

CITY OF JACKSONVILLE, OREGON

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019

WITH

INDEPENDENT AUDITOR'S REPORT



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

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2019

Mayor

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

Council Members

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

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

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

City Administrator

Jeff Alvis
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Assistant Administrator / Finance Director

Stacey Bray
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City Attorneys

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823 Alder Creek Dr.
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Lake Oswego, Oregon

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

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

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

City Recorder

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

CITY OF JACKSONVILLE, OREGON

Year Ended June 30, 2019

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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, 2019, 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, 2019, 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 December 11, 2019 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
December 11, 2019

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

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, 2019.

FINANCIAL HIGHLIGHTS

- The assets of the City of Jacksonville exceeded its liabilities at the close of the most recent fiscal year by \$20,708,347 (*net position*). Of this amount, \$5,219,828 (*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 \$1,008,921. 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 \$7,774,801 an increase of \$2,172,638 in comparison with the prior year. Of the \$7,774,801 fund balance, \$1,147,586 is *unassigned*.
- At the end of the current fiscal year, the fund balance for the general fund was \$1,147,586 or 164 percent of the total fiscal 2019 general fund expenditures.
- The City of Jacksonville's total long-term debt increased by \$1,177,851 (approximately 59 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 (arising from cash transactions)
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, police 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, 2019**

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 eleven 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, 2019**

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 41 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 42 through 53 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 \$20,708,347 at the close of the most recent fiscal year. By far the largest portion of the City of Jacksonville's net position (57.06 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	
	2019	2018	2019	2018	2019	2018
Current & other assets	\$ 7,868,809	\$ 5,635,431	\$ 1,130,258	\$ 1,028,333	\$ 8,999,067	\$ 6,663,764
Capital assets	12,175,369	12,201,066	2,804,559	2,889,494	14,979,928	15,090,560
Total assets	20,044,178	17,836,497	3,934,817	3,917,827	23,978,995	21,754,324
Long term debt	2,675,895	1,696,193	-	-	2,675,895	1,696,193
Other liabilities	575,757	340,268	18,996	18,437	594,753	358,705
Total liabilities	3,251,652	2,036,461	18,996	18,437	3,270,648	2,054,898
Net investment in capital assets	9,013,045	10,197,873	2,804,559	2,889,494	11,817,604	13,087,367
Restricted	3,670,915	1,723,205	-	-	3,670,915	1,723,205
Unrestricted	4,108,566	3,878,958	1,111,262	1,009,896	5,219,828	4,888,854
Total net position	\$ 16,792,526	\$ 15,800,036	\$ 3,915,821	\$ 3,899,390	\$ 20,708,347	\$ 19,699,426

An additional portion of the City of Jacksonville's net position \$3,670,915 (17.73 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$5,219,828 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 \$1,008,921 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, 2019**

Analysis of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 2,458,478	\$ 1,965,006	\$ 1,085,925	\$ 1,034,234	\$ 3,544,403	\$ 2,999,240
General revenues:						
Property taxes for general	1,168,989	1,097,785	-	-	1,168,989	1,097,785
Property taxes for debt	243,745	237,000	-	-	243,745	237,000
Franchise tax	249,779	306,435	-	-	249,779	306,435
Motor fuel tax	215,895	186,316	-	-	215,895	186,316
Alcoholic beverage tax	47,970	47,123	-	-	47,970	47,123
Transient room tax	166,190	180,388	-	-	166,190	180,388
Entertainment taxes	70,000	70,000	-	-	70,000	70,000
Earnings on investments	153,954	93,363	26,588	16,997	180,542	110,360
Gain (Loss) on sale of assets	(27,167)	-	-	-	(27,167)	-
Transfer to and from other funds	(10,000)	(10,000)	10,000	10,000	-	-
Total revenues	4,737,833	4,173,416	1,122,513	1,061,231	5,860,346	5,234,647
Expenses						
General government	889,785	926,842	-	-	889,785	926,842
Public Safety	1,252,777	1,178,275	-	-	1,252,777	1,178,275
Highways and streets	1,081,938	955,056	-	-	1,081,938	955,056
Recreation	450,695	351,494	-	-	450,695	351,494
Interest on long-term debt	46,848	72,000	-	-	46,848	72,000
Bond issuance costs	23,300	-	-	-	23,300	-
Water Department	-	-	1,106,082	974,101	1,106,082	974,101
Total expenses	3,745,343	3,483,667	1,106,082	974,101	4,851,425	4,457,768
Change in net position	992,490	689,749	16,431	87,130	1,008,921	776,879
Beginning net position	15,800,036	15,110,287	3,899,390	3,812,260	19,699,426	18,922,547
Ending net position	\$ 16,792,526	\$ 15,800,036	\$ 3,915,821	\$ 3,899,390	\$ 20,708,347	\$ 19,699,426

Governmental Activities

Governmental activities increased the City's net position by \$992,490. Revenues totaled \$4,737,833 and consisted primarily of property taxes and charges for services.

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

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

Business-Type Activities

Business-type activities increased the City's net position by \$16,431. Business-type revenues totaled \$1,122,513 and consisted primarily of charges for services.

Charges for services, which totaled \$1,085,925, are comprised of water charges. Business-type activities are self-supporting where revenues are expected to cover expenses.

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

FUND ANALYSIS

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

Governmental funds

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

As of the end of the current fiscal year, the City of Jacksonville's governmental funds reported combined ending fund balances of \$7,774,801, an increase of \$2,172,638 in comparison with the prior year. Approximately 14.8 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 \$1,147,586 This total fund balance represents 164.5 percent of the total fiscal 2019 general fund expenditures.

The overall general fund balance increased by of \$38,965 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.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

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 \$1,111,262. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Jacksonville's business-type activities.

CAPITAL ASSETS

Governmental and business-type activities as of June 30, 2019, amounts to \$14,979,928 (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 \$110,632.

	Governmental activities		Business-type activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 5,807,473	\$ 5,807,473	\$ 118,131	\$ 118,131	\$ 5,925,604	\$ 5,925,604
Construction in progress	109,312	10,753	61,656	-	170,968	10,753
Buildings	2,976,915	3,074,870	649,056	676,085	3,625,971	3,750,955
Machinery and equipment	157,557	111,532	98,649	112,249	256,206	223,781
Vehicles	84,251	102,797	27,360	31,735	111,611	134,532
Infrastructure	3,039,861	3,093,641	1,849,707	1,951,294	4,889,568	5,044,935
Total net position	<u>\$ 12,175,369</u>	<u>\$ 12,201,066</u>	<u>\$ 2,804,559</u>	<u>\$ 2,889,494</u>	<u>\$ 14,979,928</u>	<u>\$ 15,090,560</u>

Additional information on the City of Jacksonville's capital assets can be found in note 4 on pages 23 through 25 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Jacksonville had total bonded debt outstanding of \$3,181,044 (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, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental Activities:					
Series 2012 G.O. Bond (direct placement)	\$ 1,750,000	\$ -	\$ (175,000)	\$ 1,575,000	\$ 190,000
Series 2014 Obligations (direct borrowing)	132,000	-	(132,000)	-	-
Series 2019 Obligations (direct borrowing)	-	1,500,000	-	1,500,000	300,000
Total Governmental Activities before Premium/(Discount)	1,882,000	1,500,000	(307,000)	3,075,000	490,000
Unamortized Premium/(Discount)	121,193	-	(15,149)	106,044	15,149
Total Governmental Activities	<u>\$ 2,003,193</u>	<u>\$ 1,500,000</u>	<u>\$ (322,149)</u>	<u>\$ 3,181,044</u>	<u>\$ 505,149</u>

Additional information on the City of Jacksonville's long-term debt can be found in note 9 on pages 28 - 30 of this report.

**CITY OF JACKSONVILLE, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

Economic Factors and Next Year's Budget and Rates

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

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

Anticipated highlights for the fiscal year 2019-20 are the continuation of building capital reserves to complete projects that are spelled out in the Water Master Plan, which include projects funded through the Safe Drinking Water Revolving Loan Fund and completing the installation of an interior elevator and exterior lift 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, 206 N. 5th St., 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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Current assets:			
Cash and investments	\$ 6,161,555	\$ 1,125,108	\$ 7,286,663
Restricted assets:			
Cash and investments	1,651,145	-	1,651,145
Passthrough receivable	32,709	5,150	37,859
Current portion of loan receivable	4,680	-	4,680
Total current assets:	<u>7,850,089</u>	<u>1,130,258</u>	<u>8,980,347</u>
Noncurrent assets:			
Loan receivable	18,720	-	18,720
Capital assets (net of accumulated depreciation):			
Land	5,807,473	118,131	5,925,604
Construction in progress	109,312	61,656	170,968
Buildings	2,976,915	649,056	3,625,971
Machinery and equipment	157,557	98,649	256,206
Vehicles	84,251	27,360	111,611
Infrastructure	3,039,861	1,849,707	4,889,568
Total noncurrent assets	<u>12,194,089</u>	<u>2,804,559</u>	<u>14,998,648</u>
TOTAL ASSETS	<u>20,044,178</u>	<u>3,934,817</u>	<u>23,978,995</u>
LIABILITIES:			
Current liabilities:			
Accrued payroll	27,598	-	27,598
Customer deposits	-	18,996	18,996
Passthrough payable	43,010	-	43,010
Current portion of long-term debt	505,149	-	505,149
Total current liabilities	<u>575,757</u>	<u>18,996</u>	<u>594,753</u>
Noncurrent liabilities:			
Long-term debt, net of unamortized premium	2,675,895	-	2,675,895
Total noncurrent liabilities	<u>2,675,895</u>	<u>-</u>	<u>2,675,895</u>
TOTAL LIABILITIES	<u>3,251,652</u>	<u>18,996</u>	<u>3,270,648</u>
NET POSITION:			
Net investment in capital assets	9,013,045	2,804,559	11,817,604
Restricted for:			
Systems development	1,320,848	-	1,320,848
Debt service	137,194	-	137,194
Urban renewal	1,801,738	-	1,801,738
Permanent - cemetery	411,135	-	411,135
Unrestricted	4,108,566	1,111,262	5,219,828
TOTAL NET POSITION	<u>\$ 16,792,526</u>	<u>\$ 3,915,821</u>	<u>\$ 20,708,347</u>

CITY OF JACKSONVILLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2019

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	\$ 889,785	\$ 762,925	\$ -	\$ -	\$ (126,860)	\$ -	\$ (126,860)
Public safety	1,252,777	1,065,489	-	-	(187,288)	-	(187,288)
Highways and streets	1,081,938	519,997	-	-	(561,941)	-	(561,941)
Recreation	450,695	110,067	-	-	(340,628)	-	(340,628)
Interest on long-term debt	46,848	-	-	-	(46,848)	-	(46,848)
Bond issuance costs	23,300	-	-	-	(23,300)	-	(23,300)
Total government activities	<u>3,745,343</u>	<u>2,458,478</u>	<u>-</u>	<u>-</u>	<u>(1,286,865)</u>	<u>-</u>	<u>(1,286,865)</u>
Business-type activities:							
Water	1,106,082	1,085,925	-	-	-	(20,157)	(20,157)
Total business-type activities	<u>1,106,082</u>	<u>1,085,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,157)</u>	<u>(20,157)</u>
Total common city	<u>\$ 4,851,425</u>	<u>\$ 3,544,403</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,286,865)</u>	<u>(20,157)</u>	<u>(1,307,022)</u>
General revenues:							
					1,168,989	-	1,168,989
					243,745	-	243,745
					249,779	-	249,779
					215,895	-	215,895
					47,970	-	47,970
					166,190	-	166,190
					70,000	-	70,000
					(27,167)	-	(27,167)
					153,954	26,588	180,542
Total general revenues					<u>2,289,355</u>	<u>26,588</u>	<u>2,315,943</u>
Transfer to and from other funds					<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
CHANGE IN NET POSITION					<u>992,490</u>	<u>16,431</u>	<u>1,008,921</u>
Net position - June 30, 2018					<u>15,800,036</u>	<u>3,899,390</u>	<u>19,699,426</u>
Net position - June 30, 2019					<u>\$ 16,792,526</u>	<u>\$ 3,915,821</u>	<u>\$ 20,708,347</u>

FUND FINANCIAL STATEMENTS

**CITY OF JACKSONVILLE
STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General Fund	Fire Protection Fund	Police Protection Fund	Streets and Storm Drains Fund	Parks and Visitor Services Fund
ASSETS:					
Cash and investments	\$ 997,968	\$ 474,974	\$ 51,637	\$ 1,029,757	\$ 452,963
Passthrough receivables	32,709	-	-	-	-
Advances to other funds	144,507	-	-	-	-
Restricted:					
Cash and investments	-	-	-	-	-
TOTAL ASSETS	\$ 1,175,184	\$ 474,974	\$ 51,637	\$ 1,029,757	\$ 452,963
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accrued payroll	\$ 27,598	\$ -	\$ -	\$ -	\$ -
Passthrough liabilities	-	-	-	43,010	-
Advances from other funds	-	-	-	-	-
TOTAL LIABILITIES	27,598	-	-	43,010	-
Fund balances:					
Nonspendable:					
Permanent fund	-	-	-	-	-
Restricted for:					
Parks and visitor services	-	-	-	-	18,567
System development charges	-	-	-	-	-
Capital projects	-	-	-	-	-
Urban renewal	-	-	-	-	-
Debt service	-	-	-	-	-
Committed to:					
Police	-	-	51,637	-	-
Fire safety	-	474,974	-	-	-
Streets and storm drains	-	-	-	986,747	-
Parks and visitor services	-	-	-	-	434,396
Historic preservation	-	-	-	-	-
Capital projects	-	-	-	-	-
Permanent - cemetery	-	-	-	-	-
Assigned to:					
Fire safety	-	-	-	-	-
Police	-	-	-	-	-
Streets and storm drains	-	-	-	-	-
Parks and visitor services	-	-	-	-	-
System development charges	-	-	-	-	-
Historic preservation	-	-	-	-	-
Urban renewal	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Permanent - cemetery	-	-	-	-	-
Unassigned:					
General fund	1,147,586	-	-	-	-
TOTAL FUND BALANCES	1,147,586	474,974	51,637	986,747	452,963
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,175,184	\$ 474,974	\$ 51,637	\$ 1,029,757	\$ 452,963

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**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, 2019**

TOTAL FUND BALANCES		\$ 7,774,801
Capital assets and contributed capital assets are not financial resources therefore are not reported in the governmental funds:		
Cost	\$ 20,233,788	
Accumulated depreciation	<u>(8,058,419)</u>	12,175,369
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities.		
These liabilities consist of:		
Long-term debt		(3,181,044)
Long-term assets not received in the current year are not reported as governmental fund liabilities:		
These assets consist of:		
Long-term note receivable		23,400
TOTAL NET POSITION		<u><u>\$ 16,792,526</u></u>

CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Fire Protection Fund	Police Protection Fund	Street and Storm Drains Fund	Parks and Visitor Services Fund
REVENUES:					
Taxes	\$ 739,159	\$ -	\$ -	\$ -	\$ 236,190
Intergovernmental	82,403	-	-	265,895	-
Licenses, fees, and permits	332,618	-	-	7,549	71,717
Franchise fees	-	-	-	243,292	55,347
Charges for services	42,640	704,379	342,350	-	-
Fines and forfeitures	-	-	13,910	-	-
Investment income	17,593	14,771	8,001	22,157	8,863
Special payments	88,791	-	-	410,562	-
Miscellaneous revenues	3,481	1,912	2,938	3,026	38,350
TOTAL REVENUES	1,306,685	721,062	367,199	952,481	410,467
EXPENDITURES:					
Current:					
General government	607,409	-	-	-	-
Fire protection	-	634,271	-	-	-
Police protection	-	-	580,552	-	-
Highways and streets	-	-	-	501,645	-
Recreation	-	-	-	-	412,932
Debt service	-	-	-	-	-
Capital outlay:					
General government	1,520	73,330	20,010	-	-
Highways and streets	-	-	-	96,787	-
Recreation	-	-	-	-	12,672
Special payments	88,791	-	-	410,562	-
TOTAL EXPENDITURES	697,720	707,601	600,562	1,008,994	425,604
OTHER FINANCING SOURCES (USES):					
Bond proceeds	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Transfers in (out)	(570,000)	40,000	285,000	100,000	75,000
TOTAL OTHER FINANCING SOURCES (USES)	(570,000)	40,000	285,000	100,000	75,000
NET CHANGE IN FUND BALANCE	38,965	53,461	51,637	43,487	59,863
FUND BALANCE, July 1, 2018	1,108,621	421,513	-	943,260	393,100
FUND BALANCE, June 30, 2019	\$ 1,147,586	\$ 474,974	\$ 51,637	\$ 986,747	\$ 452,963

<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>
\$ -	\$ -	\$ 429,830	\$ -	\$ 243,745	\$ -	\$ 1,648,924
-	-	-	-	-	-	348,298
264,816	-	-	-	-	-	676,700
-	-	-	-	-	-	298,639
-	-	-	-	-	27,200	1,116,569
-	-	-	-	-	-	13,910
17,725	17,242	21,013	14,772	5,909	5,908	153,954
-	-	-	-	-	-	499,353
-	-	-	-	-	-	49,707
<u>282,541</u>	<u>17,242</u>	<u>450,843</u>	<u>14,772</u>	<u>249,654</u>	<u>33,108</u>	<u>4,806,054</u>
2,931	7,898	31,054	96,601	-	37,005	782,898
-	-	-	-	-	-	634,271
-	-	-	-	-	-	580,552
-	-	-	-	-	-	501,645
-	-	-	-	-	-	412,932
-	-	133,898	-	243,700	-	377,598
106,548	-	-	-	-	-	201,408
-	-	-	-	-	-	96,787
-	-	-	-	-	-	12,672
-	-	-	-	-	-	499,353
<u>109,479</u>	<u>7,898</u>	<u>164,952</u>	<u>96,601</u>	<u>243,700</u>	<u>37,005</u>	<u>4,100,116</u>
-	-	1,500,000	-	-	-	1,500,000
-	-	(23,300)	-	-	-	(23,300)
-	50,000	-	-	-	10,000	(10,000)
-	50,000	1,476,700	-	-	10,000	1,466,700
173,062	59,344	1,762,591	(81,829)	5,954	6,103	2,172,638
<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>\$ 1,320,848</u>	<u>\$ 505,951</u>	<u>\$ 1,801,738</u>	<u>\$ 484,028</u>	<u>\$ 137,194</u>	<u>\$ 411,135</u>	<u>\$ 7,774,801</u>

See notes to basic financial statements

**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, 2019**

NET CHANGE IN FUND BALANCE **\$ 2,172,638**

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	\$ 419,650	
Less current year depreciation and adjustments	<u>(418,180)</u>	1,470

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	\$ (58,569)	
Accumulated depreciation	<u>31,402</u>	(27,167)

Long-term note receivables are reported as other financing uses in governmental funds. In the Statement of Net Position, however, note receivables increases assets. Similarly, receipts for principal is a revenue source in the governmental funds but reduces the receivable in the Statement of Net Position. This amount is the net effect of these differences in the treatment of long-term receivables and related items.

23,400

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt:

Proceeds from long term debt	(1,500,000)	
Debt payments	<u>307,000</u>	(1,193,000)

Governmental funds report the effect of issuance costs, premiums, and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences:

Amortization of premium (discount)		<u>15,149</u>
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CHANGE IN NET POSITION **\$ 992,490**

**CITY OF JACKSONVILLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2019**

	<u>Water Fund</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 1,125,108
Passthrough payment receivable	<u>5,150</u>
Total current assets	<u>1,130,258</u>
Noncurrent assets:	
Land	118,131
Construction in progress	61,656
Buildings, net	649,056
Machinery and equipment, net	98,649
Vehicles, net	27,360
Infrastructure, net	<u>1,849,707</u>
Total noncurrent assets	<u>2,804,559</u>
TOTAL ASSETS	<u>3,934,817</u>
LIABILITIES AND FUND BALANCES:	
Current liabilities:	
Customer deposits	<u>18,996</u>
Total current liabilities	<u>18,996</u>
TOTAL LIABILITIES	<u>18,996</u>
Net position:	
Net investment in capital assets	2,804,559
Unrestricted	<u>1,111,262</u>
TOTAL NET POSITION	<u>\$ 3,915,821</u>

**CITY OF JACKSONVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,048,165
Passthrough projects	<u>37,760</u>
TOTAL OPERATING REVENUES	<u>1,085,925</u>
OPERATING EXPENSES:	
Personal services	433,572
Materials and services	482,460
Passthrough projects	37,760
Depreciation/amortization	<u>152,290</u>
TOTAL OPERATING EXPENSES	<u>1,106,082</u>
OPERATING INCOME (LOSS)	<u>(20,157)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	<u>26,588</u>
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>26,588</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>6,431</u>
Transfers (to) from other funds	<u>10,000</u>
CHANGES IN NET POSITION	16,431
NET POSITION, July 1, 2018	<u>3,899,390</u>
NET POSITION, June 30, 2019	<u><u>\$ 3,915,821</u></u>

**CITY OF JACKSONVILLE
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,081,334
Payments to suppliers	(520,220)
Payments to employees	<u>(433,572)</u>
Net cash provided (used) by operating activities	<u>127,542</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	(67,355)
Interest and dividends	<u>26,588</u>
Net cash provided (used) by investing activities	<u>(40,767)</u>
Net increase (decrease) in cash and cash equivalents	96,775
Balances - beginning of the year	<u>1,028,333</u>
Balances - end of the year	<u><u>\$ 1,125,108</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (20,157)
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation/amortization expense	152,290
Change in assets and liabilities:	
Passthrough payment receivable	(5,150)
Customer deposits	<u>559</u>
Net cash provided (used) by operating activities	<u><u>\$ 127,542</u></u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

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, 2019.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements (continued)

The long-term items recorded by the City include; Loan Receivable, 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, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds (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 committed to fire department purposes.
- The *police protection fund* accounts for receipts from the utility surcharge. The funds are committed to police department purposes.
- The *street and storm drain fund* accounts for the expenditure of intergovernmental revenues, which are committed to 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 visitor center and marketing expenses and committed to 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 committed to 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 which are restricted for urban renewal and committed 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 governmental revenue which is committed 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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary/Enterprise Fund (continued)

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

The 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, 2019 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".

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Restricted assets

Certain resources have been required to be set aside for the repayment of the government's general obligation bonds, SDC projects, and capital projects for urban renewal 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.

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

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 for less than five years, 120 hours for 5 to 10 years, 160 hours for 10 to 15 years, and 200 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.

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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position and Fund Balances (continued)

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.

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.

Adoption of New GASB Pronouncements

During the fiscal year ended June 30, 2019, the City implemented the following GASB Pronouncements:

GASB Statement No. 83, Certain Asset Retirement Obligations. Issued November 2016, this statement addresses accounting and financial reporting for certain asset retirement obligations (AROs).

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements, issued March 2018 to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2019:

GASB Statement No. 84, *Fiduciary Activities*. Issued January 2017, this statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the City for fiscal year ending June 30, 2021.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Issued June 2018, this statement establishes accounting requirements for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the City for the fiscal year ending June 30, 2020

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. Issued August 2018 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB Statement No. 90 will be effective for the City for the fiscal year ending June 30, 2020

GASB Statement No 91, *Conduit Debt Obligations*. Issued May 2019, this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. GASB Statement No. 91 will be effective for the City for fiscal year ending June 30, 2022.

The City will implement new GASB pronouncements no later than the required effective date. The City is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the City's financial statements.

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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 2 – Appropriation and Budgetary Controls (continued)

Budgetary information (continued)

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and approval by the City Council. Original and supplemental budgets may be modified 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, 2019, the City exceeded its appropriation authority in the Urban Renewal Fund Debt Issuance Costs Category by \$23,300. This violation of local budget law was attributed to the 2019 debt issuance costs. The City also exceeded its appropriation authority in the Water Fund Passthrough Projects Category by \$2,760. This violation of local budget law was attributed to the water infrastructure projects, however expenses related to these passthrough projects are offset by passthrough projects revenue.

Note 3 – Cash and Investments

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

Petty cash	\$ 420
Carrying amount of demand deposits	152,978
Carrying amount of investments	8,784,410
	\$ 8,937,808

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

	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 6,161,555	\$ 1,125,108	\$ 7,286,663
Restricted cash and investments	1,651,145	-	1,651,145
Total cash and investments	\$ 7,812,700	\$ 1,125,108	\$ 8,937,808

Deposits. For the fiscal year ended June 30, 2019, the carrying amount of the City's deposits in a qualifying financial institution were \$152,978 and the bank balances were \$231,449. All deposits are held in the name of the City. At June 30, 2019 the City's deposits were covered by federal depository and were deposited in an approved depository as identified by the State Treasury.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 3 – Cash and Investments (continued)

Deposits. (continued)

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

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

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. As of June 30, 2019 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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 3 – Cash and Investments (continued)

Investments. (continued)

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 6/30/2019	Level One	Level Two	Level Three	Amortized Cost Not Measured at Fair Value
Local Government					
Investment Pool	\$ 8,429,498	\$ -	\$ -	\$ -	\$ 8,429,498
US Government Securities	346,961	346,961	-	-	-
Certificates of Deposit	7,951	-	7,951	-	-
	<u>\$ 8,784,410</u>	<u>\$ 346,961</u>	<u>\$ 7,951</u>	<u>\$ -</u>	<u>\$ 8,429,498</u>

	Total Investments	Investment Maturities		
		Less than 1 yr	1-5 years	6-10 years
Local Government				
Investment Pool	8,429,498	8,429,498	-	-
US Government Securities	346,961	346,961	-	-
Certificates of Deposit	7,951	7,951	-	-
	<u>\$ 8,784,410</u>	<u>\$ 8,784,410</u>	<u>\$ -</u>	<u>\$ -</u>

	Moody's Rating	Standard & Poor Rating	Percentage of Total Investments
Local Government			
Investment Pool	N/R	N/R	95.96%
US Government Securities	N/R	N/R	3.95%
Certificates of Deposit	N/R	N/R	0.09%
			<u>100.00%</u>

N/R = Not Rated

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 4 – Capital Assets

The changes in capital assets for the year ended June 30, 2019, are as follows:

Governmental Activities:	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
Capital assets not being depreciated:				
Land	\$ 5,807,473	\$ -	\$ -	\$ 5,807,473
Construction-in-progress	10,753	98,559	-	109,312
Total capital assets not being depreciated	5,818,226	98,559	-	5,916,785
Capital assets being depreciated:				
Buildings and improvements	3,736,394	-	(31,577)	3,704,817
Machinery and equipment	662,593	86,401	(26,992)	722,002
Vehicles	584,626	-	-	584,626
Infrastructure	9,070,868	234,690	-	9,305,558
Total capital assets being depreciated	14,054,481	321,091	(58,569)	14,317,003
Less accumulated depreciation for:				
Buildings and improvements	(661,524)	(73,645)	7,267	(727,902)
Machinery and equipment	(551,061)	(37,519)	24,135	(564,445)
Vehicles	(481,829)	(18,546)	-	(500,375)
Infrastructure	(5,977,227)	(288,470)	-	(6,265,697)
Total accumulated depreciation	(7,671,641)	(418,180)	31,402	(8,058,419)
Total capital assets being depreciated, net	6,382,840	(97,089)	(27,167)	6,258,584
Total capital assets, Governmental activities, net	\$12,201,066	\$ 1,470	\$ (27,167)	\$12,175,369

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 4 – Capital Assets (continued)

Business-type Activities:	Balance 7/1/2018	Additions	Disposals	Balance 6/30/2019
Capital assets not being depreciated:				
Land	\$ 118,131	\$ -	\$ -	\$ 118,131
Construction-in-progress	-	61,656	-	61,656
Total capital assets not being depreciated	118,131	61,656	-	179,787
Capital assets being depreciated:				
Buildings and improvements	1,351,469	-	-	1,351,469
Machinery and equipment	290,012	5,699	-	295,711
Vehicles	134,561	-	-	134,561
Infrastructure	4,606,740	-	-	4,606,740
Total capital assets being depreciated	6,382,782	5,699	-	6,388,481
Less accumulated depreciation for:				
Buildings and improvements	(675,384)	(27,029)	-	(702,413)
Machinery and equipment	(177,763)	(19,299)	-	(197,062)
Vehicles	(102,826)	(4,375)	-	(107,201)
Infrastructure	(2,655,446)	(101,587)	-	(2,757,033)
Total accumulated depreciation	(3,611,419)	(152,290)	-	(3,763,709)
Total capital assets being depreciated, net	2,771,363	(146,591)	-	2,624,772
Total capital assets, Business-type activities, net	\$ 2,889,494	\$ (84,935)	\$ -	\$ 2,804,559

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 4 – Capital Assets (continued)

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

Governmental Activities:

<u>Program</u>	
General government	\$ 83,635
Public safety	29,273
Highways and streets, including depreciation of general infrastructure assets	280,181
Recreation	<u>25,091</u>
Total:	<u>\$ 418,180</u>

Business-type Activities

<u>Program</u>	
Water department	<u>\$ 152,290</u>
Total:	<u>\$ 152,290</u>

Note 5 – Lease Agreement

On May 1, 2019, the City entered into a three-year lease agreement with Jacksonville Senior Center, Inc. for the purpose of developing and operating a thrift shop at 170 S. Oregon Street. known historically as the Brunner Building. The lessee shall pay the City \$75 per month beginning May 1, 2019. The term of the lease agreement is three years from the time of execution. Future lease revenue from lease agreement as of June 30, 2019, are as follows:

Year Ending June 30,	Total
<u>2020</u>	<u>\$ 900</u>
2021	900
2022	<u>750</u>
	<u>\$ 2,550</u>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 6 – Loan Receivable

On November 30, 2018, the City entered into a loan agreement with Jacksonville Community Center, Inc. for the purpose of completing the construction and the equipping of a community center on land owned by the City. The City loaned a total of \$23,400 at a zero percent interest rate per annum. Per loan agreement, the borrow shall repay the loan in five annual installments beginning on December 31, 2019. Loan payments receivable as of June 30, 2019, are as follows:

Year Ending June 30,	Total
2020	\$ 4,680
2021	4,680
2022	4,680
2023	4,680
2024	4,680
	\$ 23,400

Note 7 – Transfers

The composition of interfund balances as of June 30, 2019, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Urban Renewal Fund	\$ 144,507

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, 2019

Note 7 – Transfers (continued)

Interfund transfers during the year ended June 30, 2019 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental-type Activities:		
General Fund	\$ -	\$ 570,000
Fire Protection Fund	50,000	10,000
Police Protection Fund	285,000	-
Streets and Storm Drains Fund	100,000	-
Parks and Visitor Services Fund	75,000	-
Historic Preservation Fund	50,000	-
Permanent Fund	10,000	-
Total Governmental-type Activities	<u>570,000</u>	<u>580,000</u>
Business-type Activities:		
Water Fund	<u>10,000</u>	<u>-</u>
Total Transfers	<u>\$ 580,000</u>	<u>\$ 580,000</u>

The City made transfers from the General Fund to the Fire Protection Fund, the Police Protection Fund, the Streets and Storm Drains Fund, the Parks and Visitor Services Fund, the Historic Preservation Fund and the Permanent Fund to supplement current operations. 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. All transfers were included in the original budget document.

Note 8 – Operating Leases

The City has several operating leases associated with office equipment. Total expense for such leases was \$9,013 for the year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u>
2020	\$ 7,982
2021	5,195
2022	3,338
2023	3,170
2024	2,377
	<u>\$ 22,062</u>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 9 – 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. In the event of a default, obligations are not subject acceleration nor subject to increase of interest rate in excess of the interest rate otherwise applicable to the obligations.

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

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

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

2012 GO Bond:	Year Ending June 30,	Principal	Interest	Total
	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	255,000	29,000	284,000
	2025-2026	470,000	26,800	496,800
		<u>\$ 1,575,000</u>	<u>\$ 259,800</u>	<u>\$ 1,834,800</u>

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 9 – Long-Term Liabilities (continued)

Series 2014 Full Faith Credit Obligation

On August 15, 2014, the City of Jacksonville, Oregon (the City) entered into a full faith and credit financing agreement note with Umpqua Bank in the amount of \$1,000,000 (the Series 2014 Obligations). The purpose of the loan was for capital improvements to historic property in the City's urban renewal district. The outstanding principal balance of the note shall bear interest at the rate of 3.04% per annum. Interest was due and payable semiannually on November 1st and May 1st. Principal was payable annually on May 1st (commencing May 1, 2015). The note's original maturity was May 1, 2021. Payments under this note were payable from the general, non-restricted revenues of the City. The obligation of the City to make payments under this note was a full faith and credit obligation of the City, but shall be subject to annual appropriation. The agreement of this note was not secured by any lien or security interest on any property. The agreement contains a provision that in an event of default, the Bank may exercise any remedy available at law or in equity, including acceleration. In addition, if an event of default shall occur, then the interest rate under the note may be increased at the option of the bank to an interest rate 5% in excess of the interest rate otherwise applicable to the note.

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 was paid by the Urban Renewal Fund.

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

Series 2019 Full Faith Credit Obligation

On May 23, 2019, the City of Jacksonville, Oregon (the City) entered into a full faith and credit financing agreement note with U.S. Bank National Association in the amount of \$1,500,000 (the Series 2019 Obligations). The purpose of the loan was for capital improvements to historic property in the City's urban renewal district. The outstanding principal balance of the note shall bear interest at the rate of 2.90% per annum. Interest is due and payable semiannually on November 1st and May 1st. Principal is payable annually on May 1st (commencing May 1, 2020). The note matures on May 1, 2024. Payments under this note are payable from the general, non-restricted revenues of the City. The obligation of the City to make payments under this note is a full faith and credit obligation of the City, but shall be subject to annual appropriation. The agreement of this note is not secured by any lien or security interest on any property. The agreement contains a provision that in an event of default, the Bank may exercise any remedy available at law or in equity, however the payments are not subject to acceleration. In addition, if an event of default shall occur, then the interest rate under the note may be increased at the option of the bank to an interest rate 2% in excess of the interest rate otherwise applicable to the note.

On April 16, 2019, the City and the Jacksonville Urban Renewal Agency, Oregon (the Agency) entered into an intergovernmental agreement in connection with the Series 2019 Obligations. As a result, the Agency shall transfer tax increment revenues and proceeds to the City in amounts and times sufficient for the City to pay the Series 2019 Obligations under the terms of such obligations. As a result of the intergovernmental agreement, debt service is paid by the Urban Renewal Fund.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 9 – Long-Term Liabilities (continued)

Series 2019 Full Faith Credit Obligation (continued)

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

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

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental Activities:					
Series 2012 G.O. Bond (direct placement)	\$ 1,750,000	\$ -	\$ (175,000)	\$ 1,575,000	\$ 190,000
Series 2014 Obligations (direct borrowing)	132,000	-	(132,000)	-	-
Series 2019 Obligations (direct borrowing)	-	1,500,000	-	1,500,000	300,000
Total Governmental Activities before Premium/(Discount)	1,882,000	1,500,000	(307,000)	3,075,000	490,000
Unamortized Premium/(Discount)	121,193	-	(15,149)	106,044	15,149
Total Governmental Activities	<u>\$ 2,003,193</u>	<u>\$ 1,500,000</u>	<u>\$ (322,149)</u>	<u>\$ 3,181,044</u>	<u>\$ 505,149</u>

Note 10 – Contingent Liabilities

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

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 11 - Post-Employment Benefits Other Than Pension (OPEB)

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 employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The contribution rates in effect for the fiscal year ended June 30, 2019 for the OPEB program were: Tier1/Tier 2 – 0.50%, and OPSRP general service – 0.43%. The City contributed \$4,540 for the year ended June 30, 2019.

Pension Plan Comprehensive Annual Financial Report (CAFR).

Oregon PERS produces an independently audited CAFR which can be found at:
<http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

Actuarial assumptions: Retiree healthcare participation Healthcare cost trend rate	Healthy retirees: 38%; Disabled retirees: 20% Not applicable
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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 11 - Post-Employment Benefits Other Than Pension (OPEB) (continued)

Pension Plan Comprehensive Annual Financial Report (CAFR). (continued)

The actuarial valuation details are the Actuarial Methods and Assumptions, Discount Rate, Assumed Asset Allocation, and the Investment Rate of Return.

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

The City reports its financial position using the modified cash basis of accounting, it does not recognize in the Statement of Net Position its share of the net OPEB asset/liability, OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB. The City's proportionate share of the net OPEB asset held by OPERS was \$11,399 as of June 30, 2019. The net OPEB asset was measured as of June 30, 2018, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2016. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. As of June 30, 2019, the City's proportion was 0.010212090 percent.

As of June 30, 2019, OPERS noted the following deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 646
Changes of assumptions	-	36
Net difference between projected and actual earnings on investments	-	2,458
Changes in proportionate share	78	58
Difference between employer contributions and employer's proportionate share of system contributions	-	-
City's contributions subsequent to the measurement date	4,540	-
Total	\$ 4,618	\$ 3,198

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 11 - Post-Employment Benefits Other Than Pension (OPEB) (continued)

OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB would be reported in pension expense as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2020	\$ (1,036)
2021	(1,024)
2022	(816)
2023	(245)
2024	-
Thereafter	-
Total	\$ (3,121)

Sensitivity for the City's Proportionate Share of the Net OPEB Asset to Changes in Discount Rate.

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.20 percent) or 1-percentage point higher (8.20 percent) than the current rate:

City's Net OPEB Asset/(Liability)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Proportionate share of net RHIA asset/(liability)	\$ 6,637	\$ 11,399	\$ 15,435

The RHIA OPEB is unaffected by healthcare cost trends due to the benefit being limited to \$60 monthly payments toward Medicare companion insurance premiums.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – 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, Chapter 23A, 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).

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.

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.

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

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 an 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 an OPERS-covered job, or
- Member was on an official leave of absence from an OPERS-covered job at the time of death.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

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

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

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

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.

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 238.360, monthly benefits are adjusted annually through cost-of-living adjustment (COLA). The COLA is capped at 2.0 percent.

Funding Policy. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Contributions. OPERS' 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 contribution rates in effect for the fiscal year ended June 30, 2019 for each pension program were: Tier1/Tier 2 – 18.73%, OPSRP General Service – 6.89%, and OPSRP Police and Fire – 12.09%.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

Pension Plan Comprehensive Annual Financial Report (CAFR). OPERS prepares their financial statements in accordance with GAAP as set forth in GASB pronouncements that apply to fiduciary funds and enterprise funds. The accrual basis of accounting is used for all funds. Revenues are recognized when earned. Contributions recognized when due, pursuant to legal (or statutory) requirements. Benefits and withdrawals are recognized when they are currently due and payable in accordance with the terms of the plans. Investments are recognized at fair value, the amount that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. OPERS produces an independently audited CAFR which can be found at:

<https://www.oregon.gov/pers/documents/financials/CAFR/2017-CAFR.pdf>.

Actuarial Valuation. The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. Under this cost method, each active member's entry age present value of projected benefits is allocated over the member's service from their date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Actuarial Methods and Assumptions Used in Developing Total Pension Liability

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Experience study	2014, published July 26, 2017
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation rate	2.50 percent
Long-term expected rate of return	7.20 percent
Discount rate	7.20 percent
Projected salary increases	3.50 percent
Cost of living adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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 2016 Experience Study, which reviewed experience for the four-year period ending on December 31, 2016.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.20 percent for the Defined Benefit Pension Plan, reduced from 7.50 percent at the prior measurement date. 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.

Asset Class	Target Allocation
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	100.00%

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

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.

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 ca[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	100.00%	
Assumed inflation - mean		2.50%

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

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 asset/liability, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions. The City's proportionate share of the net pension liability held by OPERS was \$1,508,167 as of June 30, 2019. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. 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, 2019, the City's proportion was approximately 0.00995576 percent.

As of June 30, 2019, OPERS noted the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,303	\$ -
Changes of assumptions	350,646	-
Net difference between projected and actual earnings on investments	-	66,971
Changes in proportionate share	26,695	43,955
Difference between employer contributions and employer's proportionate share of system contributions	34,949	3,597
City's contributions subsequent to the measurement date	118,142	-
Total	\$ 581,735	\$ 114,523

For the year ended June 30, 2019, the City would have incurred pension expense of \$178,106 if it reported on the full accrual basis of accounting. Pension expense was generated during the measurement period as a result of less than anticipated investment returns at the OPERS level.

Other amounts OPERS reported as deferred outflows of resources and deferred inflows of resources related to pensions would be reported in pension expense as follows:

Year Ended June 30	Deferred Outflow/(Inflow) of Resources (prior to post- measurement date)
2020	\$ 193,565
2021	144,621
2022	(9,639)
2023	13,305
2024	7,218
Thereafter	-
Total	\$ 349,070

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

Sensitivity for the City’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 7.20 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.20 percent) or 1-percentage point higher (8.20 percent) than the current rate:

City's Net Pension Asset/(Liability)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Defined Pension Benefit	\$ (2,520,431)	\$ (1,508,167)	\$ (672,625)

Changes in Assumptions and Methods.

A summary of key changes implemented since the December 31, 2015 valuation are noted below. Additional detail and list of changes can be found in the 2016 Experience Study for the System, which can be found at: <http://www.oregon.gov/pers/Documents/2016-Exp-Study.pdf>

- Assumed average annual future long-term investment return was lowered from 7.50 percent to 7.20 percent
- Interest crediting on regular and variable member accounts was also lowered to 7.20 percent
- Assumed administrative expenses were updated to both Tier 1/Tier 2 and OPSRP
- Mortality assumptions were changed to reflect updated base tables and mortality improvement projection scales for all groups
- Termination, disability and retirement rates were updated for some groups to more closely match observed experience
- Assumptions for merit increases, annual sick leave, and vacation pay were updated
- The assumed healthcare cost trend rates for the RHIPA program as well as the participation assumptions for both RHIA and RHIPA were updated
- The percentages used for allocating accrued liability for Tier 1/Tier 2 active members who have earned service with multiple OPERS employers were updated

Defined Contribution Plan – Individual Account Program (IAP).

Pension Benefits. Participants in OPERS defined benefit 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.

CITY OF JACKSONVILLE, OREGON
Notes to the Basic Financial Statements
June 30, 2019

Note 12 – Pension Plan (continued)

Contributions. During 2019, the City, as an employee benefit, paid the employees portion of the contribution. For 2019, the City paid \$60,538 for this contribution.

Note 13 – 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.

Note 14 – Tax Abatements

As of June 30, 2019, 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, 2019, the City had no abated property taxes under the Enterprise Zone program.

Note 15 – 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 16 – Subsequent Events

Management of the City has evaluated events and transactions occurring after June 30, 2019, through November 27, 2019, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge, there were no additional events and/or transactions that required recognition and disclosure in the financial statements.

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 committed to fire department purposes.

Police Protection Fund – This fund accounts for costs receipts from the utility surcharge. The funds are committed to police department purposes.

Street and Storm Drain Fund – This fund accounts for the expenditure of intergovernmental revenues, which are committed to 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 visitor center and marketing expenses and committed to 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 committed 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 which are restricted 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 for governmental revenue which are restricted for 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, 2019**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 748,216	\$ 748,216	\$ 739,159	\$ (9,057)
Licenses, fees, and permits	233,041	233,041	332,618	99,577
Charges for services	44,404	44,404	42,640	(1,764)
Intergovernmental	92,500	92,500	82,403	(10,097)
Special payments	175,000	175,000	88,791	(86,209)
Investment income	5,560	5,560	17,593	12,033
Miscellaneous revenues	3,000	3,000	3,481	481
TOTAL REVENUES	1,301,721	1,301,721	1,306,685	4,964
EXPENDITURES:				
Current:				
Personal services	358,398	358,398	269,782	88,616
Materials and services	399,299	399,299	337,627	61,672
Capital outlay	262,000	262,000	1,520	260,480
Special payments	175,000	175,000	88,791	86,209
Contingency	25,000	25,000	-	25,000
TOTAL EXPENDITURES	1,219,697	1,219,697	697,720	521,977
OTHER FINANCING SOURCES (USES):				
Proceeds from interfund loan	25,000	25,000	25,000	-
Transfers out	(570,000)	(570,000)	(570,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(545,000)	(545,000)	(545,000)	-
NET CHANGE IN FUND BALANCE	(462,976)	(462,976)	63,965	526,941
FUND BALANCE, July 1, 2018	697,007	697,007	939,114	242,107
FUND BALANCE, June 30, 2019	\$ 234,031	\$ 234,031	1,003,079	\$ 769,048
Reconciliation				
Interfund receivable			144,507	
FUND BALANCE - END OF YEAR (ARISING FROM CASH TRANSACTIONS)			\$ 1,147,586	

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 728,000	\$ 728,000	\$ 704,379	\$ (23,621)
Investment income	4,800	4,800	14,771	9,971
Miscellaneous revenues	200	200	1,912	1,712
TOTAL REVENUES	733,000	733,000	721,062	(11,938)
EXPENDITURES:				
Current:				
Personal services	568,738	568,738	515,540	53,198
Materials and services	167,177	167,177	118,731	48,446
Capital outlay	250,000	250,000	73,330	176,670
TOTAL EXPENDITURES	985,915	985,915	707,601	278,314
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
Transfers out	(10,000)	(10,000)	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	40,000	40,000	40,000	-
NET CHANGE IN FUND BALANCE	(212,915)	(212,915)	53,461	266,376
FUND BALANCE, July 1, 2018	411,831	411,831	421,513	9,682
FUND BALANCE, June 30, 2019	\$ 198,916	\$ 198,916	\$ 474,974	\$ 276,058

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
POLICE PROTECTION FUND
FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Charges for services	\$ 400,000	\$ 400,000	\$ 342,350	\$ (57,650)
Fines and forfeitures	27,724	27,724	13,910	(13,814)
Investment income	2,600	2,600	8,001	5,401
Miscellaneous revenues	300	300	2,938	2,638
TOTAL REVENUES	430,624	430,624	367,199	(63,425)
EXPENDITURES:				
Current:				
Personal services	466,921	466,921	443,550	23,371
Materials and services	162,231	162,231	137,002	25,229
Capital outlay	35,000	35,000	20,010	14,990
TOTAL EXPENDITURES	664,152	664,152	600,562	63,590
OTHER FINANCING SOURCES (USES):				
Transfers in	285,000	285,000	285,000	-
TOTAL OTHER FINANCING SOURCES (USES)	285,000	285,000	285,000	-
NET CHANGE IN FUND BALANCE	51,472	51,472	51,637	165
FUND BALANCE, July 1, 2018	-	-	-	-
FUND BALANCE, June 30, 2019	\$ 51,472	\$ 51,472	\$ 51,637	\$ 165

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Franchise fees	\$ 249,148	\$ 249,148	\$ 243,292	\$ (5,856)
Licenses, fees, and permits	5,000	5,000	7,549	2,549
Intergovernmental	310,000	310,000	265,895	(44,105)
Special payments	425,000	425,000	410,562	(14,438)
Investment income	7,200	7,200	22,157	14,957
Miscellaneous revenues	1,000	1,000	3,026	2,026
TOTAL REVENUES	997,348	997,348	952,481	(44,867)
EXPENDITURES:				
Current:				
Personal services	241,569	241,569	219,509	22,060
Materials and services	284,939	284,939	282,136	2,803
Capital outlay	700,000	700,000	96,787	603,213
Special payments	425,000	425,000	410,562	14,438
TOTAL EXPENDITURES	1,651,508	1,651,508	1,008,994	642,514
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	100,000	-
TOTAL OTHER FINANCING SOURCES (USES)	100,000	100,000	100,000	-
NET CHANGE IN FUND BALANCE	(554,160)	(554,160)	43,487	597,647
FUND BALANCE, July 1, 2018	763,643	763,643	943,260	179,617
FUND BALANCE, June 30, 2019	\$ 209,483	\$ 209,483	\$ 986,747	\$ 777,264

**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, 2019**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 213,000	\$ 213,000	\$ 236,190	\$ 23,190
Franchise fees	50,000	50,000	55,347	5,347
Licenses, fees, and permits	64,700	64,700	71,717	7,017
Investment income	2,880	2,880	8,863	5,983
Miscellaneous revenues	3,500	3,500	38,350	34,850
TOTAL REVENUES	334,080	334,080	410,467	76,387
EXPENDITURES:				
Current:				
Personal services	164,072	164,072	119,849	44,223
Materials and services	275,964	295,964	293,083	2,881
Capital outlay	144,600	124,600	12,672	111,928
TOTAL EXPENDITURES	584,636	584,636	425,604	159,032
OTHER FINANCING SOURCES (USES):				
Transfers in	75,000	75,000	75,000	-
TOTAL OTHER FINANCING SOURCES (USES)	75,000	75,000	75,000	-
NET CHANGE IN FUND BALANCE	(175,556)	(175,556)	59,863	235,419
FUND BALANCE, July 1, 2018	279,834	279,834	393,100	113,266
FUND BALANCE, June 30, 2019	\$ 104,278	\$ 104,278	\$ 452,963	\$ 348,685

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Licenses, fees, and permits	\$ 193,000	\$ 193,000	\$ 264,816	\$ 71,816
Investment income	5,760	5,760	17,725	11,965
TOTAL REVENUES	198,760	198,760	282,541	83,781
EXPENDITURES:				
Current:				
Materials and services	13,000	13,000	2,931	10,069
Capital outlay	1,311,238	1,311,238	106,548	1,204,690
TOTAL EXPENDITURES	1,324,238	1,324,238	109,479	1,214,759
NET CHANGE IN FUND BALANCE	(1,125,478)	(1,125,478)	173,062	1,298,540
FUND BALANCE, July 1, 2018	1,125,478	1,125,478	1,147,786	22,308
FUND BALANCE, June 30, 2019	\$ -	\$ -	\$ 1,320,848	\$ 1,320,848

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Investment income	\$ 4,000	\$ 4,000	\$ 17,242	\$ 13,242
Miscellaneous revenues	1,000	1,000	-	(1,000)
TOTAL REVENUES	5,000	5,000	17,242	12,242
EXPENDITURES:				
Current:				
Materials and services	330,000	330,000	7,898	322,102
TOTAL EXPENDITURES	330,000	330,000	7,898	322,102
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	50,000	-
TOTAL OTHER FINANCING SOURCES (USES)	50,000	50,000	50,000	-
NET CHANGE IN FUND BALANCE	(275,000)	(275,000)	59,344	334,344
FUND BALANCE, July 1, 2018	410,111	410,111	446,607	36,496
FUND BALANCE, June 30, 2019	\$ 135,111	\$ 135,111	\$ 505,951	\$ 370,840

**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, 2019**

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

**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, 2019**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES:				
Investment income	\$ 4,800	\$ 4,800	\$ 14,772	\$ 9,972
Miscellaneous revenues	100,000	100,000	-	(100,000)
TOTAL REVENUES	104,800	104,800	14,772	(90,028)
EXPENDITURES:				
Current:				
Materials and services	249,800	249,800	96,601	153,199
Capital outlay	403,000	403,000	-	403,000
TOTAL EXPENDITURES	652,800	652,800	96,601	556,199
NET CHANGE IN FUND BALANCE	(548,000)	(548,000)	(81,829)	466,171
FUND BALANCE, July 1, 2018	567,000	567,000	565,857	(1,143)
FUND BALANCE, June 30, 2019	\$ 19,000	\$ 19,000	\$ 484,028	\$ 465,028

**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, 2019**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Adopted	Final		
REVENUES:				
Taxes	\$ 243,745	\$ 243,745	\$ 243,745	\$ -
Investment income	1,920	1,920	5,909	3,989
TOTAL REVENUES	245,665	245,665	249,654	3,989
EXPENDITURES:				
Debt service	243,745	243,745	243,700	45
TOTAL EXPENDITURES	243,745	243,745	243,700	45
NET CHANGE IN FUND BALANCE	1,920	1,920	5,954	3,944
FUND BALANCE, July 1, 2018	129,383	129,383	131,240	1,857
FUND BALANCE, June 30, 2019	\$ 131,303	\$ 131,303	\$ 137,194	\$ 5,801

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (CASH BASIS)
PERMANENT FUND
FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 27,500	\$ 27,500	\$ 27,200	\$ (300)
Investment income	1,920	1,920	5,908	3,988
Miscellaneous revenues	500	500	-	(500)
TOTAL REVENUES	29,920	29,920	33,108	3,188
EXPENDITURES:				
Current:				
Personal services	32,526	32,526	22,061	10,465
Materials and services	23,450	23,450	14,944	8,506
Capital outlay	15,000	15,000	-	15,000
TOTAL EXPENDITURES	70,976	70,976	37,005	33,971
OTHER FINANCING SOURCES (USES):				
Transfers in	10,000	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	10,000	-
NET CHANGE IN FUND BALANCE	(31,056)	(31,056)	6,103	37,159
FUND BALANCE, July 1, 2018	353,342	353,342	405,032	51,690
FUND BALANCE, June 30, 2019	\$ 322,286	\$ 322,286	\$ 411,135	\$ 88,849

**CITY OF JACKSONVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (CASH BASIS)
WATER FUND
FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 942,000	\$ 942,000	\$ 1,048,165	\$ 106,165
Investment income	8,640	8,640	26,588	17,948
Passthrough projects	35,000	35,000	37,760	2,760
Miscellaneous revenues	3,000	3,000	-	(3,000)
TOTAL REVENUES	988,640	988,640	1,112,513	123,873
EXPENDITURES:				
Current:				
Personal services	494,585	494,585	433,572	61,013
Materials and services	491,288	491,288	466,516	24,772
Passthrough projects	35,000	35,000	37,760	(2,760)
Capital outlay	1,681,500	1,681,500	83,299	1,598,201
TOTAL EXPENDITURES	2,702,373	2,702,373	1,021,147	1,681,226
OTHER FINANCING SOURCES (USES):				
Safe Drinking Water Revolving Loan Fund proceeds	1,000,000	1,000,000	-	(1,000,000)
Transfers in	10,000	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	1,010,000	1,010,000	10,000	(1,000,000)
NET CHANGE IN WORKING CAPITAL	(703,733)	(703,733)	101,366	805,099
WORKING CAPITAL, July 1, 2018	830,301	830,301	1,009,896	179,595
WORKING CAPITAL, July 1, 2019	\$ 126,568	\$ 126,568	1,111,262	\$ 984,694
Reconciliation				
Non-current assets			2,804,559	
ENDING NET POSITION			\$ 3,915,821	



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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, 2019, and have issued our report thereon dated December 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the 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*, except as disclosed in Note 2 of the financial statements.

OAR 162-10-0230 Internal Control

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

Restrictions on Use

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



Mark E. Damon CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 11, 2019