states that the assumed rate "means the actuarial assumed rate of return on investments as adopted by the Board for the most recent actuarial valuation."

The lowered rate is expected to increase the OPERS net pension liability by an estimated \$2.0 to \$2.4 billion. Of this increase, the City's proportional share is estimated at \$200,000 to \$250,000.

SUPPLEMENTARY INFORMATION

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

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

MAJOR ENTERPRISE FUNDS

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

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

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with |
|---|-------------------|-------------------|---------------------|--|
| | Adopted | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 710,185 | \$ 710,185 | \$ 709,462 | \$ (723) |
| Franchise fees | 53,045 | 53,045 | 52,176 | (869) |
| Licenses and permits | 192,465 | 192,465 | 334,956 | 142,491 |
| Fines and forfeitures | 45,000 | 45,000 | 33,044 | (11,956) |
| Charges for services | 44,628 | 44,628 | 43,903 | (725) |
| Intergovernmental | 78,320 | 78,320 | 89,650 | 11,330 |
| Special payments | 175,000 | 175,000 | 57,754 | (117,246) |
| Earnings on investments | 8,160 | 8,160 | 16,347 | 8,187 |
| Miscellaneous | 3,100 | 3,100 | 2,571 | (529) |
| TOTAL REVENUES | 1,309,903 | 1,309,903 | 1,339,863 | 29,960 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 779,205 | 779,205 | 644,466 | 134,739 |
| Materials and services | 515,506 | 515,506 | 465,661 | 49,845 |
| Capital outlay | 97,000 | 97,000 | 12,639 | 84,361 |
| Contingency | 25,000 | 25,000 | - | 25,000 |
| Special payments | 175,000 | 175,000 | 139,445 | 35,555 |
| TOTAL EXPENDITURES | 1,591,711 | 1,591,711 | 1,262,211 | 329,500 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from interfund loan | 25,000 | 25,000 | 25,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | 25,000 | 25,000 | 25,000 | - |
| NET CHANGE IN FUND BALANCE | (256,808) | (256,808) | 102,652 | 359,460 |
| FUND BALANCE, July 1, 2017 | 523,041 | 523,041 | 836,462 | 313,421 |
| FUND BALANCE, June 30, 2018 | \$ 266,233 | \$ 266,233 | 939,114 | \$ 672,881 |
| Reconciliation | | | | |
| Interfund receivable | | | 169,507 | |
| FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS) | | | \$ 1,108,621 | |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
FIRE PROTECTION FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with |
|---|-------------------|-------------------|-------------------|--|
| | Adopted | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Charges for services | \$ 678,000 | \$ 678,000 | \$ 715,833 | \$ 37,833 |
| Earnings on investments | 4,800 | 4,800 | 9,443 | 4,643 |
| Miscellaneous | 200 | 200 | 1,050 | 850 |
| TOTAL REVENUES | 683,000 | 683,000 | 726,326 | 43,326 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 532,619 | 532,619 | 515,289 | 17,330 |
| Materials and services | 161,075 | 161,075 | 129,278 | 31,797 |
| Capital outlay | 145,000 | 145,000 | 62,771 | 82,229 |
| TOTAL EXPENDITURES | 838,694 | 838,694 | 707,338 | 131,356 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (10,000) | (10,000) | (10,000) | - |
| TOTAL OTHER FINANCING SOURCES (USES) | (10,000) | (10,000) | (10,000) | - |
| NET CHANGE IN FUND BALANCE | (165,694) | (165,694) | 8,988 | 174,682 |
| FUND BALANCE, July 1, 2017 | 269,077 | 269,077 | 412,525 | 143,448 |
| FUND BALANCE, June 30, 2018 | \$ 103,383 | \$ 103,383 | \$ 421,513 | \$ 318,130 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
STREET AND STORM DRAINS FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with |
|------------------------------------|-------------------|-------------------|-------------------|--|
| | Adopted | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Franchise fees | \$ 193,216 | \$ 193,216 | \$ 198,470 | \$ 5,254 |
| Licenses and permits | 5,000 | 5,000 | 5,755 | 755 |
| Intergovernmental | 163,500 | 163,500 | 186,316 | 22,816 |
| Special payments | 375,000 | 375,000 | 397,705 | 22,705 |
| Earnings on investments | 7,200 | 7,200 | 14,165 | 6,965 |
| Miscellaneous | 1,000 | 1,000 | 16,185 | 15,185 |
| TOTAL REVENUES | 744,916 | 744,916 | 818,596 | 73,680 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 220,159 | 220,159 | 187,576 | 32,583 |
| Materials and services | 184,439 | 184,439 | 129,830 | 54,609 |
| Capital outlay | 550,000 | 550,000 | 41,210 | 508,790 |
| Special payments | 375,000 | 375,000 | 370,045 | 4,955 |
| TOTAL EXPENDITURES | 1,329,598 | 1,329,598 | 728,661 | 600,937 |
| NET CHANGE IN FUND BALANCE | (584,682) | (584,682) | 89,935 | 674,617 |
| FUND BALANCE, July 1, 2017 | 727,068 | 727,068 | 853,325 | 126,257 |
| FUND BALANCE, June 30, 2018 | \$ 142,386 | \$ 142,386 | \$ 943,260 | \$ 800,874 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
PARKS AND VISITOR SERVICES FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with |
|------------------------------------|------------------|------------------|-------------------|--|
| | Adopted | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 180,000 | \$ 180,000 | \$ 250,388 | \$ 70,388 |
| Franchise fees | 50,000 | 50,000 | 55,789 | 5,789 |
| Licenses and permits | 64,700 | 64,700 | 71,771 | 7,071 |
| Earnings on investments | 2,880 | 2,880 | 5,666 | 2,786 |
| Miscellaneous | 3,750 | 3,750 | 3,788 | 38 |
| TOTAL REVENUES | 301,330 | 301,330 | 387,402 | 86,072 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 137,980 | 137,980 | 119,102 | 18,878 |
| Materials and services | 241,779 | 241,779 | 225,063 | 16,716 |
| Capital outlay | 141,600 | 141,600 | - | 141,600 |
| TOTAL EXPENDITURES | 521,359 | 521,359 | 344,165 | 177,194 |
| NET CHANGE IN FUND BALANCE | (220,029) | (220,029) | 43,237 | 263,266 |
| FUND BALANCE, July 1, 2017 | 303,364 | 303,364 | 349,863 | 46,499 |
| FUND BALANCE, June 30, 2018 | \$ 83,335 | \$ 83,335 | \$ 393,100 | \$ 309,765 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
SYSTEMS DEVELOPMENT FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|------------------|------------------|---------------------|---|
| | Adopted | Final | | |
| REVENUES | | | | |
| Licenses and permits | \$ 193,000 | \$ 193,000 | \$ 207,743 | \$ 14,743 |
| Earnings on investments | 5,760 | 5,760 | 11,332 | 5,572 |
| TOTAL REVENUES | 198,760 | 198,760 | 219,075 | 20,315 |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 13,000 | 13,000 | 1,538 | 11,462 |
| Capital outlay | 971,452 | 971,452 | 77,352 | 894,100 |
| TOTAL EXPENDITURES | 984,452 | 984,452 | 78,890 | 905,562 |
| NET CHANGE IN FUND BALANCE | (785,692) | (785,692) | 140,185 | 925,877 |
| FUND BALANCE, July 1, 2017 | 785,692 | 785,692 | 1,007,601 | 221,909 |
| FUND BALANCE, June 30, 2018 | \$ - | \$ - | \$ 1,147,786 | \$ 1,147,786 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
HISTORIC PRESERVATION FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|-------------------|-------------------|-------------------|---|
| | Adopted | Final | | |
| REVENUES | | | | |
| Earnings on investments | \$ 4,000 | \$ 4,000 | \$ 5,820 | \$ 1,820 |
| Miscellaneous | 1,000 | 1,000 | - | (1,000) |
| TOTAL REVENUES | <u>5,000</u> | <u>5,000</u> | <u>5,820</u> | <u>820</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | <u>330,000</u> | <u>330,000</u> | <u>19,324</u> | <u>310,676</u> |
| TOTAL EXPENDITURES | <u>330,000</u> | <u>330,000</u> | <u>19,324</u> | <u>310,676</u> |
| NET CHANGE IN FUND BALANCE | (325,000) | (325,000) | (13,504) | 311,496 |
| FUND BALANCE, July 1, 2017 | <u>433,894</u> | <u>433,894</u> | <u>460,111</u> | <u>26,217</u> |
| FUND BALANCE, June 30, 2018 | <u>\$ 108,894</u> | <u>\$ 108,894</u> | <u>\$ 446,607</u> | <u>\$ 337,713</u> |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
URBAN RENEWAL FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|------------------|---|
| | Adopted | Final | | |
| REVENUES | | | | |
| Taxes | \$ 381,000 | \$ 381,000 | \$ 388,323 | \$ 7,323 |
| Earnings on investments | 7,500 | 7,500 | 13,593 | 6,093 |
| TOTAL REVENUES | <u>388,500</u> | <u>388,500</u> | <u>401,916</u> | <u>13,416</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 31,054 | 31,054 | 31,054 | - |
| Debt service | 326,280 | 326,280 | 326,184 | 96 |
| TOTAL EXPENDITURES | <u>357,334</u> | <u>357,334</u> | <u>357,238</u> | <u>96</u> |
| NET CHANGE IN FUND BALANCE | 31,166 | 31,166 | 44,678 | 13,512 |
| FUND BALANCE, July 1, 2017 | <u>151,101</u> | <u>151,101</u> | <u>163,976</u> | <u>12,875</u> |
| FUND BALANCE, June 30, 2018 | <u>\$ 182,267</u> | <u>\$ 182,267</u> | <u>208,654</u> | <u>\$ 26,387</u> |
| Reconciliation | | | | |
| Interfund payable | | | (169,507) | |
| FUND BALANCE - END OF YEAR (MODIFIED CASH BASIS) | | | <u>\$ 39,147</u> | |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
CAPITAL PROJECTS FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|------------------------------------|----------------|----------------|-------------------|---|
| | <u>Adopted</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Earnings on investments | \$ 4,800 | \$ 4,800 | \$ 9,443 | \$ 4,643 |
| Miscellaneous | 100,000 | 100,000 | - | (100,000) |
| TOTAL REVENUES | <u>104,800</u> | <u>104,800</u> | <u>9,443</u> | <u>(95,357)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Materials and services | 249,800 | 249,800 | 32,237 | 217,563 |
| Capital outlay | 405,000 | 405,000 | - | 405,000 |
| TOTAL EXPENDITURES | <u>654,800</u> | <u>654,800</u> | <u>32,237</u> | <u>622,563</u> |
| NET CHANGE IN FUND BALANCE | (550,000) | (550,000) | (22,794) | 527,206 |
| FUND BALANCE, July 1, 2017 | <u>550,000</u> | <u>550,000</u> | <u>588,651</u> | <u>38,651</u> |
| FUND BALANCE, June 30, 2018 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 565,857</u> | <u>\$ 565,857</u> |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
DEBT SERVICE FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|------------------------------------|-------------------|-------------------|-------------------|---|
| | Adopted | Final | | |
| REVENUES | | | | |
| Taxes | \$ 237,000 | \$ 237,000 | \$ 237,000 | \$ - |
| Earnings on investments | 1,920 | 1,920 | 3,777 | 1,857 |
| TOTAL REVENUES | 238,920 | 238,920 | 240,777 | 1,857 |
| EXPENDITURES | | | | |
| Current | | | | |
| Debt service | 237,000 | 237,000 | 237,000 | - |
| TOTAL EXPENDITURES | 237,000 | 237,000 | 237,000 | - |
| NET CHANGE IN FUND BALANCE | 1,920 | 1,920 | 3,777 | 1,857 |
| FUND BALANCE, July 1, 2017 | 126,860 | 126,860 | 127,463 | 603 |
| FUND BALANCE, June 30, 2018 | \$ 128,780 | \$ 128,780 | \$ 131,240 | \$ 2,460 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
PERMANENT FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | Budget | | Actual | Variance with |
|------------------------------------|-------------------|-------------------|-------------------|--|
| | Adopted | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Charges for services | \$ 27,500 | \$ 27,500 | \$ 61,475 | \$ 33,975 |
| Earnings on investments | 1,920 | 1,920 | 3,777 | 1,857 |
| Miscellaneous | 500 | 500 | - | (500) |
| TOTAL REVENUES | 29,920 | 29,920 | 65,252 | 35,332 |
| EXPENDITURES | | | | |
| Current | | | | |
| Personal services | 31,128 | 31,128 | 22,772 | 8,356 |
| Materials and services | 23,450 | 23,450 | 15,448 | 8,002 |
| Capital outlay | 5,000 | 5,000 | - | 5,000 |
| TOTAL EXPENDITURES | 59,578 | 59,578 | 38,220 | 21,358 |
| NET CHANGE IN FUND BALANCE | (29,658) | (29,658) | 27,032 | 56,690 |
| FUND BALANCE, July 1, 2017 | 347,942 | 347,942 | 378,000 | 30,058 |
| FUND BALANCE, June 30, 2018 | \$ 318,284 | \$ 318,284 | \$ 405,032 | \$ 86,748 |

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
WATER FUND
FISCAL YEAR ENDED JUNE 30, 2018**

| | <u>Budget</u> | | <u>Actual</u> | <u>Variance with</u> |
|---|------------------|------------------|---------------------|----------------------|
| | <u>Adopted</u> | <u>Final</u> | | <u>Final Budget</u> |
| | | | | <u>Positive</u> |
| | | | | <u>(Negative)</u> |
| REVENUES | | | | |
| Charges for services | \$ 909,600 | \$ 909,600 | \$ 1,034,234 | \$ 124,634 |
| Investment Income | 8,640 | 8,640 | 16,997 | 8,357 |
| Passthrough payments | 35,000 | 35,000 | - | (35,000) |
| Miscellaneous | 3,000 | 3,000 | - | (3,000) |
| TOTAL REVENUES | <u>956,240</u> | <u>956,240</u> | <u>1,051,231</u> | <u>94,991</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Collection and treatment | | | | |
| Personal services | 467,503 | 467,503 | 410,178 | 57,325 |
| Materials and services | 466,026 | 466,026 | 417,738 | 48,288 |
| Capital outlay | 656,500 | 656,500 | 52,509 | 603,991 |
| Passthrough Projects | 35,000 | 35,000 | - | 35,000 |
| TOTAL EXPENDITURES | <u>1,625,029</u> | <u>1,625,029</u> | <u>880,425</u> | <u>744,604</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers In | 10,000 | 10,000 | 10,000 | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>-</u> |
| NET CHANGE IN WORKING CAPITAL | (658,789) | (658,789) | 180,806 | 839,595 |
| WORKING CAPITAL, July 1, 2017 | <u>751,041</u> | <u>751,041</u> | <u>829,090</u> | <u>78,049</u> |
| WORKING CAPITAL, July 1, 2018 | <u>\$ 92,252</u> | <u>\$ 92,252</u> | <u>1,009,896</u> | <u>\$ 917,644</u> |
| Reconciliation | | | | |
| Non-current assets | | | 2,889,494 | |
| ENDING NET POSITION | | | <u>\$ 3,899,390</u> | |

OTHER FINANCIAL SCHEDULES



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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Council
City of Jacksonville
Jacksonville, Oregon

We have audited the basic financial statements of the City of Jacksonville, Oregon (the City) as of and for the year ended June 30, 2018, and have issued our report thereon dated October 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our audit, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

This report is intended solely for the information and use of the City Council and management of the City and the State of Oregon, Division of Audits and is not intended to be and should not be used by anyone other than these specified parties.



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
October 5, 2018

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