

**CITY OF
ASHLAND**



COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the year ended June 30, 2012

Prepared by the Administrative Services Department
Lee Tuneberg, Administrative Services and Finance Director



INTRODUCTORY SECTION

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INTRODUCTORY SECTION





October 22, 2012

RE: City of Ashland Comprehensive Annual Financial Report

To the Citizens of the City of Ashland:

We are pleased to submit the Comprehensive Annual Financial Report of the City of Ashland for the fiscal year ended June 30, 2012, as mandated by state statutes. These statutes require that the City of Ashland issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants licensed by the State of Oregon to conduct municipal audits. This report must be published within six months of the end of each fiscal year. Management holds responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and the results of operations of the various funds and component unit of the City of Ashland. All disclosures necessary to enable the reader to gain an understanding of the City of Ashland's activities have been included.

Based upon their audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the year ended June 30, 2012, are presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. It is followed by a Management Discussion and Analysis report on pages 5 through 10. The reader is encouraged to review these pages for a better understanding of the City, its financial condition, and its activities for the year.

The financial reporting entity includes all the funds of the City of Ashland, as well as all of its component unit, the Parks and Recreation Commission. Component units are legally separate entities for which the primary government is financially accountable. The City provides a full range of services including police protection, fire protection, building inspection, planning services, economic development, social services, senior program, ambulance, electric, internet access, water, streets, storm drain, wastewater, airport, cemetery, band, parks and recreation activities.

The Parks and Recreation Commission activities are reported as a discretely presented component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements. This emphasizes that it is operated autonomously and accounted for separately from the primary government. It also differentiates its financial position, results of operations, and cash flows from those of the primary government.

GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND OUTLOOK

The City, incorporated in 1874, is located in the southwest part of the state and currently has a land area of 6.52 square miles with a population of 20,255. The government has all powers necessary or convenient for the conduct of its municipal affairs, including the power to levy a property tax on both real and personal property located within its boundaries. The City also has the power, by state statute, to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City operates under the council-administrator form of government. Policymaking and legislative authority are vested in the Mayor and City Council. The governing Mayor and Council are responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator and the City Attorney. The City Council consists of a mayor and six-member council. The Mayor, who presides at the council meetings, is elected at-large for a four-year term. Six council members are elected at-large for four-year staggered terms with three council members elected every two years. Other elected officials are the City Recorder/Treasurer, Municipal Judge, and the five-member Parks and Recreation Commission.

The City Administrator has responsibility for all functions, with the exception of the Parks Commission. The City Administrator recommends the appointment or dismissal of department heads (Fire Chief, Police Chief, Public Works Director, Community Development Director, Administrative Services/Finance Director, Electric/Information Technology Director). The Mayor, with confirmation of the City Council, appoints the City Administrator, the City Attorney, department heads, and the Band Board. The City Administrator is responsible for carrying out the policies and ordinances of the City Council and overseeing the day-to-day operations of the City.

In addition to the help they receive from their appointed staff and employees, 21 standing advisory boards and commissions and various ad hoc committees assist the City Council. Over 150 Ashland citizens serve on these boards and commissions and make a valuable contribution to the City of Ashland.

The City of Ashland's economic base depends primarily on higher education and tourism. In addition, the U.S. Fish and Wildlife National Forensics Laboratory is located in Ashland. It is the only crime lab in the world dedicated entirely to wildlife and serves both the national and international communities. Ashland's downtown business district has a relatively high occupancy rate with a variety of shops, restaurants, hotels, commercial businesses, and financial institutions. The state has a major economic presence in the area in Southern Oregon University (SOU), which is located on a 175 acre campus within the city limits approximately one mile from the city center.

According to the State of Oregon Employment Department, Ashland has an employed work force of approximately 9,400 with an average annual pay of \$30,990 and representing over 11.4 percent of Jackson County's labor force. A return of some parts

of the economy is appearing with early reports on better ticket sales, local tax revenues and university enrollments. Examples are the Transient Occupancy Tax and Food and Beverage Tax revenues (for all business activities as presented in tables in the *Statistical* section). Even though Transient Occupancy Tax revenue remained flat (decreased 0.4 percent) Food & Beverage tax revenue increased 7.9 percent. It is not uncommon to have local taxes, especially those relating to tourism, to “lead” the tax revenues from other tax revenues relating to construction.

In 2011-12, the City issued building permits totaling over \$51.7 million in estimated valuation, an over three-fold increase from last fiscal year. In addition to the gains in residential development, commercial construction increased from an eight to ten year downward trend with a doubling in permits issued (10 new, 40 tenant improvements) and a substantial increase in estimated valuation (\$44.5 million) of projects highlighted by the Southern Oregon University 700 bed dormitory project, valued at roughly \$32 million in total. Total assessed property value increased 2.7 percent during the year.

The Ashland Chamber of Commerce publication, *Living and Doing Business Guide 2012* provides a host of current information relevant to the city’s economy. Based on data from the Oregon Economic development Department, the guide reports that Ashland’s consumer expenditures were over \$481 million in 2011, with near \$100 million each for housing and transportation. Additionally, the median price of a home was \$282,500, a slight reduction from 2011 and roughly equivalent to that of 2003. The guide also noted that just less than 55 percent of Ashland’s residents have a bachelor’s or higher degree.

Much of this can be attributed to tourism generated by cultural attractions, the largest of which is the Oregon Shakespeare Festival Association (OSFA), a nationally renowned theater company presenting eleven plays over a season from February through October, to an estimated attendance of over 375,000. OSFA employs 435 (85 are actors) and has nearly 500 volunteers. Southern Oregon University reports over 6,400 students, 627 faculty and administration and over \$100 million in annual revenue. The Ashland Independent Film Festival, Ski Ashland, local galleries, museums and many more also play key roles in the economic impacts identified above.

INITIATIVES

In February 2010, the City Council set the following goals for the following 12 to 24 months to continue Ashland’s history as a community that focuses on sustaining itself and its people. To us, sustainability means using, developing and protecting resources at a rate and in a manner that enables people to meet their current needs and also provides that future generations can meet their own needs. The City of Ashland has a responsibility towards sustainability in five areas:

- Economy
- Environment
- Social Equity
- Municipal Organization
- Infrastructure

2012 CAFR Introductory section

Specific details of the 2011-2012 goals in these areas can be found in the annual budget document or the city website at:

<http://www.ashland.or.us/Page.asp?NavID=13776>

Important steps or accomplishments in these areas during FY 2011-2012 include:

1. Evaluated and updated capital projects on a needs and available funding basis, in advance of the annual budget process
2. Issued General Obligation bonds after voter approval to finance the construction of Fire Station No. 2 and began construction of the building.
3. Retired significant portions of the prior year long-term liabilities, reducing the total outstanding (excluding new issues) by 7 percent to \$33 million.
4. Increased contributions to the Reserve Fund from a larger than anticipated ending fund balance in the General Fund
5. Completed water and wastewater studies to evaluate ongoing operational needs, project funding, and utility rate impacts and adjusted rates accordingly.
6. Granted over \$120,000 for safety net services and \$590,000 to encourage economic and cultural activities consistent with the city's recently completed Economic and Development strategy.

FINANCIAL INFORMATION

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the City are protected from loss or theft and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurances that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) management must use its best judgment to value the costs and benefits as it relates to cost of internal control.

The City's system of internal accounting controls is designed to provide reasonable, although not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition.

As a frequent recipient of federal, state and local financial assistance, the City must also have an adequate internal control structure in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management and staff.

Tests were made of the government's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulation related to non-major federal financial assistance programs, the audit for the year ended June 30, 2012, disclosed no material internal control weaknesses or material violations of laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriations budget resolution approved by the City Council. All funds are included in the annual appropriated budget. The annual 2011-2012 budget was prepared on a fund basis with department, program, and line item detail.

Accounting principles generally accepted in the United States of America require that management provide a discussion and analysis to accompany the financial statements. This letter of transmittal compliments management's discussion and analysis, and should be read in conjunction with it. The City's Management's Discussion and Analysis can be found on pages 5-10, immediately following the independent auditors report.

Significant Impacts. The City's investment policy objectives are to preserve capital, maintain liquidity and diversification, and to attain a market rate of return throughout budgetary and economic cycles. Investments are valued at fair value, as required by GASBS 31. Changes in the economy and investment market are prompting a review of the City's policy. As of June 30, 2012, the fair market value of the investment in the Local Government Investment Pool was 100 percent of the pool shares, as reported in Oregon Short Term Fund audited financial statements.

The City provides life and health coverage to its employees and their dependants. The City pays 95 percent of premiums for employees, with management and all five bargaining units paying the remaining five percent. Other optional supplemental insurances are available to employees and are paid entirely by the individuals electing to carry them. The rising cost of employee benefits, especially health care and retirement, prompted the City to change providers in FY 2010-2011, to hold costs flat and provide a tracking system to support cost containment options in the future, such as becoming "self insured" in three years, if warranted.

An actuarial review of other post employment benefit programs was performed during the year, and the results from the study are incorporated within this report on pages 48 through 52, in the *Notes to Basic Financial Statements* section.

OTHER INFORMATION

Tax Limitation. Article IX of the Oregon Constitution contains various limitations of property taxes levied by local jurisdictions. The Constitution calls for taxes imposed upon property to be segregated into two categories: one to fund the public school system and community colleges and the other for local governments. The citizens of the State of Oregon approved a property tax limitation, commonly referred to as Measure 5, in November 1991. This constitutional amendment divides property taxes into an education category and an "all other" local government category.

2012 CAFR Introductory section

The education category property taxes were limited to \$15.00 per thousand of real market value (RMV) initially, and have been lowered to \$5.00 per thousand. The local government category is limited to \$10.00 per thousand. The 2011-2012 local net general government tax rate in the City of Ashland, all agencies, was \$7.26, well within the limitation. Voter approved general obligation debt is not subject to the \$10.00 limitation.

In November 1996, the citizens of the State of Oregon approved another property tax limitation, commonly referred to as Measure 47. Prior to enactment, this measure was repealed and replaced by Measure 50, by special election on May 20, 1997. Measure 50 changed the property tax limitation on levies, rates assessment, and equalization, after the 1996-1997 fiscal year. Measure 50 includes a reduction of property tax to previous levels and a limit on the growth in assessed valuation, which will result in a limit on a tax increase in subsequent years. Specifically, Measure 50 rolled the assessed value of each unit of property for the tax year 1997-98 back to its 1995-96 "real market value" less ten percent. The measure limited increases in assessed value in future years to three percent per year. The measure also establishes a new permanent tax rate for each taxing district. Ashland's permanent rate for the operating levies is set at \$4.2865, although the City chose to levy only \$4.1973 of this amount in fiscal year 2011-2012. The measure also provides for voter approved "Local Option Levies" for levies outside the limits. In May 1997, Ashland voters approved the three-year *Ashland Youth Activities Levy* as a Local Option Levy at a rate of \$0.97. The levy was renewed in May 2000 and again in May 2003, at a maximum rate of \$1.38. The 2003 renewal ended in fiscal year 2008. The City of Ashland is still receiving delinquent payments for Ashland Youth Activity Levy from Jackson County.

A Local Option Levy of \$0.21 was approved by the voters to provide extended library services in Ashland beginning in FY 2007-2008. It was levied in FY 2008-2009 at \$0.13, and in FY 2009-2010 through FY 2011-2013 at \$0.1921 per \$1,000 of valuation. The levy is on the November 2012 ballot for renewal at .21 per \$1,000.

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for fiscal year ended June 30, 2011. This was the nineteenth year the City had submitted its report for review. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we intend to submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Ashland received the GFOA's Award for Distinguished Budget Presentation for its annual 2011-2012 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including policy documentation, as an operational guide, as a financial plan, and as a communication device.

Acknowledgments. The timely preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City of Ashland Administrative Services/Finance Department, all other departments and the Ashland Parks and Recreation Commission staff. Each member has our sincere appreciation for the contribution made, with special thanks to the Accounting Division and Finance Administration staff for their dedicated efforts in maintaining the accounting systems, audit preparation and report writing.

Sincerely,



Dave Kanner
City Administrator



Lee Tuneberg
Administrative Services/Finance Director



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Ashland
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danson

President

Jeffrey R. Emer

Executive Director

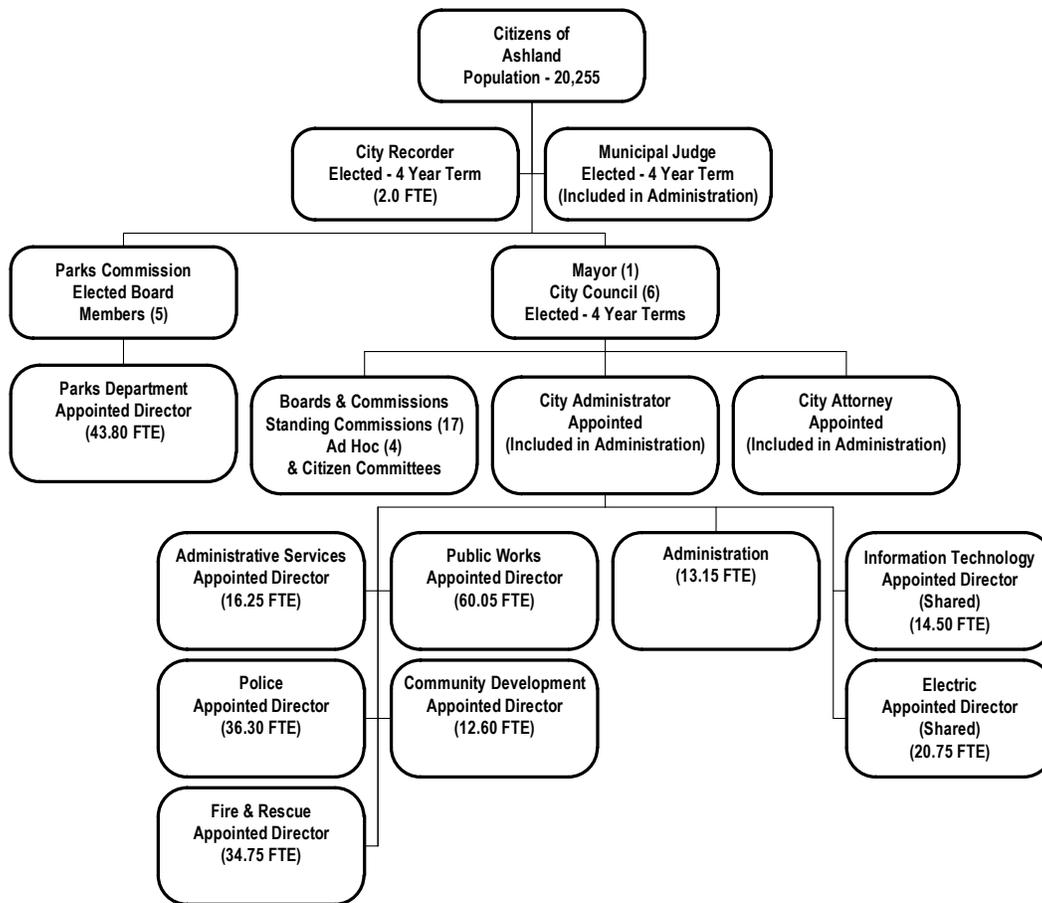
**CITY OF ASHLAND
ELECTED CITY OFFICIALS
as of June 30, 2012**

<u>Name</u>	<u>Position</u>
John Stromberg 252 Ridge Road Ashland, OR 97520	Mayor
David Chapman 390 Orchard Street Ashland, OR 97520	Council Member
Greg Lemhouse 2850 Wedgewood Ashland, OR 97520	Council Member
Michael Morris 720 S. Mountain Avenue Ashland, OR 97520	Council Member
Russ Silbiger 562 Ray Lane Ashland, OR 97520	Council Member
Dennis Slattery 1405 Pinecrest Terrace Ashland, OR 97520	Council Member
Carol Voisin 908 Fox Street Ashland, OR 97520	Council Member
Pam B. Turner P.O. Box 1299 Ashland, OR 97520	Municipal Judge
Barbara Christensen 759 Willow Street Ashland, OR 97520	Recorder/Treasurer

**CITY OF ASHLAND
APPOINTED CITY OFFICIALS
as of June 30, 2012**

<u>Name</u>	<u>Position</u>
Dave Kanner 117 Garfield Street #2 Ashland, OR 97520	City Administrator
David H. Lohman 1327 Reddy Avenue Medford, OR 97504	City Attorney
Mike Faught 3685 Coleman Creek Road Medford, OR 97501	Public Works Director
Terry Holderness 50 Pine Street Ashland, OR 97520	Police Chief
VACANT	Electric Director
John Karns 440 Wiley Street Ashland, OR 97520	Fire Chief
VACANT	Information Technology Director
William Molnar 155 Hillcrest Street Ashland, OR 97520	Community Development Director
Darlow "Lee" Tuneberg 327 Starflower Lane Ashland, OR 97520	Administrative Services/Finance Director/ Acting Assistant City Administrator/ Budget Officer

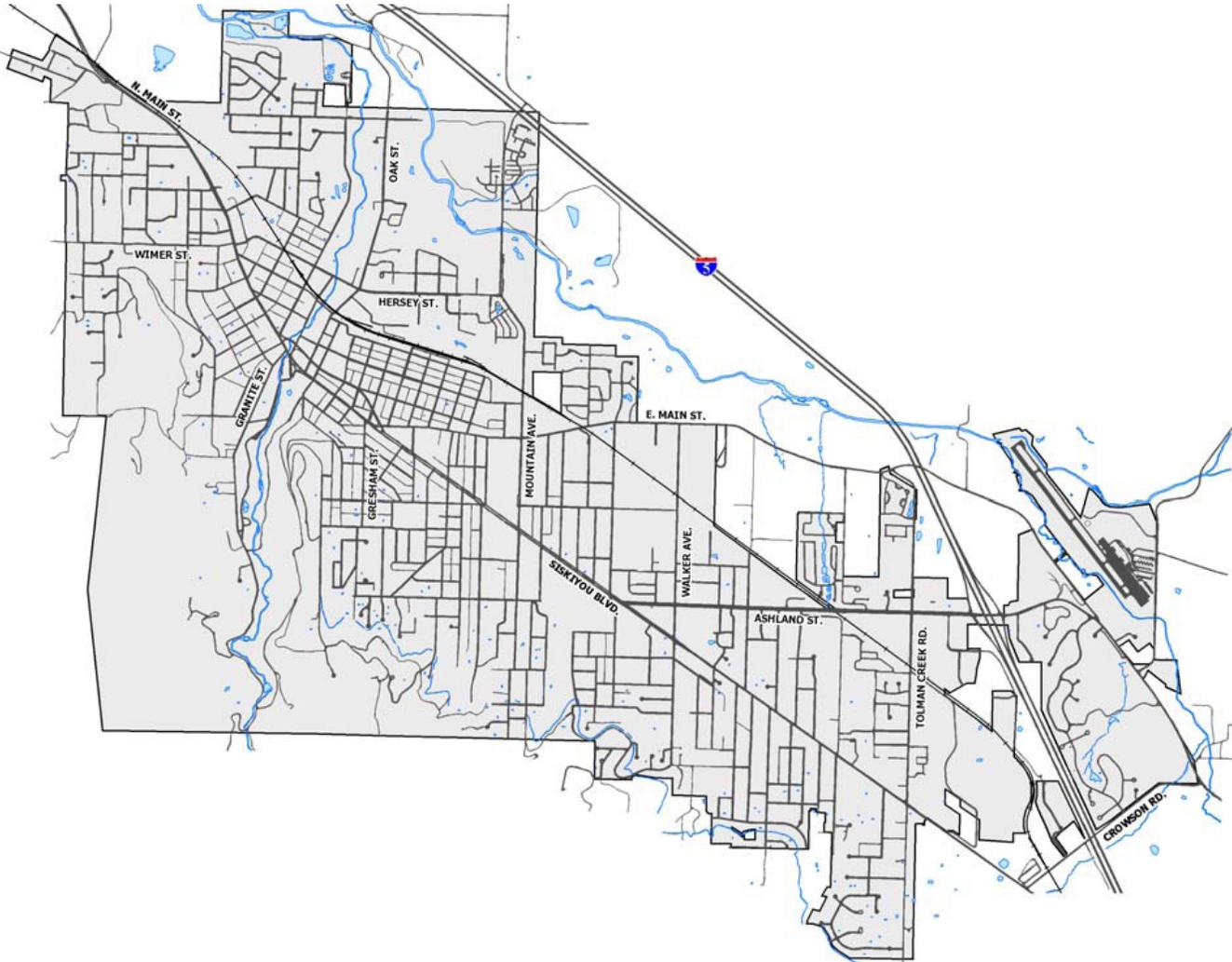
City of Ashland 254.55 FTE Adopted



CITY OF ASHLAND



Vicinity Map 2012







October 22, 2012

The City Council and
The Ashland Parks and Recreation Commission
City of Ashland, Oregon

The Municipal Audit Committee was established by the City Council to perform certain tasks relating to the annual audit. The Ashland Parks and Recreation Commission, a component unit of the City of Ashland, has delegated similar responsibilities to the Committee for their annual audit process.

In fulfilling its responsibilities, the Committee participates in selecting the City's auditor on a regular basis. The Committee interviews qualified, independent certified public accountants and discusses the overall scope and specific plans for the audit. The Committee also recommends which municipally-certified individual or firm is to be engaged as the City's auditor by the City Council.

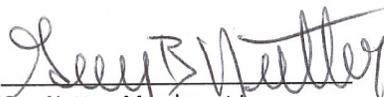
At the conclusion of the annual audit, the Committee meets with the City's auditor to discuss the results of their audit and their evaluation of the City and Parks financial reporting. The Committee also discusses the financial accounting and reporting processes with the City's auditor, including the preparation of the financial statements for the City and Parks Commission, safeguarding of assets and other resources against unauthorized acquisition, use or disposition, and other required accounting issues.

After receiving the annual reports and related documentation from the auditor and staff, evaluating the information, and considering the potential for changes, the Committee makes recommendations to both elected bodies on acceptance of the respective annual reports and changes deemed appropriate through the process.

Based upon the above, we accept the 2011-2012 Comprehensive Annual Financial Report (CAFR) and the related audit reports of the independent certified public accountants for the City of Ashland and the Ashland Parks and Recreation Commission and recommend that the respective CAFR and auditor's reports be accepted by the Council and the Commission.

Respectfully submitted,

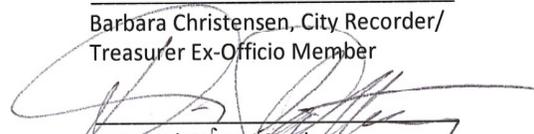
The Municipal Audit Committee


Guy Nutter, Member at Large


Roberta Stebbins, Chair
Representing Budget Committee



Barbara Christensen, City Recorder/
Treasurer Ex-Officio Member


Dennis Slattery, Member
City Council Liaison

Administrative Services Department
D.L. Tuneberg, Director
20 East Main Street
Ashland, Oregon 97520
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Tel: 541.488.5300
Fax: 541.552.2059
TTY: 800.735.2900





FINANCIAL SECTION





PAULY, ROGERS AND CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

- 12700 S.W. 72nd Avenue • Tigard, Oregon 97223
- PHONE (503) 620-2632 • FAX (503) 684-7523

October 15, 2012

To the Honorable Mayor and
Members of the City Council
City of Ashland, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Ashland Parks and Recreation District (a component unit) were not audited in accordance with Government Auditing Standards. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our reports dated October 9, 2012, on our consideration of City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

2012 CAFR financial section

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplemental Information, as listed in the table of contents, have 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's financial statements. The supplementary information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for the purposes of additional analysis and are not a required part of the financial statements. Such 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 information has been subjected to the auditing procedures applied in the audit of the 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, as listed in the table of contents, is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's financial statements. The introductory section, other information and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are 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 financials statements, and accordingly, we do not express an opinion or provide any assurance on it.



PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ashland management offers this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012, to readers of the financial statements. Certain information has been provided for the Ashland Parks and Recreation Commission, which qualifies as a component unit of the City. Please read Management's Discussion and Analysis (MD&A) in conjunction with the transmittal letter included in the introductory section of this report and the City's Financial Statements, which follow.

Overview of the Report

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides financial highlights and overviews.
- **Basic Financial Statements.** Includes Statements of Net Assets, Statement of Activities, Fund Financial Statements and the Notes of the Financial Statements. Statements of Net Assets and Activities focus on an entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the City.
 - The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference.
 - The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self supporting and/or subsidized by general revenues.
 - Fund Financial Statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Other Governmental Funds".
 - The Notes to Basic Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
 - Required Supplementary Information contains budgetary comparison statements for the major governmental fund types, presented in a biennium format.
- **Supplementary Information.** Readers desiring additional information can find it in the Supplementary Information section of this report. Components within this section include:
 - Major Fund Budgetary Schedules
 - Special Revenues Funds (non major)
 - Debt Service Funds (non major)
 - Capital Projects Fund (non major)
 - Enterprise Fund (non major)
 - Internal Service Funds
 - Schedule of Property Tax Transactions
 - Schedule of Receipts, Disbursements and Balances by Elected Officials.

2012 CAFR financial section

- **Statistical Section.** This section includes trend information and demographics.
- **Audit Comments and Disclosures Required by State Regulations.** Supplemental communication on the City's compliance and internal controls as required by Oregon statutes and the Single Audit Act.

Financial Highlights

- **Net Assets.** The City's total net assets are \$107,455,363 at June 30, 2012. This is \$3 million more than the previous year, equivalent to a 3% increase. Overall, the City's assets increased by \$2.3 million and the liabilities decreased by \$800 thousand. The increase is largely due to receiving \$3 million of revenue from the bond sale for Fire Station #2. The City broke ground in May, therefore only expended \$800 thousand of the bond funds. The remainder will be spent in Fiscal Year 2013. More detail can be found later in this document.
- **Changes in Net Assets.** Invested in capital assets decreased by less than 3% due to the City's aging infrastructure. The City's restricted assets increased largely due to System Development Fees that were received. Liabilities are down at June 30th, due to no large outstanding construction payments.

Table A
City of Ashland's Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2011
	2012	2011	2012	2011	2012	2011	
Current Assets:							
Cash and cash equivalents	\$ 18,062	\$ 12,770	\$ 6,156	\$ 6,743	\$ 24,218	\$ 19,513	24.1%
Receivables, net	3,462	4,085	2,545	2,409	6,007	6,494	-7.5%
Inventories - supplies and materials	62	55	899	741	961	796	20.7%
Deferred charges	-	-	726	845	726	845	-14.1%
Internal balances	(690)	(354)	690	354	-	-	n/a
Restricted assets:							
Cash and cash equivalents	976	802	-	-	976	802	21.7%
Total current assets:	21,872	17,358	11,016	11,092	32,888	28,450	15.6%
Non-current Assets:							
Capital assets	95,602	93,551	117,204	116,187	212,806	209,738	1.5%
Less accumulated depreciation	(46,093)	(44,589)	(49,710)	(46,029)	(95,803)	(90,618)	5.7%
Total non-current assets	49,509	48,962	67,494	70,158	117,003	119,120	-1.8%
Total assets	71,381	66,320	78,510	81,250	149,891	147,570	1.6%
Current Liabilities:							
Accounts payable and accrued liabilities	5,194	6,110	1,513	1,705	6,707	7,815	-14.2%
Deferred revenue	-	-	-	-	-	-	n/a
Total current liabilities	5,194	6,110	1,513	1,705	6,707	7,815	-14.2%
Long-term liabilities:							
Claims payable	18,907	16,848	16,821	18,579	35,728	35,427	0.8%
Total liabilities	24,101	22,958	18,334	20,284	42,435	43,242	-1.9%
Net Assets:							
Invested in capital assets	30,602	32,113	50,672	51,580	81,274	83,693	-2.9%
Restricted	4,968	4,313	4,496	4,271	9,464	8,584	10.3%
Unrestricted	11,710	6,936	5,007	5,115	16,717	12,051	38.7%
Total net assets	\$ 47,280	\$ 43,362	\$ 60,175	\$ 60,966	\$ 107,455	\$ 104,328	3.0%

Table B

Changes in City of Ashland's Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2011
	2012	2011	2012	2011	2012	2011	
Program revenues:							
Charges for services	\$ 11,464	\$ 10,527	\$ 23,526	\$ 22,069	\$ 34,990	\$ 32,596	7.3%
Operating grants and contributions	328	209	462	532	790	741	6.6%
Capital grants and contributions	4,029	1,428	-	-	4,029	1,428	182.1%
General revenues:							
Property taxes	5,417	5,094	-	-	5,417	5,094	6.3%
Other taxes	6,758	6,487	1,707	1,593	8,465	8,080	4.8%
Interest	174	117	155	107	329	224	46.9%
Other	618	263	633	1,114	1,251	1,377	-9.2%
Total revenues	28,788	24,125	26,483	25,415	55,271	49,540	11.6%
Program expenses:							
General government	6,086	5,964	-	-	6,086	5,964	2.0%
Public safety	13,894	10,457	-	-	13,894	10,457	32.9%
Highways and streets	3,924	3,651	-	-	3,924	3,651	7.5%
Interest on long-term debt	966	976	-	-	966	976	-1.0%
Water	-	-	5,256	5,261	5,256	5,261	-0.1%
Wastewater	-	-	5,036	4,301	5,036	4,301	17.1%
Electric	-	-	13,674	12,517	13,674	12,517	9.2%
Telecommunications	-	-	3,308	3,536	3,308	3,536	-6.4%
Total expenses	24,870	21,048	27,274	25,615	52,144	46,663	11.7%
Increase (decrease) in net assets before transfers and disposals	3,918	3,077	(791)	(200)	3,127	2,877	8.7%
Interfund transfer	-	-	-	-	-	-	
Increase (decrease) in net assets	3,918	3,077	(791)	(200)	3,127	2,877	8.7%
Net assets - June 30, 2011	43,362	40,285	60,966	61,166	104,328	101,451	2.8%
Net assets - June 30, 2012	\$ 47,280	\$ 43,362	\$ 60,175	\$ 60,966	\$ 107,455	\$ 104,328	3.0%

- **Financial Analysis.** For the Governmental Activities on a GAAP Basis, the largest changes are due to the GO Bond sale for the Fire Station #2 Construction. That increased the Capital grants and contributions, as well as the program expense for Public Safety. (See table B). The Business-type Activities remained fairly constant between years. The largest variations are in Program expenses – Wastewater and Electric. This is due to replacement of the membranes at the water treatment plant and a combination of more electric operational costs.
 - **Governmental Funds.** As of the end of the current year, the City's governmental fund's net assets are up 9 percent over last fiscal year. Cash increased the most in the amount of over \$5 million. The four major contributing factors are the bond sale money, receipt from the Federal Aviation Administration grant, receipt from Parks and Recreations to the Reserve Fund and an Interfund loan payment.
 - The General Fund (pg 58) ended the year with a higher budgetary fund balance than anticipated. This was due to a large permit fee receipt for the Southern Oregon University (SOU) dormitory project. Also there were two departments that significantly under spent; Administration due to an open position and delaying implementation of the economic development plan, Fire Department due to the timing of goods received were under budget by 3% or \$184 thousand. Also note that on a GAAP Basis the Reserve Fund must roll into the General Fund at this point.

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- The Street Fund (pg 59) also has a larger ending fund balance than budgeted. Systems Development Charges revenue received was due to the SOU dorm project as well. Most of the under spending in this fund is from timing of capital projects. Most projects started in late spring such as the Wimer/Hersey re-alignment. This fund will struggle as the infrastructure needs to be replaced.
- The Non-Major funds are staying on target. A prior period adjustment in the Capital Improvement Fund was made to recognize the inter fund loan for the purchase of the Clay Street property for Parks. This interfund loan is being paid from the proceeds of the Food and Beverage Tax.
 - The Reserve Fund was established by Resolution #2010-18. This fund must be rolled into the General Fund on a GAAP Bases until a stabilization policy is adopted by Council. This year's ending fund balance grew to over a \$1 million. The two sources were \$349,000 from the Parks Commission and \$150,000 from the City's General Fund both because of higher fund balances.
- **Business-type Funds.** The City has four enterprise funds; Water Fund, Wastewater Fund, Electric Fund and Telecommunications Fund.
 - The Water Fund's (pg 70) largest revenue source is a grant for the Ashland Fire Resiliency logging project in the Mt. Ashland watershed. Since the bulk of the logging has not yet occurred, the grant was not received and the expenses were not incurred. However, it is expected and planned to occur in Fiscal Year 2013.
 - The Wastewater Fund (pg 71) spent more than the revenue received. This was expected as the upkeep on the plant continues, such as replacing two membranes.
 - Shown on page 72, the Electric Fund did receive higher than budgeted revenues. This was due to a refund from Bonneville Power Administration. This fund also didn't spend as much on purchased power as estimated making the expenses less than budgeted but did spend more on power, staff, supplies, and franchises than in the previous year.
 - The Telecommunications Fund (pg 73) did end the year with revenues in excess of expenditures. This fund did reduce costs throughout the year to balance with revenue short falls.
- **Internal Service Funds.** The City has three internal service funds: Central Service, Insurance Services and Equipment Funds.
 - The Central Service Fund received higher than anticipated revenue this year. This was also due to the SOU dorm permit for engineering fees. Unfilled positions helped with under spending expenditures.
 - The Insurance Service Fund received a cash rebate from insurance provider for maintaining a positive experience rating. This fund will continue to struggle with Post employment benefits.
 - The Equipment Fund continues to stay on track based future equipment needs.
- **Budgetary Highlights.** The City's final budget differs from the original budget in that it contains one supplemental appropriation approved during the fiscal year. This was for three grants that were received by the Fire Department in the amount of \$69,588. There were three transfer requests to cover unanticipated spending as well as a transfer to the reserve fund. The City of Ashland is in compliance with Oregon Budget law, by staying within the revised appropriations.

Capital Assets and Debt Administration

- **Capital Assets.** As of June 30, 2012, the City had \$117 million in capital assets. Accumulated Depreciation increased \$5.2 million or 5.7%. This offset additions to yield a \$2.1 million decrease in Net Capital assets. The Accounting Division is working towards the completion of reevaluating all fixed assets within the City of Ashland, therefore resulting in some changes due from the in-depth analysis. This year's focus was in the category of equipment which resulted in more disposals.

Table C

City of Ashland's Capital Assets
(in thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2011
	2012	2011	2012	2011	2012	2011	
Land	\$ 12,262	\$ 12,401	\$ 1,881	\$ 1,881	\$ 14,143	\$ 14,282	-1.0%
Buildings and improvements	19,563	19,563	22,089	22,089	41,652	41,652	0.0%
Equipment	12,891	13,487	894	1,072	13,785	14,559	-5.3%
Infrastructure	48,194	44,590	88,886	87,810	137,080	132,400	3.5%
Construction in progress	2,692	3,511	3,453	3,335	6,145	6,846	
Totals at historical cost	95,602	93,552	117,203	116,187	212,805	209,739	1.5%
Total accumulated depreciation	46,093	44,589	49,710	46,029	95,803	90,618	5.7%
Net capital assets	\$ 49,509	\$ 48,963	\$ 67,493	\$ 70,158	\$ 117,002	\$ 119,121	-1.8%

- **Debt Administration.** At end of year, the City has \$35.7 million in debt outstanding. In total, debt increased by a little more than 1%. However, the City did incur two new debts. One issue was the General Obligation Bonds for the Fire Station #2, in the amount of \$3 million this year. The other was a \$370 thousand loan from the State for the Jefferson Road construction. All other changes to debt were payments reducing the principal outstanding.

Table D

City of Ashland's General Obligation Long Term Debt
(in thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2012-2011
	2012	2011	2012	2011	2012	2011	
Bonds payable	\$ 17,550	\$ 15,695	\$ 14,034	\$ 15,400	\$ 31,584	\$ 31,095	1.57%
Notes payable	1,357	1,058	2,787	3,179	4,144	4,237	-2.19%
Total bonds and notes	\$ 18,907	\$ 16,753	\$ 16,821	\$ 18,579	\$ 35,728	\$ 35,332	1.12%

Economic Factors and Next Year's Budget and Rates

The City of Ashland 2013 budget was approved with no increase to the City's permanent levy tax rate. The rate remained \$4.20 per \$1,000 of assessed valuation. Other tax revenues were budgeted with an anticipated 3% increase. Utility Rates are proposed to be increased by 5% to 10% based on the need in each individual fund. Operational expenses are up this year. Personal Services are up due to Health Care costs and Compensation and Classification implementation. Materials and Services are also up, mainly for the grant funded helicopter tree thinning project in the watershed of \$1.4 million. Capital Improvements are up \$3.5 million from last year's budget. The largest increase is \$1.6 million in the Wastewater Fund for various projects.

Financial Contact:

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Department at 20 East Main, Ashland, Oregon, 97520, (541) 488-5300.

BASIC FINANCIAL STATEMENTS



CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
Assets:				
Cash and cash equivalents	\$ 18,062,202	\$ 6,155,621	\$ 24,217,823	\$ 2,829,756
Receivables (net of allowance for uncollectibles)	3,462,383	2,545,430	6,007,813	482,930
Inventories	61,605	899,374	960,979	
Deferred charges	-	725,973	725,973	-
Internal balances	(690,129)	690,129	-	-
Restricted assets:				
Cash and cash equivalents	976,265	-	976,265	-
Capital assets:				
Land	12,261,807	1,880,637	14,142,444	-
Buildings	19,563,238	22,089,254	41,652,492	13,186,360
Machinery and equipment	12,890,582	894,352	13,784,934	1,407,376
Infrastructure	48,193,897	88,885,630	137,079,527	1,556,715
Construction in progress	2,692,359	3,453,267	6,145,626	-
Accumulated depreciation	(46,093,174)	(49,710,027)	(95,803,201)	(6,558,004)
Total assets	\$ 71,381,035	\$ 78,509,640	\$ 149,890,675	\$ 12,905,133
Liabilities:				
Accounts payable and other current liabilities	\$ 4,811,345	\$ 1,407,377	\$ 6,218,722	\$ 248,889
Accrued interest payable	382,895	105,621	488,516	-
Non-current liabilities:				
Due within one year	1,127,229	1,610,333	2,737,562	23,511
Due in more than one year	17,779,689	15,210,823	32,990,512	70,532
Total liabilities	24,101,158	18,334,154	42,435,312	342,932
Net Assets:				
Invested in capital assets, net of related debt	30,601,791	50,671,957	81,273,748	9,592,447
Restricted for:				
Asset forfeiture	224,361	-	224,361	-
TOT tourism	102,786	-	102,786	-
System development	2,763,714	3,621,447	6,385,161	-
CDBG restriction	33,798	-	33,798	-
Perpetual care: non-expendable	861,244	-	861,244	-
Debt service	982,650	875,490	1,858,140	-
Unrestricted	11,709,533	5,006,592	16,716,125	2,969,754
Total net assets	\$ 47,279,877	\$ 60,175,486	\$ 107,455,363	\$ 12,562,201

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ASHLAND, OREGON
STATEMENT OF ACTIVITIES
for the year ended June 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General government	\$ 6,086,034	\$ 6,915,050	\$ 290,097	\$ 99,591
Public safety	13,893,641	1,525,061	37,537	3,060,434
Highways and streets	3,923,526	3,024,262	-	868,543
Interest on long-term debt	966,063	-	-	-
Total governmental activities	24,869,264	11,464,373	327,634	4,028,568
Business-type Activities:				
Water	5,256,110	5,382,845	461,964	-
Wastewater	5,035,171	3,683,898	-	-
Electric	13,673,739	12,402,857	125,123	-
Telecommunications	3,308,448	1,931,126	-	-
Total business-type activities	27,273,468	23,400,726	587,087	-
Total primary government	\$ 52,142,732	\$ 34,865,099	\$ 914,721	\$ 4,028,568
Component Unit:				
Ashland Parks and Recreation	\$ 4,879,170	\$ 968,436	\$ 33,117	\$ -

General Revenues:
 Property taxes
 Utility users tax
 Users taxes
 Unrestricted interest earnings
 Miscellaneous
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

**CITY OF ASHLAND, OREGON
STATEMENT OF ACTIVITIES
for the year ended June 30, 2012**

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	Ashland Parks and Recreation
\$ 1,218,704	\$ -	\$ 1,218,704	\$ -
(9,270,609)	-	(9,270,609)	-
(30,721)	-	(30,721)	-
(966,063)	-	(966,063)	-
(9,048,689)	-	(9,048,689)	-
-	588,699	588,699	-
-	(1,351,273)	(1,351,273)	-
-	(1,145,759)	(1,145,759)	-
-	(1,377,322)	(1,377,322)	-
-	(3,285,655)	(3,285,655)	-
(9,048,689)	(3,285,655)	(12,334,344)	-
-	-	-	(3,877,617)
5,416,909	-	5,416,909	4,349,737
4,209,696	-	4,209,696	-
2,547,854	1,707,079	4,254,933	-
173,648	155,478	329,126	20,698
618,616	632,532	1,251,148	35,648
12,966,723	2,495,089	15,461,812	4,406,083
3,918,034	(790,566)	3,127,468	528,466
43,361,843	60,966,052	104,327,895	12,033,735
\$ 47,279,877	\$ 60,175,486	\$ 107,455,363	\$ 12,562,201

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 4,654,075	\$ 3,120,925	\$ 5,412,078	\$ 13,187,078
Receivables (net of allowance for uncollectibles)	1,700,309	964,359	758,504	3,423,172
Due from other funds	-	-	-	-
Cash - restricted	-	-	976,265	976,265
Total assets	\$ 6,354,384	\$ 4,085,284	\$ 7,146,847	\$ 17,586,515
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable	\$ 1,105,730	\$ 236,515	\$ 226,488	\$ 1,568,733
Deferred revenue	738,925	805,477	509,671	2,054,073
Due to other agencies	-	-	-	-
Interfund Loans Payable	-	-	209,000	209,000
Liabilities payable from restricted assets	-	-	-	-
Total liabilities	1,844,655	1,041,992	945,159	3,831,806
Fund Balances:				
Restricted for:				
Asset forfeiture	224,361	-	-	224,361
TOT tourism	102,786	-	-	102,786
System development charges	-	2,352,315	411,399	2,763,714
CDBG restriction	-	-	33,798	33,798
Perpetual care	-	-	861,244	861,244
Committed for:				
General fund	490,392	-	-	490,392
Special revenue funds	-	690,977	83,711	774,688
Capital projects funds	-	-	3,828,886	3,828,886
Debt commitment	-	-	982,650	982,650
Unassigned	3,692,190	-	-	3,692,190
Total fund balances	4,509,729	3,043,292	6,201,688	13,754,709
Total liabilities and fund balances	\$ 6,354,384	\$ 4,085,284	\$ 7,146,847	\$ 17,586,515

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2012

Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets.

Fund Balances	\$ 13,754,709
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The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the City as a whole.

Net capital assets	47,485,530
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

Long-term liabilities	(18,906,918)
Accrued interest on liabilities	(382,895)

Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB implicit liability	(531,748)
Accrued vacation and sick leave	(595,183)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Deferred revenue	2,054,073
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Internal Service Funds are used by the City to account for the fleet operations, support services, and administrative and insurance services that are provided to the other departments and agencies on a cost reimbursement basis. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.

Internal Service Fund net assets	4,402,309
Total net assets	\$ 47,279,877

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
for the year ended June 30, 2012

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Revenues:				
Taxes	\$ 11,794,200	\$ 53,314	\$ 1,422,707	\$ 13,270,221
Fees, licenses and permits	1,340,102	-	-	1,340,102
Intergovernmental	608,483	1,966,707	303,536	2,878,726
Charges for services	1,837,570	1,914,029	2,340,436	6,092,035
System development charges	-	381,738	46,490	428,228
Assessments	-	43,542	-	43,542
Fines and forfeitures	168,305	-	-	168,305
Interest on investments	30,578	20,908	36,067	87,553
Miscellaneous	218,879	13,376	30,603	262,858
Total revenues	<u>15,998,117</u>	<u>4,393,614</u>	<u>4,179,839</u>	<u>24,571,570</u>
Expenditures:				
General government	3,421,046	-	1,210,678	4,631,724
Public safety	11,411,045	-	-	11,411,045
Highways and streets	-	2,422,483	-	2,422,483
Debt service	-	-	2,172,846	2,172,846
Capital outlay	108,659	1,164,139	1,101,776	2,374,574
Total expenditures	<u>14,940,750</u>	<u>3,586,622</u>	<u>4,485,300</u>	<u>23,012,672</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>1,057,367</u>	<u>806,992</u>	<u>(305,461)</u>	<u>1,558,898</u>
Bond Proceeds	-	-	3,060,434	3,060,434
Transfer in	154,805	-	48,300	203,105
Transfers out	(150,500)	-	(52,605)	(203,105)
Interfund loan	-	-	-	-
Total other financing sources (uses)	<u>4,305</u>	<u>-</u>	<u>3,056,129</u>	<u>3,060,434</u>
Net change in fund balance	1,061,672	806,992	2,750,668	4,619,332
Fund balance, July 1, 2011	<u>3,448,057</u>	<u>2,236,300</u>	<u>3,868,020</u>	<u>9,552,377</u>
Prior Period Adjustment			(417,000)	(417,000)
Fund balance, June 30, 2012	<u>\$ 4,509,729</u>	<u>\$ 3,043,292</u>	<u>\$ 6,201,688</u>	<u>\$ 13,754,709</u>

**CITY OF ASHLAND, OREGON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
for the year ended June 30, 2012**

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities.

Excess of revenues over expenditures	\$	4,619,332
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures capitalized		2,695,581
Depreciation expense		(1,940,293)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities (which is presented on the accrual basis of accounting) expenses and liabilities are reported, regardless of when financial resources are available. This adjustment combines the net changes in liability balances.

Compensated absences		(37,409)
OPEB implicit liability		(96,134)
Accrued interest		10,697
General obligation bonds and notes payable		(2,153,914)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Property taxes		7,822
Special assessments		292,247
Other		401,118

Internal Service Funds are used by the City to account for the fleet operations and support/administrative/insurance services that are provided to other departments and agencies on a cost reimbursement basis. The revenues and expenses of the internal service funds are included in governmental activities in the Statement of Activities.

Internal Service Fund change in net assets		118,987
Change in net assets	\$	3,918,034

The accompanying notes are an integral part of the basic financial statements.

2012 CAFR basic financial statements

**CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012**

	Water Fund	Wastewater Fund	Electric Fund	Tele- communications Fund	Total	Governmental Activities Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 2,157,976	\$ 2,238,087	\$ 1,334,385	\$ 425,173	\$ 6,155,621	\$ 4,875,124
Interest and accounts receivable, net	542,282	671,232	935,480	193,142	2,342,136	12,323
Notes and contracts receivable		-	203,294	-	203,294	26,888
Interfund receivable	-	-	-	-	-	559,000
Inventories	269,607	12,793	616,974	-	899,374	61,605
Deferred charges	107,394	-	-	-	107,394	-
Total current assets	<u>3,077,259</u>	<u>2,922,112</u>	<u>3,090,133</u>	<u>618,315</u>	<u>9,707,819</u>	<u>5,534,940</u>
Non-current:						
Capital assets:						
Accumulated depreciation	(16,231,475)	(13,837,810)	(11,980,172)	(7,660,570)	(49,710,027)	(8,079,706)
Capital assets, net	<u>20,234,450</u>	<u>37,051,335</u>	<u>8,512,687</u>	<u>1,694,641</u>	<u>67,493,113</u>	<u>2,023,179</u>
Non-current assets:						
Deferred costs (net of amortization)	-	-	-	618,579	618,579	-
Total non-current assets	<u>20,234,450</u>	<u>37,051,335</u>	<u>8,512,687</u>	<u>2,313,220</u>	<u>68,111,692</u>	<u>2,023,179</u>
Total assets	<u>\$ 23,311,709</u>	<u>\$ 39,973,447</u>	<u>\$ 11,602,820</u>	<u>\$ 2,931,535</u>	<u>\$ 77,819,511</u>	<u>\$ 7,558,119</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 184,016	\$ 88,959	\$ 167,526	\$ 11,250	\$ 451,751	\$ 233,123
Accrued salaries, vacation and payroll tax:	246,624	138,401	275,484	78,394	738,903	630,704
Accrued interest payable	25,155	80,354	112	-	105,621	-
Interfund payable	350,000	-	-	-	350,000	-
Other liabilities	3,666	-	213,057	-	216,723	1,251,854
Notes/bonds payable, current portion	412,533	1,176,086	21,714	-	1,610,333	-
Deferred revenue	-	-	-	-	-	-
Total current liabilities	<u>1,221,994</u>	<u>1,483,800</u>	<u>677,893</u>	<u>89,644</u>	<u>3,473,331</u>	<u>2,115,681</u>
Long-term liabilities:						
Notes payable	-	-	-	-	-	-
Revenue bonds payable, net	2,755,276	-	195,429	-	2,950,705	-
General obligation bonds payable, net	-	12,260,118	-	-	12,260,118	-
Total long-term liabilities	<u>2,755,276</u>	<u>12,260,118</u>	<u>195,429</u>	<u>-</u>	<u>15,210,823</u>	<u>-</u>
Total liabilities	<u>3,977,270</u>	<u>13,743,918</u>	<u>873,322</u>	<u>89,644</u>	<u>18,684,154</u>	<u>2,115,681</u>
Net Assets:						
Net assets (deficit):						
Invested in capital assets, net of related debt						
net of related debt	17,066,641	23,615,131	8,295,544	1,694,641	50,671,957	2,023,179
Restricted for system development	1,793,946	1,827,501	-	-	3,621,447	-
Restricted for debt service	-	875,490	-	-	875,490	-
Unrestricted	473,852	(88,593)	2,433,954	1,147,250	3,966,463	3,419,259
Total net assets	<u>19,334,439</u>	<u>26,229,529</u>	<u>10,729,498</u>	<u>2,841,891</u>	<u>59,135,357</u>	<u>5,442,438</u>
Total liabilities and net assets	<u>\$ 23,311,709</u>	<u>\$ 39,973,447</u>	<u>\$ 11,602,820</u>	<u>\$ 2,931,535</u>	<u>\$ 77,819,511</u>	<u>\$ 7,558,119</u>
Total net assets					\$ 59,135,357	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,040,129	
Net assets of business-type activities					<u>\$ 60,175,486</u>	

The accompanying notes are an integral part of the basic financial statements.

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
for the year ended June 30, 2012

	Water Fund	Wastewater Fund	Electric Fund	Tele- communications Fund	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for services	\$ 5,382,845	\$ 3,683,898	\$ 12,527,980	\$ 1,931,126	\$ 23,525,849	\$ 8,592,216
Miscellaneous	9,318	2,145	438,400	1	449,864	342,679
Total operating revenues	5,392,163	3,686,043	12,966,380	1,931,127	23,975,713	8,934,895
Operating expenses:						
Cost of sales and services	3,817,116	2,941,731	11,929,412	1,872,093	20,560,352	8,001,010
Depreciation and amortization	1,003,101	1,251,711	439,263	1,424,455	4,118,530	863,446
Total operating expenses	4,820,217	4,193,442	12,368,675	3,296,548	24,678,882	8,864,456
Operating income (loss)	571,946	(507,399)	597,705	(1,365,421)	(703,169)	70,439
Non-operating income (expenses):						
Taxes	52	1,707,027	-	-	1,707,079	138,454
Intergovernmental	336,811		125,153	-	461,964	-
Interest income	16,598	25,333	11,957	3,304	57,192	45,927
Interfund loan			-	-	-	
Tax equivalents	(294,695)	(289,735)	(1,250,417)	-	(1,834,847)	-
Interest expense	(100,709)	(511,070)	(2,839)	-	(614,618)	-
Total non-operating income (expenses)	(41,943)	931,555	(1,116,146)	3,304	(223,230)	184,381
	530,003	424,156	(518,441)	(1,362,117)	(926,399)	254,820
Total net assets - beginning	19,354,436	25,805,373	11,247,939	4,204,008	60,611,756	4,220,618
Prior Period Adjustment	(550,000)				(550,000)	967,000
Total net assets - ending	\$ 19,334,439	\$ 26,229,529	\$ 10,729,498	\$ 2,841,891	\$ 59,135,357	\$ 5,442,438
Change in net assets	-				\$ (926,399)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					135,833	
Change in net assets of business-type activities - Statement of Activities					\$ (790,566)	

The accompanying notes are an integral part of the basic financial statements.

2012 CAFR basic financial statements

**CITY OF ASHLAND, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
for the year ended June 30, 2012**

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Electric Fund	Tele- communications Fund		
Cash flows from operating activities:						
Receipts from customers and users	\$ 5,272,794	\$ 3,639,382	\$ 12,983,167	\$ 1,943,136	\$ 23,838,479	\$ 9,365,275
Payments to suppliers	(2,355,671)	(2,302,532)	(10,013,207)	(1,285,198)	(15,956,608)	(4,409,086)
Payments to employees	(1,465,830)	(959,866)	(2,250,447)	(596,480)	(5,272,623)	(4,665,329)
Net cash from operating activities	1,451,293	376,984	719,513	61,458	2,609,248	290,860
Cash flows from noncapital financing activities:						
Taxes collected	52	1,707,027	-	-	1,707,079	-
Net cash from noncapital financing activities	52	1,707,027	-	-	1,707,079	-
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(285,269)	(659,073)	(71,585)	-	(1,015,927)	645,042
Proceeds from issuance of debt	-	-	-	-	-	-
Proceeds from intergovernmental income	-	-	-	-	-	-
Principal paid on bonds, contracts and notes	(780,742)	(1,155,318)	(21,714)	-	(1,957,774)	-
Interest paid on debt	(100,709)	(511,070)	(2,839)	-	(614,618)	-
Tax equivalents	(294,695)	(289,735)	(1,250,417)	-	(1,834,847)	-
Net cash from capital and related financing activities	(1,461,415)	(2,615,196)	(1,346,555)	-	(5,423,166)	645,042
Interest from investments and other income	353,409	25,333	137,110	3,304	519,156	184,381
Net increase (decrease) in cash and investments	343,339	(505,852)	(489,932)	64,762	(587,683)	1,120,283
Cash and investments, beginning of year	1,814,637	2,743,939	1,824,317	360,411	6,743,304	3,754,841
Cash and investments, end of year	\$ 2,157,976	\$ 2,238,087	\$ 1,334,385	\$ 425,173	\$ 6,155,621	\$ 4,875,124
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 571,946	\$ (507,399)	\$ 597,705	\$ (1,365,421)	\$ (703,169)	\$ 70,439
Depreciation and amortization	1,003,101	926,070	439,264	1,423,009	3,791,444	(436,452)
Change in assets and liabilities:						
(Increase) decrease in:						
Receivables	(119,369)	(46,661)	16,787	12,009	(137,234)	430,380
Inventories	(66,110)	(1,909)	(90,917)	-	(158,936)	(7,026)
Deferred charges	8,950	-	-	-	8,950	-
Increase (decrease) in:						
Accounts payable and accrued liabilities	40,511	7,249	(265,828)	(4,839)	(222,907)	(114,016)
Other liabilities	12,264	(366)	22,502	(3,300)	31,100	347,535
Net cash from operating activities	\$ 1,451,293	\$ 376,984	\$ 719,513	\$ 61,458	\$ 2,609,248	\$ 290,860

The accompanying notes are an integral part of the basic financial statements.

**NOTES TO BASIC
FINANCIAL STATEMENTS**

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ashland, Oregon (the City) is a municipal corporation, governed by an elected mayor and a six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Discretely presented component units are reported in a separate column in the government wide financial statements. There are no blended component units.

Discretely Presented Component Unit. The Parks and Recreation Commission (the Commission) was created by vote of qualified electors of the City of Ashland at a special election on December 15, 1908. By City Charter, the Commission has control over all park designated lands within the City. By City Charter, the Commission may not own any park lands within the City, but has responsibility for maintenance of parks and certain other facilities. The members of the Commission's governing board are elected by the voters. However, the Commission is fiscally dependent upon the City because, by state law and City Charter, the Commission budget and tax levy must be included as part of the City's. The City must also approve any debt issuance. Additionally, the City has ultimate financial responsibility for the Commission. The Commission is presented as a governmental fund type. Complete financial statements of the component unit may be obtained at the entity's administrative office.

B. Government-wide and Fund Financial Statements

Governmental Accounting Standards Boards Statement No. 34 (GASBS 34)

The new presentation of financial information required by GASBS 34 for *Basic Financial Statements* and *Supplementary Information* are described below and in the Management's Discussion and Analysis located earlier in this document. The government-wide financial statements (i.e. the *Statement of Net Assets* and the *Statement of Changes in Net Assets*) report information on the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (continued)

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The budgetary basis of accounting is the same as Generally Accepted Accounting Principles (GAAP). Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are accruable and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

The City reports the following major governmental funds:

The *General Fund* is the City'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 *Street Fund* accounts for the resources and operating expenditures related to the maintenance, operation and construction of the City's streets and storm water collection infrastructure. While a substantial portion of revenues come from user fees, the primary source is state-shared highway funds.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the resources and expenses related to supply, treatment and distribution of water throughout the City. The primary source of revenue is user fees.

The *Wastewater Fund* accounts for the resources and expenses related to collection and treatment of wastewater throughout the City. The primary source of revenue is user fees.

The *Electric Fund* accounts for the resources and expenses related to distribution of electricity throughout the City. The primary source of revenue is user fees.

The *Telecommunications Fund* accounts for the resources and expenses related to broadband and high-speed data transmission services throughout the City. The primary source of revenue is user fees.

Additionally, the City reports the following fund types:

Internal Service Funds account for general and public works administration, finance, information services, and fleet management services primarily provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payment-in-lieu of taxes and other charges between the City's various utility funds and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing, producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The enterprise and internal service funds are charges to customers for sales and services.

Where applicable, enterprises also recognize the portion of *System Development Charges* intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for enterprise and internal service 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 City's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

The City's cash and cash equivalents are comprised of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and the State Treasurer's Investment Pool.

Investments for the City, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of pool shares.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

2. Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as “internal balances.”

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

All trade and property taxes receivable are shown at net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied as of July 1 on property assessed as of the same date. The tax levy is due November 15, with an optional payment method of 1/3 due November 15, 1/3 due January 15, and 1/3 due March 15. Taxes paid in full November 15 are provided a 3 percent discount. The billings are considered delinquent after the appropriate due date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Notes and contracts receivable are recorded at par. Interest assessed is recorded as revenue when the payment becomes due.

3. Inventories and Prepaid Items

All inventories are stated at moving average cost. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of the water enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the *Statement of Net Assets* because they are maintained in separate bank accounts (not in the City’s control) and their use is limited by applicable bond covenants. The “cash in transit” and “cash with escrow agent” are used to segregate resources for provision of current and non-current debt service obligations.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure (e.g. streets, roads, bridges, sidewalks and similar public domain items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined in the City's capitalization policy (dated 1989) as having a historic cost or market value in excess of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated assets are valued at their estimated fair market value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as a part of the capitalized value of the asset constructed. No interest was capitalized in the current accounting period.

The City of Ashland amended the capitalization policy to meet Governmental Accounting Standards Board Statement (GASBS) No. 51 requirements. New to this fiscal year, GASBS 51 relates to recognizing intangible assets. The pronouncement defines intangible assets as easements, water rights, timber rights, patents, trademarks and computer software.

The policy update states that any asset that is internally development will be capitalized if the actual or estimated cost is \$25,000 or more. The useful life of the assets will be determined by the developing department, the Administrative Services Department and the City Administrator.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight-line method over the following estimated useful lives of the related assets:

Buildings and improvements	33 to 50 years
Electric power generation and distribution systems	40 to 70 years
Water, wastewater and stormwater systems	15 to 50 years
Public domain infrastructure	15 to 25 years
Equipment	2 to 20 years

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Since the City does not have a policy to pay any amounts when employees separate from service with the City, there is no liability for unpaid accumulated sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, or are taken and paid from current resources.

7. Long-Term Obligations

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

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

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

8. Reservations of Fund Equity

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clear fund balance classifications that can be consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – non-spendable, restricted, committed, assigned, and unassigned.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity (continued)

8. Reservations of Fund Equity (continued)

Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.

Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by City Council resolution.

Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Currently, management does not have authority to assign fund balance.

Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The governing body has approved the following order of spending regarding fund balance categories: restricted resources are spent first when both restricted and unrestricted (*committed, assigned or unassigned*) resources are available for expenditures. When unrestricted resources are spent, the order of spending is: *committed* (if applicable), *assigned* (if applicable) and *unassigned*.

To preserve a sound financial system and to provide a stable financial base, the governing body has adopted a minimum fund balance policy. Resolution No. 2010-05 was established February 9, 2010. The targets for fund balances are generally a function of estimated annual operating revenue and are intended to help maintain financial viability of each fund. They vary based on how susceptible a fund is to revenue fluctuations and based on the riskiness of the activities in each different fund.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted for all funds on a basis consistent with generally accepted accounting principles for governmental funds. The City Council resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Appropriations are at the department (organizational unit) level for funds with more than one department and by total personal services, materials and services, capital outlay, debt service, transfers, and contingency for those funds with only one department or function. The detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories. The City budgets debt service principal and interest on a cash basis and does not budget depreciation expense or amortizations done on the balance sheet.

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified only by the City Council through the use of appropriation transfers between the levels of control. In addition, Oregon Local Budget Law provides certain specific exceptions to the supplemental budget process to increase appropriations. Such transfers and increases require approval by the City Council by adoption of a resolution. Budget appropriation amounts shown in the financial statements include the original and revised budget appropriations as approved by the City Council. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses at year end. During 2011-2012, the City made three appropriation transfers, as well as one supplemental budget adjustment, adopted by Resolutions.

B. Excess of Expenditures over Appropriations

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2012.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

	Total Primary Government	Component Unit Parks and Recreation	Total
Petty cash	\$ 4,990	\$ 850	\$ 5,840
Deposits with financial institutions	613,014		613,014
Investments	24,576,084	2,828,906	27,404,990
	<u>\$ 25,194,088</u>	<u>\$ 2,829,756</u>	<u>\$ 28,023,844</u>
Governmental - unrestricted	\$ 24,217,823		
Governmental - restricted:			
Debt service	<u>976,265</u>		
	<u>\$ 25,194,088</u>		

1. Deposits

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

2. Credit Risk Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2012, none of the government's bank balance of \$1,248,047 was exposed to custodial credit risk because it was uninsured.

The remainder is collateralized per the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than ten percent of their quarter-end public fund deposits if they are adequately capitalized, 25 percent of their quarter-end public fund deposits if they are well capitalized, or 110 percent of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110 percent by the Office of the State Treasurer.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

3. Investments

Policies officially adopted by the City's board allows the entity to invest in: U.S. Treasury Obligations (bills, notes and bonds), U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations, Banker's Acceptances, Certificates of Deposit (at commercial banks that have a branch in Oregon and Savings & Loan Associations that have a branch in Oregon), State and Local Government Securities, Commercial Paper (A1, AA,P1), State of Oregon Investment Pool, and Repurchase Transactions.

The State Treasurer's investment policies are governed by Oregon Revised Statutes and the Oregon Short-Term Fund Board (OSTFB). There were no known violations of legal or contractual provisions for deposits.

As of June 30, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's investment pool	27,404,990	27,404,990		
	<u>\$27,404,990</u>	<u>\$27,404,990</u>	<u>\$ -</u>	<u>\$ -</u>

Investments are valued at fair value as required by GASBS 31. As of June 30, 2012, the fair value of the position in the Local Government Investment Pool (LGIP) is 100.08 percent of the value of the pool shares, as reported in the Oregon Short Term Fund audited financial statements.

Interest Rate Risk

As a means of limiting its exposure to fair value losses resulting from rising interest rates, the City's investment policy allows only the purchase of investments that can be held to maturity. Investments cannot be made predicated upon selling the security prior to maturity.

Oregon Revised Statutes require that investments do not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB.

The City limits investment maturities as follows:

1. Under 30 days 10% minimum
2. Under 90 days 25% minimum
3. Under 270 days 50% minimum
4. Under 1 year 75% minimum
5. Under 18 months 80% minimum
6. Under 3 years 100% minimum

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

3. Investments (continued)

Credit Risk

Neither the Oregon Revised Statutes nor the City's investment policy limits investments as to credit rating for securities purchased from U.S. Government Agencies. The City's investments in U.S. Government Agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The state pool is unrated.

Oregon Revised Statutes require Banker's Acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by the Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations.

Concentration of Credit Risk

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the City's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2012, the City was in compliance with all percentage restrictions.

Oregon Revised Statutes require that no more than 25 percent of the monies of local government to be invested in Banker's Acceptances of any singular qualified financial institution. Amounts in the State Treasurer's LGIP are not required by law to be collateralized.

No more than the stated percentage of the overall portfolio will be invested in each of the following categories of securities:

U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corp.	100%
Bankers' Acceptances	50%
Certificates of Deposit	35%
State and Local Government Securities	35%
Repurchase Transactions	25%
Commercial Paper (AA,A1,P1)	10%
State of Oregon Investment Pool Securities	100%

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

As of year end, Receivables for the government's individual major funds and non-major, internal service in aggregate, including the applicable allowances for uncollectable accounts, are as follows:

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in governmental funds were as follows:

Components of deferred revenue and unearned revenue reported in governmental funds at current fiscal year end:

	<u>Unavailable</u>
Delinquent property taxes receivable:	
General fund	\$ 327,345
Debt service fund	57,071
Misc. receivables	358,503
Hotel receivables	510,497
Business licenses	240
Rehabilitation loans	79,391
Ambulance billing	405,439
Utility receivables	319,556
Food and beverage receivables	103,862
Notes receivable	683,288
SDC receivable	162,503
Special assessments not yet due:	
Unbounded-street fund	415,477
	<u>\$ 3,423,172</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Balance June 30, 2011</u>	<u>Additions and Reclasses</u>	<u>Retirements and Reclasses</u>	<u>Balance June 30, 2012</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 12,400,610	\$ 21,292	\$ 160,095	\$12,261,807
Construction in progress	3,510,538	2,974,409	3,792,588	2,692,359
Total capital assets, not being depreciated	15,911,148	2,995,701	3,952,683	14,954,166
Buildings	19,563,238		-	19,563,238
Improvements other than buildings	44,589,519	3,728,066	123,688	48,193,897
Machinery and equipment	13,487,439	704,689	1,301,546	12,890,582
Total capital assets, being depreciated	77,640,196	4,432,755	1,425,234	80,647,717
Less accumulated depreciation for:				
Buildings	(5,933,776)	(430,778)		(6,364,554)
Improvements other than buildings	(27,382,369)	(1,471,593)	(17,316)	(28,836,646)
Machinery and equipment	(11,273,188)	(918,684)	(1,299,898)	(10,891,974)
Total accumulated depreciation	(44,589,333)	(2,821,055)	(1,317,214)	(46,093,174)
Total capital assets being depreciated, net	33,050,863	1,611,700	108,020	34,554,543
Governmental activities capital assets, net	<u>\$ 48,962,011</u>	<u>\$ 4,607,401</u>	<u>\$ 4,060,703</u>	<u>\$49,508,709</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

	<u>Balance June 30, 2011</u>	<u>Additions and Reclasses</u>	<u>Retirements and Reclasses</u>	<u>Balance June 30, 2012</u>
Business-type activities:				
Capital assets, not being depreciated	-	-	-	-
Land	\$ 1,880,637	\$ -	\$ -	\$ 1,880,637
Construction in progress	3,335,467	1,331,500	1,213,700	3,453,267
Total capital assets, not being depreciated	5,216,104	1,331,500	1,213,700	5,333,904
Buildings	22,089,254	-	-	22,089,254
Machinery and equipment	1,072,204	39,215	217,067	894,352
Improvements other than buildings	87,809,652	1,222,659	146,681	88,885,630
Total capital assets, being depreciated	110,971,110	1,261,874	363,748	111,869,236
Less accumulated depreciation:				
Buildings	(4,481,914)	(532,221)	-	(5,014,135)
Machinery and equipment	(772,487)	(77,347)	219,959	(629,875)
Improvements other than buildings	(40,774,151)	(3,398,992)	107,127	(44,066,016)
Total accumulated depreciation	(46,028,552)	(4,008,560)	327,086	(49,710,026)
Total capital assets being depreciated, net	68,527,162	(2,746,686)	36,662	62,159,210
Business-type activities capital assets, net	<u>\$ 73,743,266</u>	<u>\$ (1,415,186)</u>	<u>\$ 1,250,362</u>	<u>\$ 67,493,114</u>

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

General government	\$ 601,888
Public safety	264,449
Highways and streets	1,954,718
Total	<u>\$ 2,821,055</u>

Construction Commitments

The government has active construction projects as of June 30, 2012. The projects include construction of various infrastructure improvements and additions to the transportation, storm water, water, wastewater and telecommunications systems. The City has remaining commitments under construction contracts of approximately \$8,154,000 at June 30, 2012.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivable, Payable and Transfers

The internal transfers are budgeted and recorded to show legal and operational commitments between funds such as cost sharing or debt service. Interfund loans are used to assure adequate fund balances in funds where operations do not currently (on a short term basis) generate enough support through revenues.

The composition of interfund balances as of June 30, 2012, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 4,805	\$ 150,500
Street fund	-	-
Non-major governmental	198,300	52,605
Total	<u>\$ 203,105</u>	<u>\$ 203,105</u>

The first interfund loan is for the purchase of land on lower Clay paid from Parks share of the Food and Beverage Tax. The second interfund loan is from the Water Fund to cover operation cash shortfall.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Non-major governmental		\$ 208,000
Water Fund		200,000
Equipment Fund	408,000	
Total	<u>\$ 408,000</u>	<u>\$ 408,000</u>

E. Long-term Debt

1. Unbonded Long-term Debt (Notes and Contracts)

The government entered into promissory note agreements for financing the acquisition of several land parcels, construction of a three-level parking structure, federally-mandated construction of wastewater treatment facilities, and startup construction and operation of the fiber optic network. The original amount of all promissory notes issued in prior years was \$38,720,613.

The promissory notes are funded by various sources: open space land acquisition by prepared food and beverage tax; the parking structure by revenue generated from parking fees; and the wastewater treatment facility by prepared food and beverage tax, system development charges and user rates.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term Debt (continued)

1. Unbonded Long-term Debt (Notes and Contracts) (continued)

Promissory notes outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Government activities	3.77%	\$ 390,000
Government activities	5.75%	219,519
Government activities	6.00%	675,139
Government activities	8.00%	72,260
		<u>\$ 1,356,918</u>

The original amount of all promissory notes issued in prior years was \$38,720,613.

Promissory note debt service requirement to maturity is as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2013	124,219	55,963
2014	131,929	50,038
2015	107,983	44,416
2016	105,235	40,614
2017	111,432	36,708
2018-2022	488,000	125,571
2023-2027	288,120	49,973
	<u>\$ 1,356,918</u>	<u>\$ 403,283</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term Debt (continued)

2. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$24,201,000.

The City issued GO Bonds in November 2011 for the construction of Fire Station #2 in the amount of \$2,960,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds consist of a 30-year serial bond with equal amount of principal maturing each year, and four issues with varying principal payments due over 12 to 20 years. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Government activities	2.0-4.0%	\$ 2,805,000
Government activities	3.7-6.02%	12,960,000
Government activities	3.5-5.0%	1,785,000
Business-type activities	2 - 4%	13,180,000
Business-type activities	4.95%	854,014
		<u>\$ 31,584,014</u>

The above table includes \$14.3 million in full faith-and-credit. This is a refinancing of the Department of Environmental Quality loan that was used to help pay the costs of the wastewater treatment plant project. The original debt was under promissory notes. This refinancing generated approximately \$1.34 million in *Net Present Value* savings on the total debt.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term Debt (continued)

2. General Obligation Bonds (continued)

Future maturities of bond principal and interest at June 30, 2012, are as follows:

Year Ending June 30,	2004 Full Faith and Credit		2005 GO Bonds		2009 GO Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	695,000	733,631	190,000	84,875	53,619	41,618
2014	730,000	696,576	200,000	77,750	56,305	38,931
2015	775,000	656,223	205,000	69,750	59,127	36,110
2016	815,000	613,007	215,000	59,500	62,090	33,147
2017	865,000	565,590	225,000	48,750	65,202	30,035
2018-2022	5,160,000	1,984,173	750,000	76,000	378,422	97,764
2023-2027	3,920,000	363,428			179,249	23,203
	<u>\$ 12,960,000</u>	<u>\$ 5,612,628</u>	<u>\$ 1,785,000</u>	<u>\$ 416,625</u>	<u>\$ 854,014</u>	<u>\$ 300,808</u>

Year Ending June 30,	2010 GO Bonds		2011 GO Bonds Fire Station #2		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	1,160,000	479,100	115,000	87,788	2,213,619	1,427,012
2014	1,185,000	444,300	115,000	85,488	2,286,305	1,343,045
2015	1,215,000	408,750	120,000	83,188	2,374,127	1,254,021
2016	1,250,000	372,300	120,000	80,788	2,462,090	1,158,742
2017	1,280,000	334,800	125,000	78,388	2,560,202	1,057,563
2018-2022	7,090,000	869,800	675,000	334,188	14,053,422	3,361,925
2023-2027			780,000	225,275	4,879,249	611,906
2028-2032			755,000	77,175	755,000	77,175
	<u>\$ 13,180,000</u>	<u>\$ 2,909,050</u>	<u>\$ 2,805,000</u>	<u>\$ 1,052,278</u>	<u>\$ 31,584,014</u>	<u>\$ 10,291,389</u>

3. Revenue Bonds

The government also issues bonds on which the government pledges income derived from the acquired or constructed assets to pay debt service. The original issue in 1994 was for construction of a 3.5 million gallon reservoir and addition of and upgrade to existing distribution infrastructure.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Revenue Bonds (continued)

In 2003, the remaining \$2.75 million of these bonds were defeased with the issuance of \$5.625 million for infrastructure construction and re-funding of the original issue. On June 20, 2008, the Government issued \$304,000 in tax exempt, low-interest (1.25 percent) Clean Renewable Energy Bonds authorized by U.S. Treasury to construct a renewable resource photovoltaic system to generate “green power” for the city’s electrical system. Electric rate revenue is pledged to pay the related debt service.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water	2.0-4.0%	\$ 2,570,000
Electric	3.8-6.01%	217,142
		<u>\$ 2,787,142</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	396,714	83,847
2014	406,714	71,935
2015	421,714	59,449
2016	176,714	50,458
2017	181,714	44,968
2018-2022	1,003,571	129,396
2023-2027	200,000	4,000
	<u>\$ 2,787,142</u>	<u>\$ 444,054</u>

4. Advance and Current Re-fundings

The Government issued general obligation re-funding bonds in amounts of \$2,040,000 in 1992 and \$1,720,010 in 1997, to provide resources to purchase U.S. Government State and Local Government Series securities, that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,870,000 and \$1,625,000 of general obligation bonds.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-term Debt (continued)

4. Advance and Current Re-fundings (continued)

As a result, the re-funded bonds are considered to be defeased, and the liability has been removed from the business-type activities column of the *Statement of Net Assets*. The reacquisition price exceeded the net carrying amount of the old debt by \$265,010. This amount was netted against the new debt and amortized over the life of the re-funded debt, which was shorter than the life of the new debt issued. These advance re-fundings were undertaken to reduce total debt service payments by \$363,644 and \$266,087, respectively, over the term of the bonds and resulted in an economic gain of \$364,741.

The government issued \$2,952,833 of revenue bonds in June 2003, to provide resources to purchase US Government, state and local securities that were placed in trust for the purpose of generating resources for all future debt service payments of \$2,750,000 in revenue bond issued in 1984. As a result, the re-funded bonds are considered to be defeased, and the liability has been removed from the business-type activities column of the *Statement of Net Assets*. The reacquisition price exceeded the net carrying amount of the old debt by \$202,833. This amount was netted against the new debt and amortized over the life of the re-funded debt, which was shorter than the life of the new debt issued. This advance re-funding was undertaken to reduce total debt service payments by \$386,048 over the term of the bonds and resulted in an economic gain of \$738,505.

On August 11, 2004, the government issued \$15,500,000 in taxable general obligation revenue bonds backed by the full faith and credit of the City. The proceeds were used to pay off existing bank loans of \$4,286,000 and \$2,532,000 that was borrowed to construct the Ashland Fiber Network (AFN). The loans' interest rates were 5.14 percent and 7.01 percent, respectively. Taxable bonds with a longer life than the loans were issued to consolidate the bank loans. The average interest rate of the bonds allocable to the loan refunding was 5.38 percent. The re-funding of the loans resulted in an economic loss of \$1,631. In addition to re-funding the bank loans, the bonds also provided \$8.44 million in internal borrowing related to AFN.

On December 1, 2005, the City issued \$2,560,000 in general obligation bonds with an interest rate ranging from 3.5 percent to 5.0 percent over the fifteen year life, re-funding a portion of the City's General Obligation Bonds, Series 1997 and Series 2000 bonds. The re-funding resulted in a \$121,962 (4.41 percent) net present value savings. The City's GO Bond Series 2000 was originally insured by the FGIC. On February 14, 2008, Moody's downgraded FGIC's rating to A3. As a consequence, the City's GO Bonds Series 2000 have been downgraded to A2 (which is equal to the City's underlying rating of A2 - higher than FGIC's A3 rating).

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**E. Long-term Debt (continued)****5. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 15,695,000	\$ 2,960,000	\$ 1,105,000	\$ 17,550,000	\$ 1,000,000
Total bonds payable	15,695,000	2,960,000	1,105,000	17,550,000	1,000,000
Notes and contracts	1,058,005	390,000	91,086	1,356,919	127,229
Claims and judgements	95,705	100,597		196,302	
Government Activities:					
Long-term liabilities	<u>\$ 16,848,710</u>	<u>\$ 3,450,597</u>	<u>\$ 1,196,086</u>	<u>\$ 19,103,221</u>	<u>\$ 1,127,229</u>
Business-type Activities:					
Bonds Payable:					
General obligation	\$ 15,400,074		\$ 1,366,060	\$ 14,034,014	\$ 1,213,619
Revenue	3,178,857	-	391,714	2,787,143	396,714
Total bonds payable	18,578,931	-	1,757,774	16,821,157	1,610,333
Notes and contracts		-		-	-
Business-type Activities:					
Long-term liabilities	<u>\$ 18,578,931</u>	<u>\$ -</u>	<u>\$ 1,757,774</u>	<u>\$ 16,821,157</u>	<u>\$ 1,610,333</u>

Internal service funds predominantly serve governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$193,133 of the *Internal Service Fund* was compensated absences.

F. Restricted Assets

The balances of the restricted asset accounts in the governmental and business-type are as follows:

	General Government	Business-type Activities
Unused System Development Charges:		
Street fund	\$ 1,986,626	\$ -
Capital improvements fund	411,399	
Water fund		1,793,946
Wastewater fund		1,714,303
	<u>\$ 2,398,025</u>	<u>\$ 3,508,249</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Compensated Absences

The General Fund is typically used to liquidate the compensated absences for governmental funds. The balances of the compensated absences accounts in the governmental and business-type are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within a Year
Governmental Activities:	\$ 557,774	\$ 595,183	\$ 557,774	\$ 595,183	\$ 148,796
Business-type Activities:	416,121	419,848	416,121	419,848	104,962
Total compensated absences payable	<u>\$ 973,895</u>	<u>\$ 1,015,031</u>	<u>\$ 973,895</u>	<u>\$ 1,015,031</u>	<u>\$ 253,758</u>

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; workers' compensation; and post retirement benefits for which the government is self-insured to defined levels. The government has established limited risk management programs for liability and workers' compensation.

The government purchases re-insurance above defined loss levels in each program. Premiums are paid into the *Insurance Services* internal service fund by all other funds, component units, and potential component units, and are available to pay claims, claim reserves, and administrative costs of the programs. These interfund and agency premiums are used to offset the amount of claims expenditures reported. As of June 30, 2012, such premiums did not exceed paid claims and reserves.

Effective April 1, 2004, the potential component unit, Ashland Community Health Care (ACH), established a separate workers' compensation self-insurance fund and their potential liability has been removed.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, change in legal doctrines, and damage awards.

Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Liability claims have a seven year statute of limitations and open claims, not in litigation, are frozen. An excess insurance policy covers claims after an aggregate annual settlement of \$50,000.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

Settlements have not exceeded coverage's in each of the last three fiscal years. Workers' compensation claims are carried and reviewed from the date of self-insurance, July 1, 1989. An excess insurance policy covers individual claims in excess of \$300,000. Changes in the balances of claims liability during the past two years are as follows:

	<u>Year ended June 30, 2012</u>	<u>Year ended June 30, 2011</u>
Unpaid claims, beginning of fiscal year	\$ 95,705	\$ 95,705
Incurred claims (including IBNRs)	100,597	_____
Unpaid claims, end of fiscal year	<u>\$ 196,302</u>	<u>\$ 95,705</u>

B. 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 to be immaterial.

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

The City leases property to Ashland Community Hospital per an agreement dated July 1, 1996, when the hospital operation transitioned from a department to a nonprofit service provider. As part of the lease agreement, the City maintained ownership of land, buildings and certain equipment and those assets are included within the City's governmental net fixed asset amount of \$2 million as of June 30, 2012. On January 13, 2004, the City agreed to subordinate rights to leased property in order for the hospital to borrow \$10,000,000 for expansion. The Ashland Community Hospital's outstanding debt is \$8.4 million as of June 30, 2012. Per Ashland Community Hospital management, they expect to make the final payment in 2016. Future maturities of the hospital debt are as follows:

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

IV. OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities (continued)

Year Ending June 30,	Principal	Interest
2013	332,620	342,465
2014	346,723	328,362
2015	361,425	313,660
2016	7,364,972	175,932
	\$ 8,405,740	\$ 1,160,419

Per the definitive agreement, the net amount of assets (all leased property and equipment, including improvements less unpaid debt) would revert back to the City if the hospital were to close. The agreement also calls for the hospital to meet a debt service coverage ratio of more than 1.25 per year. The current year ratio did not meet the agreement. The Hospital's recently completed annual audit determined that Ashland Community Hospital's working capital ratio as of June 30, 2012, was 1.73:1 and their debt service coverage was -.48:1. Council waived the requirement on September 4, 2012.

In August 2011 Ashland City Council approved Ashland Community Hospital (ACH) seeking an affiliation with a larger hospital group to address financial impacts relating to operations of a small, stand-alone hospital in a difficult economy. On April 9, 2012, a formal report was made to the Council on the decision by ACH to enter into a 90-day period of exclusive negotiations with Dignity Health. At the time of this report negotiations are still in process. City of Ashland retains ownership of the hospital property consistent with prior years and Council must approve of the terms of any merger.

C. Other Post Employment Benefits

Post Employment Stipend

Plan Description - In addition to providing pension benefits, the City provides certain benefits for 19 retired City employees from the management, unrepresented group who completed a minimum of 15 years employment with the City. The City pays a monthly stipend from the retiree's 60th birthday or date of retirement, whichever is later, until the retiree's death. These benefit obligations are required by labor bargaining agreements and the exempt employee ordinance. The cost of retiree benefits is recognized as an expense in the *Insurance Services Fund* (an internal service fund) when eligible employees retire. The amount advance funded at retirement is based solely on the City's estimate. On July 16, 2008 a Resolution was passed which states that any employee hired on or after July 1, 2008, or hired into management on or after July 1, 2008 will not be eligible to receive retiree benefits under this provision.

Funding Policy - The benefits from this program is paid by the *Insurance Fund*. There is no obligation on the part of the City to fund these benefits in advance.

Annual Benefit Cost and Net Benefit Obligation - The City's annual Other Post Employment Benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer and an amount actuarially determined in accordance and within the parameters of

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)**C. Other Post Employment Benefits (continued)****Post Employment Stipend (continued)**

GASBS 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year. The remaining amortization period is thirteen years.

Actuarial Methods and Assumptions – The ARC for the current year was determined as part of the August 1, 2010, actuarial valuation, using the present value of projected benefits discounted at the valuation interest rate (4.50 percent). The assumed health costs will increase 8.5 percent in the first year (August 1, 2011, premiums compared with August 1, 2010, premiums), 7.5 percent in the second year, 6.5 percent in the third year, six percent for the fourth through twenty-third year, 5.5 percent for the twenty-fourth through forty-seventh year, and five percent thereafter. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for cities.

Funding Status and Funding Progress – As of August 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,874,868, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,874,868.

	<u>August 1, 2012</u>	<u>August 1, 2010</u>
Present value of benefits	\$ 4,037,958	\$ 3,940,139
Actuarial accrued liability	2,874,868	2,704,203
Assets	-	-
Unfunded actuarial accrued liability	\$ 2,874,868	\$ 2,704,203

<u>Fiscal Year Ending</u>	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 314,263	18.65%	\$ 1,055,551
6/30/2011	327,244	14.66%	799,902
6/30/2010	291,819	15.13%	520,648

	Year ended <u>June 30, 2012</u>	Year ended <u>June 30, 2011</u>
Annual required contribution (medical)	\$ 351,444	\$ 351,444
Interest on net OPEB obligation (BOY)	31,996	20,826
Adjustment to ARC for net OPEB obligation	-	-
Annual OPEB costs	383,440	372,270
Expected contributions	(69,177)	(45,027)
Increase (decrease) in net OPEB obligation	255,649	279,254
Net OPEB obligation - beginning of fiscal year	\$ 799,902	\$ 520,648
Net OPEB obligation - end of fiscal year	<u>\$ 1,055,551</u>	<u>\$ 799,902</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

IV. OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (continued)

Post Employment Health Insurance Subsidy

Plan Description - The City operates a single-employer retiree benefit plan that provides post employment health, dental, vision and life insurance benefits to eligible employees and their spouses. There are active and retired members in the plan. Benefits and eligibility for members are established through the collective bargaining agreements. The City's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulated that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees.

The difference between retiree claims cost (which is generally higher in comparison to all plan members because of the effect of age) and the amount of retiree healthcare premiums represents the City's implicit employer contribution.

The City did not establish an irrevocable trust (or equivalent arrangement) to account for the plan.

Funding Policy – The benefits from this program are paid by the retired employees on a self-pay basis and the required contribution is based on projected pay-as-you go financing requirements. There is no obligation on the part of the City to fund these benefits in advance.

Annual Pension Cost and Net Pension Obligation - The City's annual *Other Post Employment Benefit* (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer and an amount actuarially determined in accordance within the parameters of GASBS 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the OPEB obligation at the end of the year.

Actuarial Methods and Assumptions – The ARC for the current year was determined as part of the August 1, 2010, actuarial valuation using the present value of projected benefits discounted at the valuation interest rate (4.5 percent). The assumed health costs will increase 8.5 percent in the first year (August 1, 2011, premiums compared with August 1, 2010 premiums), 7.5 percent in the second year, 6.5 percent in the third year, six percent for the fourth through twenty-third year, 5.5 percent for the twenty-fourth through forty-seventh year and five percent thereafter. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for cities. The remaining amortization period is thirteen years.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)**C. Other Post Employment Benefits (continued)****Post Employment Health Insurance Subsidy (continued)**

	August 1, 2012	August 1, 2010
Present value of benefits	\$ 5,352,428	\$ 4,865,844
Actuarial accrued liability	3,101,626	2,802,196
Assets	-	-
Unfunded actuarial accrued liability	\$ 3,101,626	\$ 2,802,196

	Year ended June 30, 2012	Year ended June 30, 2011
Annual required contribution (medical)	\$ 169,792	\$ 215,316
Amortization of UAAL	204,809	237,537
Annual required contribution	374,601	452,853
Interest on prior year	\$ 35,446	\$ 26,605
Adjustment to ARC	60,221	41,732
Implicit benefit payments	152,318	142,799
Increase (decrease) in net OPEB obligation	197,508	294,927
Net OPEB obligation - beginning of fiscal year	\$ 886,140	\$ 591,213
Net OPEB obligation - end of fiscal year	\$ 1,083,648	\$ 886,140

Fiscal Year Ending	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 349,826	44%	\$ 1,083,648
6/30/2011	437,726	33%	886,140
6/30/2010	420,056	33%	591,213

D. Employee Retirement System and Pension Plan

The City contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700, or by calling 1-503-598-7377.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

Funding policy. Plan members are required to contribute six percent of their annual covered salary. ORS 238.225 requires the City to contribute at an actuarially determined rate(s). In 2003, the Oregon Legislature revised OPERF operations and how benefits for existing and new employees are calculated and funded. Accordingly, employers may now have two rates to use in calculating the amount owed to fund the liabilities of employees benefits in OPERF. The new plan, established in 2003, is called the Oregon Public Service Retirement Plan (OPSRP) and the current rates are: PERS-General Service 13.07 percent, PERS-Police and Fire 20.96 percent, OPSRP-General Service 11.60 percent, and OPSRP-Police and Fire 14.31 percent, respectively, of annual covered payroll. The City has “picked up” employee contributions at a rate of six percent, as allowed under Oregon law. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by an act of the Oregon legislature. The City elected to join the Local Government Rate Pool in 2000 and the State and Local Rate Pool in 2002, to minimize annual variances in employer rates.

For 2011-2012, the City’s annual pension cost of \$2,669,770 was equal to the City’s required and actual contributions. This consisted of \$755,562 “picked up” and paid by the City on behalf of employees and \$1,914,208 paid by the City. The required contribution was determined as part of the December 31, 2005, actuarial valuation, using the entry age actuarial cost method. The *Unfunded Actuarial Liability*, if any, is amortized as a level percentage of covered payroll over a twenty year period on an open basis. The actuarial assumptions include (a) eight percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.25 percent per year (attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and services), and (c) two percent per year cost-of-living adjustments. The underlying rate of inflation is 3.5 percent per year.

Three Year Trend Information for PERS:

**GASB Statement No. 27 Required Disclosures
Three Year Trend Information
(C of A) City of Ashland**

Fiscal Year Ending	Annual Pension Cost (C of A)	Percentage of C of A Contributed	Net Pension Obligation
6/30/2012	\$ 2,669,770	100%	-
6/30/2011	2,135,344	100%	-
6/30/2010	2,137,864	100%	-

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

IV. OTHER INFORMATION (CONTINUED)**E. Deferred Charges**

Deferred Charges resulted from the start-up cost associated with the Ashland Fiber Network (AFN) under FAS 51. The development stage revenues and expenses have been deferred and will be amortized over the estimated life of the system infrastructure.

The balance at June 30, 2012, is as follows:

Startup costs	\$ 1,861,076
Less accumulated amortization	<u>1,242,497</u>
	<u>\$ 618,579</u>

F. Fund Balance Constraints

The specific purposes for each of the categories of the fund balance as of June 30, 2012, are as follows:

Fund Balances:	General Fund	Street Fund	Non Major Funds	Total
Restricted for:				
Asset forfeiture	224,361	-	-	224,361
TOT tourism	102,786	-	-	102,786
CDBG restriction	-	-	33,798	33,798
SDC - Transportation	-	2,352,315	-	2,352,315
SDC - Parks	-	-	411,399	411,399
Perpetual care	-	-	861,244	861,244
Committed for:				
Parking surcharge	247,725	-	-	247,725
Public art	73,011	-	-	73,011
Affordable housing	148,426	-	-	148,426
Grubbs Case	21,230	-	-	21,230
Street activities	-	690,977	-	690,977
Airport activities	-	-	83,711	83,711
Food and beverage tax	-	-	365,466	365,466
CIP - Facilities	-	-	3,463,420	3,463,420
Debt commitment	-	-	982,650	982,650
Assigned for:				
N/A				
Unassigned:	3,692,190	-	-	3,692,190
Total fund balances:	<u>\$ 4,509,729</u>	<u>\$3,043,292</u>	<u>\$6,201,688</u>	<u>\$ 13,754,709</u>

G. Restatement

The restatement in the two funds are for two interfund loans both borrowed from the Equipment Fund. The first loan was for the purchase of Parks land paid by Food and Beverage Tax and the other interfund loan was for operating and capital cash short falls in the Water Fund.



REQUIRED SUPPLEMENTARY INFORMATION



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgetary basis differs from GAAP when the City has interfund loan transactions. For the budgetary basis, it is considered an other financing source; for GAAP it is purely a balance sheet transaction.

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
for the year ended June 30, 2012**

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Actual	Original	Final	
Revenues:				
Taxes	\$ 11,794,200	\$ 11,908,650	\$ 11,908,650	\$ (114,450)
Fees, licenses and permits	1,340,102	482,750	482,750	857,352
Intergovernmental	608,483	690,600	760,188	(151,705)
Charges for services	1,488,570	1,450,510	1,450,510	38,060
Fines and forfeitures	168,305	165,000	165,000	3,305
Interest on investments	25,170	40,000	40,000	(14,830)
Miscellaneous	218,879	62,600	62,600	156,279
Total revenues	15,643,709	14,800,110	14,869,698	774,011
Expenditures:				
General Government:				
Administration	456,329	635,549	635,549	179,220
Administrative Services:				
Band	51,357	58,500	58,500	7,143
Social services	121,004	122,710	122,710	1,706
Economic development	602,293	626,078	626,078	23,785
Public Works:				
Cemetery	337,724	321,125	341,125	3,401
Community Development:				
Planning	1,172,050	1,153,310	1,183,310	11,260
Building	609,301	612,533	632,533	23,232
Miscellaneous	70,988	127,546	127,546	56,558
Total general government	3,421,046	3,657,351	3,727,351	306,305
Public Safety:				
Police	5,645,100	5,518,481	5,648,481	3,381
Municipal court	430,507	452,123	452,123	21,616
Fire and rescue	5,444,097	5,480,533	5,628,781	184,684
Total public safety	11,519,704	11,451,137	11,729,385	209,681
Contingency		500,000	71,340	71,340
Total expenditures	14,940,750	15,608,488	15,528,076	587,326
Excess (deficiency) of revenues over (under) expenditures	702,959	(808,378)	(658,378)	1,361,337
Other financing sources (uses):				
Transfers in	4,805	20,000	20,000	15,195
Transfers out	(150,500)	(500)	(150,500)	-
Total other financing sources (uses)	(145,695)	19,500	(130,500)	15,195
Net change in fund balance	557,264	(788,878)	(788,878)	1,346,142
Fund balance, July 1, 2011	2,938,555	2,518,066	2,518,066	420,489
Fund balance, June 30, 2012	\$ 3,495,819	\$ 1,729,188	\$ 1,729,188	\$ 1,766,631
Reconciliation to GAAP fund balance :				
Reserve fund balance:	1,013,910			
	\$ 4,509,729			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 53,314	\$ 50,000	\$ 50,000	\$ 3,314
Intergovernmental	1,966,707	3,007,495	3,007,495	(1,040,788)
Charges for services	1,914,029	2,026,000	2,026,000	(111,971)
System development charges (SDC)	381,738	40,000	40,000	341,738
Assessments	43,542	5,000	5,000	38,542
Interest on investments	20,908	19,000	19,000	1,908
Miscellaneous	13,376	5,000	5,000	8,376
Total revenues	4,393,614	5,152,495	5,152,495	(758,881)
Expenditures:				
Highways and streets:				
Operations and maintenance	2,788,840	5,040,020	5,040,020	2,251,180
Storm water	552,940	713,551	713,551	160,611
Transportation SDCs	119,923	401,110	401,110	281,187
Storm water SDCs	17,602	146,850	146,850	129,248
Local improvement districts	107,317	391,140	391,140	283,823
New debt	-	-	-	-
Total highways and streets	3,586,622	6,692,671	6,692,671	3,106,049
Contingency		100,000	100,000	100,000
Total expenditures	3,586,622	6,792,671	6,792,671	3,206,049
Excess (deficiency) of revenues over (under) expenditures	806,992	(1,640,176)	(1,640,176)	2,447,168
Other financing sources (uses):				
Bond proceeds	-	1,300,000	1,300,000	(1,300,000)
Transfers out				-
Total other financing sources (uses)	-	1,300,000	1,300,000	(1,300,000)
Net change in fund balance	806,992	(340,176)	(340,176)	1,147,168
Fund balance, July 1, 2011	2,236,300	2,545,596	2,545,596	(309,296)
Fund balance, June 30, 2012	\$ 3,043,292	\$ 2,205,420	\$ 2,205,420	\$ 837,872



**SUPPLEMENTARY INFORMATION
(Combining and Individual Fund Statements
and Other Financial Schedules)**

**CITY OF ASHLAND, OREGON
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2012**

	Governmental Fund Types				Permanent Fund Type	Total Other Governmental (Compilation Only)
	CDBG Fund	Airport Fund	Capital Improvements Fund	Debt Service Fund	Cemetery Trust Fund	
ASSETS						
Cash and cash equivalents	\$ 3,089	\$ 70,401	\$ 4,480,464	\$ -	\$ 858,124	\$ 5,412,078
Receivables (net of allowance for uncollectibles)	37,251	17,633	346,947	353,553	3,120	758,504
Cash - restricted	-	-	-	976,265	-	976,265
Total assets	\$ 40,340	\$ 88,034	\$ 4,827,411	\$ 1,329,818	\$ 861,244	\$ 7,146,847
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 6,542	\$ 4,323	\$ 215,623	\$ -	\$ -	\$ 226,488
Deferred revenue	-	-	162,503	347,168	-	509,671
Interfund Loan Payable			209,000			209,000
Due to other funds		-	-	-	-	-
Liabilities payable from restricted asset:	-	-	-	-	-	-
Total liabilities	6,542	4,323	587,126	347,168	-	945,159
Fund Balances:						
Restricted for:						
CDBG restriction	33,798	-	-	-	-	33,798
Systems development charges	-	-	411,399	-	-	411,399
Perpeture care	-	-	-	-	861,244	861,244
Committed for:						
Special revenue funds	-	83,711	-	-	-	83,711
Debt service	-	-	-	982,650	-	982,650
Parks Improvements	-	-	365,466	-	-	365,466
Capital projects funds	-	-	3,463,420	-	-	3,463,420
Total equity and other credits	33,798	83,711	4,240,285	982,650	861,244	6,201,688
Total liabilities and fund balances	\$ 40,340	\$ 88,034	\$ 4,827,411	\$ 1,329,818	\$ 861,244	\$ 7,146,847

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
for the year ended June 30, 2012

	Governmental Fund Types				Permanent Fund Type Cemetery Nonexpendable Trust Fund	Total Other Governmental (Compilation Only)
	CDBG Fund	Airport Fund	Capital Improvements Fund	Debt Service Fund		
Revenues:						
Taxes	\$ -	\$ -	\$ 426,757	\$ 995,950	\$ -	\$ 1,422,707
Intergovernmental	203,945	-	99,591	-	-	303,536
Charges for services	-	112,506	971,083	1,228,812	28,035	2,340,436
System development charges	-	-	46,490	-	-	46,490
Interest on investments	-	392	23,917	5,847	5,911	36,067
Miscellaneous	-	-	1,301	29,302	-	30,603
Total revenues	203,945	112,898	1,569,139	2,259,911	33,946	4,179,839
Expenditures:						
General government	204,571	50,734	2,057,149	-	-	2,312,454
Debt service	-	38,536	-	2,134,310	-	2,172,846
Total expenditures	204,571	89,270	2,057,149	2,134,310	-	4,485,300
Excess (deficiency) of revenues over (under) expenditures	(626)	23,628	(488,010)	125,601	33,946	(305,461)
Other financing sources (uses):						
Bond Proceeds	-	-	3,060,434	-	-	3,060,434
Transfers in	-	-	-	47,800	500	48,300
Transfers out	-	-	(47,800)	-	(4,805)	(52,605)
Interfund loan	-	-	-	-	-	-
Total other financing sources (uses)	-	-	3,012,634	47,800	(4,305)	3,056,129
Net change in fund balance	(626)	23,628	2,524,624	173,401	29,641	2,750,668
Fund balance, July 1, 2011	34,424	60,083	2,132,661	809,249	831,603	3,868,020
Prior Period Adjustment			(417,000)			(417,000)
Fund balance, June 30, 2012	\$ 33,798	\$ 83,711	\$ 4,240,285	\$ 982,650	\$ 861,243	\$ 6,201,688

**CITY OF ASHLAND, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 COMMUNITY DEVELOPMENT BLOCK GRANT FUND
 for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 203,945	\$ 266,145	\$ 266,145	\$ (62,200)
Total revenues	<u>203,945</u>	<u>266,145</u>	<u>266,145</u>	<u>(62,200)</u>
Expenditures:				
General government:				
Personal services	37,251	44,300	44,300	7,049
Material and services	167,320	221,845	221,845	54,525
Total general government	<u>204,571</u>	<u>266,145</u>	<u>266,145</u>	<u>61,574</u>
Contingency				
Total expenditures	<u>204,571</u>	<u>266,145</u>	<u>266,145</u>	<u>61,574</u>
Net change in fund balance	(626)	-	-	(626)
Fund balance, July 1, 2011	<u>34,424</u>	<u>-</u>	<u>-</u>	<u>34,424</u>
Fund balance, June 30, 2012	<u>\$ 33,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,798</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 112,506	\$ 115,000	\$ 115,000	\$ (2,494)
Interest on investments	392	300	300	92
Total revenues	<u>112,898</u>	<u>115,300</u>	<u>115,300</u>	<u>(2,402)</u>
Expenditures:				
General government:				
Materials and services	50,734	64,950	64,950	14,216
Total general government	<u>50,734</u>	<u>64,950</u>	<u>64,950</u>	<u>14,216</u>
Debt service	38,536	43,536	43,536	5,000
Contingency	-	5,000	5,000	5,000
Total expenditures	<u>89,270</u>	<u>113,486</u>	<u>113,486</u>	<u>24,216</u>
Net change in fund balance	23,628	1,814	1,814	21,814
Fund balance, July 1, 2011	<u>60,083</u>	<u>42,573</u>	<u>42,573</u>	<u>17,510</u>
Fund balance, June 30, 2012	<u>\$ 83,711</u>	<u>\$ 44,387</u>	<u>\$ 44,387</u>	<u>\$ 39,324</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget
		Original	Final	Postive (Negative)
Revenues:				
Taxes	\$ 426,757	\$ 432,000	\$ 432,000	\$ (5,243)
Intergovernmental	99,591	175,000	175,000	(75,409)
Charges for services	971,083	1,010,000	1,010,000	(38,917)
System development	46,490	22,000	22,000	24,490
Interest on investments	23,917	24,000	24,000	(83)
Miscellaneous	1,301	1,000	1,000	301
Total revenues	<u>1,569,139</u>	<u>1,664,000</u>	<u>1,664,000</u>	<u>(94,861)</u>
Expenditures:				
General government:				
Public works - facilities	623,734	646,180	646,180	22,446
Admin services - parks open space	331,639	1,907,000	1,907,000	1,575,361
Capital outlay	<u>1,101,776</u>	<u>3,623,000</u>	<u>3,623,000</u>	<u>2,521,224</u>
Total cost of service	2,057,149	6,176,180	6,176,180	4,119,031
Contingency	-	50,000	50,000	-
Total expenditures	<u>2,057,149</u>	<u>6,226,180</u>	<u>6,226,180</u>	<u>4,119,031</u>
Excess (Deficiency) of revenues over (under) expenditures	<u>(488,010)</u>	<u>(4,562,180)</u>	<u>(4,562,180)</u>	<u>4,024,170</u>
Other financing sources (uses):				
Bond proceeds	3,060,434	4,670,000	4,670,000	1,609,566
Transfers out	(47,800)	(121,982)	(121,982)	(74,182)
Interfund loan	<u>(208,000)</u>	<u>(208,000)</u>	<u>(208,000)</u>	<u>-</u>
Total other financing sources (uses):	<u>2,804,634</u>	<u>4,340,018</u>	<u>4,340,018</u>	<u>1,535,384</u>
Net change in fund balance	2,316,624	(222,162)	(222,162)	2,538,786
Fund balance, July 1, 2011	<u>2,132,661</u>	<u>2,050,612</u>	<u>2,050,612</u>	<u>82,049</u>
Fund balance, June 30, 2012	<u>\$ 4,449,285</u>	<u>\$ 1,828,450</u>	<u>\$ 1,828,450</u>	<u>\$ 2,620,835</u>
Reconciliation to GAAP:				
Interfund Loan	<u>(209,000)</u>			
Total	<u>\$ 4,240,285</u>			

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 995,950	\$ 989,750	\$ 989,750	\$ 6,200
Charges for services	1,228,812	1,228,389	1,228,389	423
Interest on investments	5,847	5,000	5,000	847
Miscellaneous	29,302	29,302	29,302	-
Total revenues	<u>2,259,911</u>	<u>2,252,441</u>	<u>2,252,441</u>	<u>7,470</u>
Expenditures:				
Debt service:				
Bancroft	-	200,000	200,000	200,000
General obligation	2,021,909	1,933,418	1,933,418	(88,491)
Notes and contracts	112,401	115,156	115,156	2,755
Total expenditures	<u>2,134,310</u>	<u>2,248,574</u>	<u>2,248,574</u>	<u>114,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,601</u>	<u>3,867</u>	<u>3,867</u>	<u>121,734</u>
Other financing sources (uses):				
Transfers in	47,800	121,982	121,982	74,182
(uses):	<u>47,800</u>	<u>121,982</u>	<u>121,982</u>	<u>74,182</u>
Net change in fund balance	173,401	125,849	125,849	47,552
Fund balance, July 1, 2011	<u>809,249</u>	<u>894,697</u>	<u>894,697</u>	<u>(85,448)</u>
Fund balance, June 30, 2012	<u>\$ 982,650</u>	<u>\$ 1,020,546</u>	<u>\$ 1,020,546</u>	<u>\$ (37,896)</u>

(1) Appropriation level

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY TRUST FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 28,035	\$ 22,000	\$ 22,000	\$ 6,035
Interest on investments	5,911	20,000	20,000	(14,089)
Total revenues	<u>33,946</u>	<u>42,000</u>	<u>42,000</u>	<u>(8,054)</u>
Other financing sources (uses):				
Transfers in	500	500	500	-
Transfers out	(4,805)	(20,000)	(20,000)	15,195
Total other financing sources (uses):	<u>(4,305)</u>	<u>(19,500)</u>	<u>(19,500)</u>	<u>15,195</u>
Net change in fund balance	29,641	22,500	22,500	7,141
Fund balance, July 1, 2011	<u>831,603</u>	<u>830,297</u>	<u>830,297</u>	<u>1,306</u>
Fund balance, June 30, 2012	<u>\$ 861,244</u>	<u>\$ 852,797</u>	<u>\$ 852,797</u>	<u>\$ 8,447</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RESERVE FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget
		Original	Final	Positive (Negative)
Revenues:				
Charges for Services	\$ 349,000	\$ -	\$ -	\$ (349,000)
Interest on investments	5,408	10,000	10,000	(4,592)
Total revenues	<u>354,408</u>	<u>10,000</u>	<u>10,000</u>	<u>(353,592)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>354,408</u>	<u>10,000</u>	<u>10,000</u>	<u>(353,592)</u>
Other financing sources (uses):				
Transfer in	150,000	349,000	349,000	199,000
Total other financing sources	<u>150,000</u>	<u>349,000</u>	<u>349,000</u>	<u>199,000</u>
Net change in fund balance	504,408	359,000	359,000	145,408
Fund balance, July 1, 2011	<u>509,502</u>	<u>150,500</u>	<u>150,500</u>	<u>359,002</u>
Fund balance, June 30, 2012	<u>\$ 1,013,910</u>	<u>\$ 509,500</u>	<u>\$ 509,500</u>	<u>\$ 504,410</u>
Reconciliation to GAAP fund balance				
Reserve fund	<u>\$ (1,013,910)</u>			
	<u>\$ -</u>			

Note: The \$349,000 is a payment from the component unit, Ashland Parks & Recreation Commission and must be shown as Charges from Services on a Generally Accepted Accounting Principles Basis.

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WATER FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 52	\$ 50	\$ 50	\$ 2
Intergovernmental	336,811	1,669,965	1,669,965	(1,333,154)
Charges for services	4,891,233	4,752,900	4,752,900	138,333
System developments charges	491,612	100,000	100,000	391,612
Interest on investments	16,598	13,200	13,200	3,398
Miscellaneous	9,318	31,200	31,200	(21,882)
Total revenues	5,745,624	6,567,315	6,567,315	(821,691)
Expenditures:				
Cost of services:				
Forest land management	485,728	1,843,458	1,843,458	1,357,730
Public works water supply	414,463	620,922	620,922	206,459
Public works water treatment	980,797	1,056,289	1,056,289	75,492
Public works water distribution	2,196,074	2,347,519	2,347,519	151,445
Public works reimbursement SDCs	96,007	110,000	110,000	13,993
Public works improvements SDCs	45,273	250,000	250,000	204,727
Public works debt SDCs	124,860	124,860	124,860	-
Electric: Water conservation	145,716	171,526	171,526	25,810
	4,488,918	6,524,574	6,524,574	2,035,656
Debt service	560,197	560,298	560,298	101
Contingency	-	194,000	194,000	194,000
Total expenditures	5,049,115	7,278,872	7,278,872	2,229,757
Excess (Deficiency) of revenues over (under) expenditures	696,509	(711,557)	(711,557)	1,408,066
Other financing sources (uses):				
Interfund loan	(200,000)	(200,000)	(200,000)	-
Total other financing sources	(200,000)	(200,000)	(200,000)	-
Net change in fund balance	496,509	(911,557)	(911,557)	1,408,066
Fund balance, July 1, 2011	2,212,398	2,033,088	2,033,088	179,310
Fund balance, June 30, 2012	\$ 2,708,907	\$ 1,121,531	\$ 1,121,531	\$ 1,587,376
Reconciliation to Net Assets:				
Deferred charges	\$ 107,394			
Capital assets, net	20,234,450			
Compensated absences	(77,843)			
OPEB implicit rate liability	(95,503)			
Accrued interest	(25,155)			
GO bonds payable	(597,809)			
Revenue bonds payable	(2,570,000)			
Interfund Loan	(350,000)			
Rounding	(2)			
	\$ 19,334,439			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 1,707,027	\$ 1,728,000	\$ 1,728,000	\$ (20,973)
Charges for services	3,601,900	3,570,000	3,570,000	31,900
System developments charges	81,998	40,000	40,000	41,998
Interest on investments	25,333	30,000	30,000	(4,667)
Miscellaneous	2,145	-	-	2,145
Total revenues	5,418,403	5,368,000	5,368,000	50,403
Expenditures:				
Cost of services:				
Public works wastewater collection	1,654,694	1,937,482	1,937,482	282,788
Public works wastewater treatment	2,353,373	2,478,433	2,478,433	125,060
Public works reimbursement SDC's	1,471	21,250	21,250	19,779
Public works improvements SDC's	193,724	351,912	351,912	158,188
Total cost of service	4,203,262	4,789,077	4,789,077	585,815
Debt service	1,670,445	1,670,573	1,670,573	128
Contingency		160,000	160,000	160,000
Total expenditures	5,873,707	6,619,650	6,619,650	745,943
Excess (deficiency) of revenues over (under) expenditures	(455,304)	(1,251,650)	(1,251,650)	796,346
Other financing sources (uses):				
Loan proceeds	-	467,200	467,200	467,200
Total other financing sources (uses)	-	467,200	467,200	467,200
Net change in fund balance	(455,304)	(784,450)	(784,450)	329,146
Fund balance, July 1, 2011	3,250,113	3,116,654	3,116,654	133,459
Fund balance, June 30, 2012	\$ 2,794,809	\$ 2,332,204	\$ 2,332,204	\$ 462,605
Reconciliation to Net Assets:				
Capital assets, net	\$ 37,051,335			
Compensated absences	(42,143)			
OPEB implicit rate liability	(57,913)			
Accrued interest	(80,354)			
GO bonds payable	(13,436,204)			
Rounding	(1)			
	\$ 26,229,529			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
ELECTRIC FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 125,153	\$ 145,000	\$ 145,000	\$ (19,847)
Charges for services	12,527,980	12,663,455	12,663,455	135,475
Interest on investments	11,957	19,500	19,500	7,543
Miscellaneous	534,470	145,000	145,000	(389,470)
Total revenues	13,199,560	12,972,955	12,972,955	(266,299)
Expenditures:				
Cost of Services:				
Electric supply	5,934,651	7,095,300	7,095,300	1,160,649
Electric distribution	5,919,450	6,164,617	6,164,617	245,167
Electric transmission	852,382	953,000	953,000	100,618
Conservation	526,708	509,841	549,841	23,133
Total cost of service	13,233,191	14,722,758	14,762,758	1,529,567
Debt service	24,564	24,565	24,565	1
Contingency	-	425,000	385,000	385,000
Total expenditures	13,257,755	15,172,323	15,172,323	901,264
Other financing sources (uses):				
Loan proceeds	-	1,000,000	1,000,000	1,000,000
Total other financing sources (uses)	-	1,000,000	1,000,000	1,000,000
Net change in fund balance	(58,195)	(1,199,368)	(1,199,368)	814,305
Fund balance, July 1, 2011	2,476,295	2,290,459	2,290,459	274,954
Fund balance, June 30, 2012	\$ 2,418,100	\$ 1,091,091	\$ 1,091,091	\$ 1,089,259
Reconciliation to Net Assets:				
Capital assets, net	\$ 8,512,687			
Compensated absences	(83,157)			
OPEB implicit rate liability	(103,750)			
Accrued interest	(112)			
Revenue bonds payable	(217,143)			
Deferred revenue	202,869			
Rounding	4			
	\$ 10,729,498			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 1,931,126	\$ 2,056,000	\$ 2,056,000	\$ (124,874)
Interest on investments	3,304	5,000	5,000	(1,696)
Miscellaneous	1	2,500	2,500	(2,499)
Total revenues	1,934,431	2,063,500	2,063,500	(129,069)
Expenditures:				
Cost of services:				
IT - Internet	1,865,404	2,077,219	2,077,219	211,815
Total cost of service	1,865,404	2,077,219	2,077,219	211,815
Contingency		100,000	100,000	100,000
Total expenditures	1,865,404	2,177,219	2,177,219	311,815
Excess (deficiency) of revenues over (under) expenditures	69,027	(113,719)	(113,719)	182,746
Net change in fund balance	69,027	(113,719)	(113,719)	182,746
Fund balance, July 1, 2011	517,916	453,183	453,183	64,733
Fund balance, June 30, 2012	\$ 586,943	\$ 339,464	\$ 339,464	\$ 247,479
Reconciliation to Net Assets:				
Capital assets, net	\$ 2,313,221			
Compensated absences	(23,572)			
OPEB implicit rate liability	(34,698)			
Rounding	(3)			
	\$ 2,841,891			

**CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2012**

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 1,254,153	\$ 1,113,820	\$ 2,507,151	\$ 4,875,124
Interest and accounts receivable, net	10,537	1,565	221	12,323
Notes receivable	-	26,888	-	26,888
Interfund Loan			559,000	559,000
Inventories	29,066	-	32,539	61,605
Total current assets	<u>1,293,756</u>	<u>1,142,273</u>	<u>3,098,911</u>	<u>5,534,940</u>
Fixed assets	456,227	-	9,646,658	10,102,885
Accumulated depreciation	(343,343)	-	(7,736,363)	(8,079,706)
Capital assets, net	<u>112,884</u>	<u>-</u>	<u>1,910,295</u>	<u>2,023,179</u>
Total assets	<u>\$ 1,406,640</u>	<u>\$ 1,142,273</u>	<u>\$ 5,009,206</u>	<u>\$ 7,558,119</u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 150,241	\$ 38,188	\$ 44,694	\$ 233,123
Accrued salaries, vacation and payroll taxes	579,643	3,120	47,941	630,704
Other liabilities	-	-	-	-
Accrued claims and adjustments	-	1,251,854	-	1,251,854
Total current liabilities	<u>729,884</u>	<u>1,293,162</u>	<u>92,635</u>	<u>2,115,681</u>
Net assets:				
Invested in capital assets, net of related debt	112,884	-	1,910,295	2,023,179
Unreserved	563,872	(150,889)	3,006,276	3,419,259
Total fund equity:	<u>676,756</u>	<u>(150,889)</u>	<u>4,916,571</u>	<u>5,442,438</u>
Total liabilities and net assets	<u>\$ 1,406,640</u>	<u>\$ 1,142,273</u>	<u>\$ 5,009,206</u>	<u>\$ 7,558,119</u>

CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
for the year ended June 30, 2012

	Central Service Fund	Insurance Services Fund	Equipment Fund	Totals
Operating revenues:				
Service charges and fees	\$ 6,016,572	\$ 729,545	\$ 1,846,099	\$ 8,592,216
Miscellaneous	118,885	194,645	29,149	342,679
Total revenues	6,135,457	924,190	1,875,248	8,934,895
Operating expenses:				
Cost of service	5,746,477	1,131,473	1,123,060	8,001,010
Depreciation	26,419	-	837,027	863,446
Total operating expenses	5,772,896	1,131,473	1,960,087	8,864,456
Operating income (loss)	362,561	(207,283)	(84,839)	70,439
Nonoperating income (expense):				
Taxes	61,629	-	76,825	138,454
Interest income	6,141	6,646	33,140	45,927
Interfund loan	-	-	-	-
Total nonoperating income (expense)	67,770	6,646	109,965	184,381
Change in net assets	430,331	(200,637)	25,126	254,820
Net assets, July 1, 2011	246,425	49,748	3,924,445	4,220,618
Prior Period Adjustment			967,000	967,000
Net assets, July 1, 2012	\$ 676,756	\$ (150,889)	\$ 4,916,571	\$ 5,442,438

**CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND
STATEMENT OF CASH FLOWS
for the year ended June 30, 2012**

	Business-type Activities - Enterprise Funds			
	Central Services	Insurance Services	Equipment Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 6,136,737	\$ 919,181	\$ 2,309,357	\$ 9,365,275
Payments to suppliers	(1,566,537)	(734,456)	(2,108,093)	(4,409,086)
Payments to employees	(4,208,881)	(81,616)	(374,832)	(4,665,329)
Net cash from operating activities	<u>361,319</u>	<u>103,109</u>	<u>(173,568)</u>	<u>290,860</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,700)	-	647,742	645,042
Net cash from capital and related financing activities	<u>(2,700)</u>	<u>-</u>	<u>647,742</u>	<u>645,042</u>
Cash flows from investing activities:				
Interest from investments and other income	67,770	6,646	109,965	184,381
Net increase (decrease) in cash and investments	<u>426,389</u>	<u>109,755</u>	<u>584,139</u>	<u>1,120,283</u>
Cash and investments, beginning of year	<u>827,764</u>	<u>1,004,065</u>	<u>1,923,012</u>	<u>3,754,841</u>
Cash and investments, end of year	<u>\$ 1,254,153</u>	<u>\$ 1,113,820</u>	<u>\$ 2,507,151</u>	<u>\$ 4,875,124</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 362,561	\$ (207,283)	\$ (84,839)	\$ 70,439
Depreciation and amortization	26,419	-	(462,871)	(436,452)
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	1,280	(5,009)	434,109	430,380
Inventories	(25,679)	-	18,653	(7,026)
Increase (decrease) in:				
Accounts payable and accrued liabilities	5,813	(43,965)	(75,864)	(114,016)
Other liabilities	(9,075)	359,366	(2,756)	347,535
Net cash from operating activities	<u>\$ 361,319</u>	<u>\$ 103,109</u>	<u>\$ (173,568)</u>	<u>\$ 290,860</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
CENTRAL SERVICES FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 61,629	\$ 42,000	\$ 42,000	\$ 19,629
Intergovernmental revenues	-	2,820	2,820	2,820
Charges for services	6,016,572	5,694,200	5,694,200	322,372
Interest on investments	6,141	5,000	5,000	1,141
Miscellaneous	118,885	100,000	100,000	18,885
Total revenues	6,203,227	5,844,020	5,844,020	364,847
Expenditures:				
Cost of services:				
Administration department	1,215,501	1,364,801	1,364,801	149,300
IT - Computer Services division	1,087,264	1,188,042	1,188,042	100,778
Administrative Services department	1,702,733	1,736,601	1,736,601	33,868
City Recorder department	319,864	310,756	330,756	10,892
Public Works department	1,385,000	1,390,453	1,390,453	5,453
Contingency	-	145,000	125,000	125,000
Total expenditures	5,710,362	6,135,653	6,135,653	425,291
*(includes Administration and Engineering)				
Net change in fund balance	492,865	(291,633)	(291,633)	790,138
Fund Balance, July 1, 2011	491,546	301,659	301,659	189,887
Fund Balance, June 30, 2012	\$ 984,411	\$ 10,026	\$ 10,026	\$ 980,025
Reconciliation to Net Assets:				
Accrued compensated absences	\$ (178,237)			
OPEB implicit rate liability	(242,301)			
Rounding	(1)			
Capital assets, net	112,884			
	\$ 676,756			

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
INSURANCE SERVICES FUND
for the year ended June 30, 2012**

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 729,545	\$ 729,705	\$ 729,705	\$ (160)
Interest on investments	6,646	9,200	9,200	(2,554)
Miscellaneous	194,645	30,000	30,000	164,645
Total revenues	<u>930,836</u>	<u>768,905</u>	<u>768,905</u>	<u>161,931</u>
Expenditures:				
Cost of services:				
Personal services	81,616	79,580	84,580	2,964
Materials and services	693,611	676,500	701,500	7,889
Total cost of services	<u>775,227</u>	<u>756,080</u>	<u>786,080</u>	<u>10,853</u>
Contingency		150,000	120,000	120,000
Total expenditures	<u>775,227</u>	<u>906,080</u>	<u>906,080</u>	<u>130,853</u>
Net change in fund balance	155,609	(137,175)	(137,175)	292,784
Fund balance, July 1, 2011	<u>605,943</u>	<u>783,477</u>	<u>783,477</u>	<u>(177,534)</u>
Fund balance, June 30, 2012	<u>\$ 761,552</u>	<u>\$ 646,302</u>	<u>\$ 646,302</u>	<u>\$ 115,250</u>
Reconciliation to Net Assets:				
Accrued claims and judgments	<u>\$ (912,441)</u>			
	<u>\$ (150,889)</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN NET ASSETS - BUDGET AND ACTUAL
EQUIPMENT FUND
for the year ended June 30, 2012

	Actual	Budget Amounts		Variance with Final Budget Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 76,825	\$ -	\$ -	\$ 76,825
Charges for services	1,846,099	1,811,563	1,811,563	34,536
Interest on investments	33,140	35,000	35,000	(1,860)
Miscellaneous	29,149	55,000	55,000	(25,851)
Total revenues	1,985,213	1,901,563	1,901,563	83,650
Expenditures:				
Cost of services:				
Public works maintenance	972,839	988,614	1,018,614	45,775
Total cost of service	972,839	988,614	1,018,614	45,775
Capital outlay	799,438	800,000	800,000	562
Contingency		47,000	17,000	17,000
Total expenditures	1,772,277	1,835,614	1,835,614	63,337
Excess (deficiency) of revenues over (under) expenditures	212,936	65,949	65,949	(146,987)
Other financing sources (uses):				
Interfund loan	408,000	408,000	408,000	-
Total other financing sources	408,000	408,000	408,000	-
Net change in fund balance	620,936	473,949	473,949	146,987
Fund balance, July 1, 2011	1,858,969	650,551	650,551	1,208,418
Fund balance, June 30, 2012	\$ 2,479,905	\$ 1,124,500	\$ 1,124,500	\$ 1,355,405
Reconciliation to Net Assets:				
Capital assets, net	\$ 1,910,295			
OPEB implicit rate liability	(14,895)			
Interfund Loan	559,000			
Accrued compensated absences	(17,734)			
	\$ 4,916,571			

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED
IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2012**

Governmental funds capital assets:	
Land	\$ 12,163,037
Buildings and improvements	19,244,728
Improvements other than buildings	47,749,492
Machinery and equipment	3,682,844
Construction in progress	2,658,897
	<hr/>
Total capital assets	\$ 85,498,998
	<hr/> <hr/>
Investments in governmental funds capital assets by source:	
General and capital projects funds	\$ 51,889,059
Special revenue funds	11,812,669
Component unit	7,232,523
Leased to other agencies	14,564,747
	<hr/>
Total investments in governmental funds capital assets	\$ 85,498,998
	<hr/> <hr/>

This schedule represents only the capital asset balances related to governmental funds before accumulated depreciation. Accordingly, the capital assets reported in *Internal Service Funds* are excluded from the above amounts. Generally, the capital assets of internal service funds are included as the appropriate business activity or governmental activity in the *Statement of Net Assets*.

**CITY OF ASHLAND, OREGON
SCHEDULE OF ASSETS USED
IN THE OPERATION OF GOVERNMENTAL FUNDS
BY FUNCTION AND ACTIVITY
June 30, 2012**

Function and Activity	Land	Buildings	Improvements other than Buildings	Machinery and Equipment	Construction in Progress	Total
General government:						
Community development	\$ 985,235	\$ 1,120,947	\$ -	\$ 378,138	\$ -	\$ 2,484,320
Public buildings	460,200	1,021,882	224,068	145,916	245,070	2,097,136
Leased to other agencies	253,000	8,744,018	3,957,949	1,609,780	-	14,564,747
Other - unclassified	2,592,700	2,035,844	790,298	234,133	257,032	5,910,007
Total general government	4,291,135	12,922,691	4,972,315	2,367,967	502,102	25,056,210
Public safety:						
Police	80,000	614,700	-	484,266	135,605	1,314,571
Fire	998,400	3,268,416	300,000	343,777	814,136	5,724,729
Total public safety	1,078,400	3,883,116	300,000	828,043	949,741	7,039,300
Highway and streets:						
Public thoroughfares	452,235	630,075	38,851,404	256,828	1,207,054	41,397,596
Total highways and streets	452,235	630,075	38,851,404	256,828	1,207,054	41,397,596
Airports	176,566	1,029,780	3,567,023	-		4,773,369
Culture and recreation	6,164,701	779,066	58,750	230,006		7,232,523
Total governmental funds capital assets	\$ 12,163,037	\$ 19,244,728	\$ 47,749,492	\$ 3,682,844	\$ 2,658,897	\$ 85,498,998

This schedule represents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in *Internal Service Funds* are excluded from the above amounts. Generally, the capital assets of internal service funds are included as the appropriate business activity or governmental activity in the *Statement of Net Assets*.

**CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL
AND BOND INTEREST TRANSACTIONS
for the year ended June 30, 2012**

	<u>Bond Principal Transactions</u>		
	<u>Original Issue</u>	<u>Outstanding June 30, 2011</u>	<u>Issued</u>
<u>General Obligation Bonds</u>			
Flood and Re-funding Bonds, issued December 1, 1997 interest at 3.65% to 6.00%	2,800,000	175,000	-
Ashland Fiber Network Bonds, issued August 11, 2004 interest at 3.70% to 6.02%	15,500,000	13,620,000	-
Re-funding Bonds, issued December 1, 2005 interest variable	2,560,000	2,075,000	-
Water and Wastewater, Series 2009, issued May 15, 2009 interest at 4.95%	1,000,000	907,074	-
Wastewater, issued October 13, 2010 interest at 2.00% to 4.00%	15,440,000	14,320,000	-
Fire Station #2, issued November 1, 2011 interest at 2.00% to 4.00%	2,960,000	-	2,960,000
<u>Revenue Bonds</u>			
Water, Series 2003, issued June 1, 2003 interest at 2.00% to 4.00%	5,625,000	2,940,000	-
Electric, Series 2008, issued June 20, 2008 interest at 3.8% to 6.01%	304,000	238,857	-
	<u>\$46,189,000</u>	<u>\$ 34,275,931</u>	<u>\$ 2,960,000</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL
AND BOND INTEREST TRANSACTIONS
for the year ended June 30, 2012 (continued)**

Bond Principal Transactions			Interest Transactions			
Matured	Paid	Outstanding June 30, 2012	Outstanding June 30, 2011	Matured	Paid	Outstanding June 30, 2012
175,000	175,000	-	-	4,069	4,069	-
660,000	660,000	12,960,000	-	767,666	767,666	-
290,000	290,000	1,595,000	-	95,750	95,750	-
51,060	51,060	856,014	-	44,177	44,177	-
1,140,000	1,140,000	13,180,000	-	501,900	501,900	-
155,000	155,000	2,805,000	-	53,018	53,018	-
370,000	370,000	2,570,000	-	92,444	92,444	-
21,714	21,714	217,143	-	2,850	2,850	-
<u>\$2,862,774</u>	<u>\$2,862,774</u>	<u>\$34,183,157</u>	<u>\$ -</u>	<u>\$1,561,874</u>	<u>\$1,561,874</u>	<u>\$ -</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
COLLECTED AND UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
for the year ended June 30, 2012**

	Taxes Uncollected July 1, 2011	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2012
2010-11	\$ -	\$ 10,027,463	\$ 340,009	\$ 9,297,547	\$ 389,907
2009-10	409,009	-	(14,455)	242,820	180,644
2008-09	183,054	-	(13,977)	92,249	104,782
2007-08	99,195	-	(17,551)	77,887	38,859
2006-07	51,509	-	(10,787)	43,334	18,962
Prior years	30,947	-	4,070	4,933	21,944
	<u>\$ 773,714</u>	<u>\$ 10,027,463</u>	<u>\$ 287,309</u>	<u>\$ 9,758,876</u>	<u>\$ 755,098</u>

Taxes receivable and tax collections classified by fund:	Collections to June 30, 2012	Taxes Uncollected June 30, 2012
Primary government:		
General fund	\$ 4,413,137	\$ 327,235
Debt service funds:		
Debt service fund	995,950	57,071
Enterprise funds:		
Water fund	52	-
Component unit:		
Parks and recreation:		
Parks and recreation fund	4,339,582	325,125
Ashland Youth Activities serial levy fund	10,155	45,667
	<u>\$ 9,758,876</u>	<u>\$ 755,098</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
AND BALANCES OF TAXES UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
for the year ended June 30, 2012**

Reconciliation of tax collections by fund to tax revenues on the Generally Accepted Accounting Principles (GAAP) basis:

	<u>Collections</u>	<u>Other Taxes</u>	<u>Tax Revenues GAAP Basis</u>
Primary government:			
General fund	\$4,413,137	\$7,381,063	\$11,794,200
Special revenue funds:			
Street fund	-	53,314	53,314
Debt service funds:			
Debt service fund	995,950	-	995,950
Capital projects funds:			
Capital improvement fund	-	426,757	426,757
Enterprise funds:			
Water fund	52	-	52
Wastewater fund	-	1,707,027	1,707,027
Component unit:			
Parks and recreation:			
Parks and recreation fund	4,339,582	-	4,339,582
Special revenue funds:			
Ashland Youth Activities serial levy fund	10,155	-	10,155
	<u>\$9,758,876</u>	<u>\$9,568,161</u>	<u>\$19,327,037</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND BALANCES
ELECTED OFFICIALS
for the year ended June 30, 2012

	Cash Balance July 1, 2011	Receipts	Turnovers to			Cash Balance June 30, 2012
			Treasurer	State	Other	
City Recorder/Treasurer	\$23,171,276	\$ 158,810,560	\$ -	\$ -	\$ 153,957,992	\$28,023,844
Judge	-	555,455	490,166	65,289		-
	<u>\$23,171,276</u>	<u>\$ 159,366,015</u>	<u>\$ 490,166</u>	<u>\$ 65,289</u>	<u>\$ 153,957,992</u>	<u>\$28,023,844</u>

**STATISTICAL SECTION
Total Reporting Entity
(Unaudited)**



**CITY OF ASHLAND, OREGON
STATISTICAL SECTION
(Unaudited)**

This part of the City of Ashland's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, notes, and supplementary information. This information has not been audited by the independent auditors.

Financial Trends	Page
These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.	90-103
Revenue Capacity	
These tables contain information that may assist the reader is assessing the viability of the City's revenue sources.	104-115
Debt Capacity	
These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	116-125
Economic and Demographic Information	
These tables offer economic and demographic indicators that are commonly used for financial analysis that can help the reader understand the City's present and ongoing financial status.	126-127
Operating Information	
These tables contain service and infrastructure indicators that can help the reader understand how the information in the City's financial statements relates to the services the City provides and the activities it performs.	128-135

Source:

Unless otherwise noted, the information in these tables is derived from the annual financial reports for the City of Ashland. The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, some of the tables presenting government-wide information include only eight years.

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Governmental Activities
for the Fiscal Year Ended June 30,

ASSETS	2012	2011	2010	2009
Assets:				
Cash and cash equivalents	\$ 18,062,202	\$ 12,769,637	\$ 11,832,259	\$ 9,453,086
Receivables (net of allowance for uncollectibles)	3,462,383	4,085,185	2,647,744	2,668,694
Inventories	61,605	54,579	32,325	36,193
Internal balances	(690,129)	(354,295)	(534,894)	(640,731)
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	976,265	802,870	755,885	1,066,850
Capital assets:				
Land	12,261,807	12,400,610	12,400,610	12,400,610
Buildings and improvements	19,563,238	19,563,238	19,563,238	19,563,238
Machinery and equipment	12,890,582	13,487,439	13,278,430	13,130,505
Infrastructure	48,193,897	44,589,519	44,299,409	43,579,697
Construction in progress	2,692,359	3,510,539	484,590	340,422
Accumulated depreciation	(46,093,174)	(44,589,333)	(42,260,637)	(39,728,339)
Total assets	\$ 71,381,035	\$ 66,319,988	\$ 62,498,959	\$ 61,870,225
Liabilities:				
Accounts payable and other current liabilities	\$ 4,811,345	\$ 5,715,843	\$ 3,190,369	\$ 3,153,914
Unearned revenue	382,895	393,592	417,042	430,105
Noncurrent liabilities:				
Due within one year	1,127,229	1,067,338	1,276,871	1,183,044
Due in more than one year	17,779,689	15,781,372	17,330,191	18,316,590
Total liabilities	24,101,158	22,958,145	22,214,473	23,083,653
Net assets:				
Invested in capital assets, net of related debt	30,601,791	32,113,302	29,449,210	29,786,499
Restricted for:				
Asset forfeiture	224,361	187,864	129,510	140,974
TOT tourism	102,786	105,063	-	-
System development	2,763,714	2,345,201	2,469,667	2,363,441
Debt service	982,650	-	762,199	1,072,785
CDBG restriction	33,798	34,424	-	-
Perpetual care: nonexpendable	861,244	831,603	807,797	788,753
Unrestricted	11,709,533	7,744,386	6,666,013	4,634,120
Total net assets	\$ 47,279,877	\$ 43,361,843	\$ 40,284,396	\$ 38,786,572

**CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Governmental Activities
for the Fiscal Year Ended June 30, (continued)**

2008	2007	2006	2005	2004	2003
\$ 9,845,351	\$ 10,922,900	\$ 9,274,073	\$ 9,123,663	\$ 6,312,364	\$ 8,961,587
2,444,054	2,530,776	2,353,604	2,354,558	2,430,662	2,669,101
59,984	36,173	31,621	42,894	16,602	1,728
(1,304,641)	(1,587,111)	(1,319,579)	(1,378,719)	1,222,273	-
1,240,543	542,190	451,672	428,719	413,078	260,813
9,829,360	9,829,360	8,559,612	8,287,911	8,261,273	8,343,858
19,563,238	19,563,238	19,563,238	30,138,810	29,933,056	7,420,827
14,380,378	13,183,769	12,405,182	11,771,045	9,345,294	3,610,916
42,249,665	42,121,600	41,047,189	15,986,209	15,720,372	9,951,054
673,643	143,017	798,324	9,744,570	9,789,517	12,327,224
(38,631,224)	(35,789,232)	(33,506,950)	(31,952,088)	(28,220,545)	-
<u>\$ 60,350,351</u>	<u>\$ 61,496,680</u>	<u>\$ 59,657,986</u>	<u>\$ 54,547,572</u>	<u>\$ 55,223,946</u>	<u>\$ 53,547,108</u>
\$ 2,672,369	\$ 2,683,604	\$ 2,590,134	\$ 2,652,837	\$ 2,734,135	\$ 2,798,840
449,038	396,208	12,700	26,392	94,404	335,303
1,327,360	925,973	590,000	908,822	783,485	750,750
19,263,447	20,341,095	5,731,134	5,815,074	6,357,569	6,530,911
<u>23,712,214</u>	<u>24,346,880</u>	<u>8,923,968</u>	<u>9,403,125</u>	<u>9,969,593</u>	<u>10,415,804</u>
27,577,843	27,969,339	42,669,821	37,631,383	37,948,847	34,601,570
236,514	329,180	-	-	-	-
-	-	-	-	-	-
2,146,609	1,930,458	1,663,317	1,537,765	1,197,249	1,594,538
1,246,509	479,262	459,095	423,842	433,278	(47,412)
-	-	-	-	-	-
771,948	749,918	719,429	702,629	684,476	679,646
4,658,714	5,691,643	5,222,356	4,848,828	4,990,503	6,302,962
<u>\$ 36,638,137</u>	<u>\$ 37,149,800</u>	<u>\$ 50,734,018</u>	<u>\$ 45,144,447</u>	<u>\$ 45,254,353</u>	<u>\$ 43,131,304</u>

**CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Business - type Activities
for the Fiscal Year Ended June 30,**

ASSETS	2012	2011	2010	2009
Assets:				
Cash and cash equivalents	\$ 6,155,621	\$ 6,743,304	\$ 6,959,037	\$ 6,993,295
Receivables (net of allowance for uncollectibles)	2,545,430	2,408,196	2,307,864	2,227,713
Inventories	899,374	740,438	732,821	810,073
Deferred charges	725,973	844,892	966,228	1,098,448
Internal balances	690,129	354,295	534,984	640,731
Restricted assets:				
Capital assets:				
Land	1,880,637	1,880,637	1,880,637	1,880,637
Buildings and improvements	22,089,254	22,089,254	22,089,254	22,089,254
Machinery and equipment	894,352	1,072,204	875,928	823,580
Infrastructure	88,885,630	87,809,652	87,809,652	84,636,277
Construction in progress	3,453,267	3,335,467	2,538,176	4,620,579
Accumulated depreciation	(49,710,027)	(46,028,522)	(42,247,672)	(38,584,771)
Total assets	\$ 78,509,640	\$ 81,249,817	\$ 84,446,909	\$ 87,235,816
Liabilities:				
Accounts payable and other current liabilities	\$ 1,407,377	\$ 1,591,542	\$ 1,769,929	\$ 1,467,227
Accrued interest payable	105,621	113,296	121,211	130,104
Unearned revenue	-	-	-	-
Noncurrent liabilities:				
Due within one year	1,610,333	1,757,774	1,735,032	1,669,770
Due in more than one year	15,210,823	16,821,156	19,654,652	21,389,683
Total liabilities	18,334,154	20,283,768	23,280,824	24,656,784
Net assets:				
Invested in capital assets, net of related debt	50,671,957	51,579,762	51,556,291	52,406,103
Restricted for:				
System development	3,621,447	3,395,974	3,646,949	3,800,824
Debt service	875,490	875,490	875,490	875,490
Unrestricted	5,006,592	5,114,823	5,087,355	5,496,615
Total net assets	\$ 60,175,486	\$ 60,966,049	\$ 61,166,085	\$ 62,579,032

**CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
Business - type Activities (continued)
for the Fiscal Year Ended June 30,**

2008	2007	2006	2005	2004	2003
\$ 6,437,889	\$ 9,836,733	\$ 12,951,933	\$ 15,066,503	\$ 9,286,593	\$ 7,961,325
2,190,239	2,105,403	2,203,826	2,057,466	1,883,966	1,893,686
881,530	806,047	799,588	851,200	821,407	828,978
1,215,668	1,340,389	1,721,312	1,819,860	1,921,810	2,082,204
1,304,641	1,587,111	1,319,579	1,378,719	(1,222,273)	-
1,880,638	1,880,638	1,945,107	1,945,107	1,971,745	1,945,107
21,782,187	21,782,187	21,782,188	23,113,448	23,157,904	22,595,341
823,581	673,607	636,103	675,297	2,833,165	722,977
84,636,278	81,141,248	80,305,280	79,057,892	79,121,637	60,513,768
3,981,724	5,156,412	2,998,341	4,472,229	4,563,158	3,428,686
(35,041,272)	(31,502,402)	(28,803,335)	(26,616,727)	(25,236,582)	-
\$ 90,093,103	\$ 94,807,373	\$ 97,859,922	\$ 103,820,994	\$ 99,102,530	\$ 101,972,072
\$ 1,571,810	\$ 1,554,049	\$ 1,678,775	\$ 2,343,307	\$ 1,960,591	\$ 1,486,328
144,127	153,639	587,720	819,171	307,538	307,634
-	-	-	-	4,000	323,308
1,595,081	1,379,209	1,475,373	1,437,257	2,388,750	2,300,805
22,056,168	23,497,674	40,366,883	42,177,256	34,841,659	36,927,296
25,367,186	26,584,571	44,108,751	46,776,991	39,502,538	41,345,371
54,411,887	54,264,807	42,661,428	39,032,733	44,754,393	49,967,778
3,838,867	4,315,088	4,251,713	4,636,560	4,020,207	3,441,297
1,751,369	-	1,913,648	1,913,648	1,281,341	1,913,648
4,723,794	9,642,907	4,924,382	11,461,062	9,544,051	5,303,978
\$ 64,725,917	\$ 68,222,802	\$ 53,751,171	\$ 57,044,003	\$ 59,599,992	\$ 60,626,701

CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Governmental Activities
for the Fiscal Year Ended June 30,

	2012	2011	2010	2009
Program Revenues:				
General government:				
Charges for services	\$ 6,915,050	\$ 6,946,410	\$ 6,336,870	\$ 5,084,158
Operating grants and contributions	290,097	19,793	18,890	3,641
Capital grants and contributions	99,591	1,428,253	196,058	3,991
Capital system development charges		22,701	16,377	18,375
Public safety:	-	-	-	-
Charges for services	1,525,601	1,551,370	1,551,370	1,487,673
Operating grants and contributions	37,537	189,248	95,570	114,188
Capital grants and contributions	3,060,434	-	-	-
Highways and streets:				
Charges for services	3,024,262	2,006,385	2,027,116	1,842,187
Operating grants and contributions	-	-	-	-
Capital grants and contributions	868,543	-	-	-
Capital system development charges	-	-	76,101	72,643
	<u>15,821,115</u>	<u>12,164,160</u>	<u>10,318,352</u>	<u>8,626,856</u>
Program Expenses:				
General government	6,086,034	5,963,977	4,813,802	3,856,719
Public safety	13,893,641	10,457,134	11,410,483	10,312,721
Highways and streets	3,923,526	3,650,817	2,893,462	2,505,897
Interest on long-term debt	966,063	976,011	1,033,451	442,168
	<u>24,869,264</u>	<u>21,047,939</u>	<u>20,151,198</u>	<u>17,117,505</u>
Net (Expense) Revenue:				
General government	1,218,704	2,453,180	1,721,639	1,253,446
Public safety	(9,270,609)	(8,716,516)	(9,763,543)	(8,710,860)
Highways and streets	(30,721)	(1,644,432)	(942,447)	(591,067)
Interest on long-term debt	(966,063)	(976,011)	(1,033,451)	(442,168)
	<u>(9,048,689)</u>	<u>(8,883,779)</u>	<u>(10,017,802)</u>	<u>(8,490,649)</u>
General Revenues:				
Property taxes	5,416,909	5,093,848	4,821,809	4,391,088
Utility users tax	4,209,696	4,170,896	3,989,351	3,888,747
Users taxes	2,547,854	2,315,909	2,276,353	2,013,026
State subventions - unrestricted	-	-	-	-
Unrestricted interest earnings	173,648	117,112	134,142	127,224
Capital assets transfers	-	-	-	-
Miscellaneous	618,616	263,461	293,971	218,999
Gain (loss) on disposal of assets	-	-	-	-
Transfers:				
Total general revenues and transfers	<u>12,966,723</u>	<u>11,961,226</u>	<u>11,515,626</u>	<u>10,639,084</u>
Change in net assets	3,918,034	3,077,447	1,497,824	2,148,435
Net assets - beginning	43,361,843	40,284,396	38,786,572	36,638,137
Recognition of prior infrastructure	-	-	-	-
Net assets - ending	<u>\$ 47,279,877</u>	<u>\$ 43,361,843</u>	<u>\$ 40,284,396</u>	<u>\$ 38,786,572</u>

**CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Governmental Activities
for the Fiscal Year Ended June 30, (continued)**

2008	2007	2006	2005	2004	2003
\$ 5,786,031	\$ 5,058,193	\$ 4,110,436	\$ 4,453,046	\$ 4,269,353	\$ 4,667,720
2,122	35,144	141,500	358,309	811,075	132,171
178,186	17,377	299,171	948,845	3,859	156,141
48,308	67,014	105,193	154,200	107,687	130,486
-	-	-	-	-	-
1,524,229	1,600,538	1,556,909	1,769,625	1,693,838	1,599,037
98,302	182,281	-	71,245	101,877	34,536
-	312,000	-	53,443	79,460	-
1,807,939	1,662,360	1,659,421	1,593,663	1,491,256	1,146,124
-	-	-	1,243	-	-
-	366,549	202,982	463,695	1,075,598	2,849,793
167,486	269,338	388,654	509,175	376,951	430,806
<u>9,612,603</u>	<u>9,570,794</u>	<u>8,464,266</u>	<u>10,376,489</u>	<u>10,010,954</u>	<u>11,146,814</u>
4,876,071	4,287,280	2,818,129	5,202,781	2,982,532	6,543,127
11,555,693	10,082,938	7,903,054	9,235,540	8,454,075	7,914,876
4,000,048	2,583,641	2,419,380	4,221,022	4,637,272	3,985,835
1,178,388	1,139,346	637,146	311,527	370,491	339,082
<u>21,610,200</u>	<u>18,093,205</u>	<u>13,777,709</u>	<u>18,970,870</u>	<u>16,444,370</u>	<u>18,782,920</u>
1,138,576	890,448	1,838,171	557,419	2,101,755	(1,456,609)
(9,933,162)	(7,988,119)	(6,346,145)	(7,341,227)	(6,578,900)	(6,281,303)
(2,024,623)	(285,394)	(168,323)	(2,162,421)	(1,693,467)	440,888
(1,178,388)	(1,139,346)	(637,146)	(311,527)	(370,491)	(339,082)
<u>(11,997,597)</u>	<u>(8,522,411)</u>	<u>(5,313,443)</u>	<u>(9,257,756)</u>	<u>(6,541,103)</u>	<u>(7,636,106)</u>
4,170,062	3,557,262	2,970,566	2,658,995	2,626,369	2,206,505
3,945,382	2,345,323	2,323,390	2,277,178	2,102,550	1,929,092
1,899,320	1,952,810	1,784,302	1,753,477	1,808,047	1,567,079
247,357	1,486,776	1,817,175	1,360,724	1,277,933	1,128,521
444,557	406,964	256,648	146,041	62,543	115,947
-	(15,896,208)	1,425,346	-	-	-
779,133	1,085,266	617,542	288,060	590,682	280,289
-	-	-	-	(868,437)	-
					(200,000)
<u>11,485,811</u>	<u>(5,061,807)</u>	<u>11,194,969</u>	<u>8,484,475</u>	<u>7,599,687</u>	<u>7,027,433</u>
(511,786)	(13,584,218)	5,881,526	(773,281)	1,058,584	(608,673)
37,149,923	50,734,018	45,144,447	45,254,353	43,131,304	43,739,977
-	-	-	-	956,778	-
<u>\$ 36,638,137</u>	<u>\$ 37,149,800</u>	<u>\$ 51,025,973</u>	<u>\$ 44,481,072</u>	<u>\$ 45,146,666</u>	<u>\$ 43,131,304</u>

CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
for the Fiscal Year Ended June 30,

Program Revenues:	2012	2011	2010	2009
Water:				
Charges for services	\$ 4,891,233	\$ 4,250,255	\$ 4,146,730	\$ 4,067,377
Capital grants and contributions	461,964	344,396	99,928	55,628
Capital system development charges	491,612	180,604	151,864	125,389
Wastewater:				
Charges for services	3,601,900	3,385,748	3,148,850	2,734,001
Capital system development charges	81,998	68,956	55,945	75,843
Electric:				
Charges for services	12,402,857	12,238,716	12,144,279	11,688,967
Operating grants and contributions	125,123	187,436	267,850	47,121
Telecommunications:				
Charges for services	1,931,126	1,944,758	1,818,789	1,805,746
	<u>23,987,813</u>	<u>22,600,869</u>	<u>21,834,235</u>	<u>20,600,072</u>
Program Expenses:				
Water	5,256,110	5,260,907	4,599,205	4,969,862
Wastewater	5,035,171	4,300,986	5,223,619	4,675,433
Electric	13,673,739	12,516,992	12,585,218	12,823,006
Telecommunications	3,308,448	3,535,592	2,931,512	2,845,198
	<u>27,273,468</u>	<u>25,614,477</u>	<u>25,339,554</u>	<u>25,313,499</u>
Net (Expense) Revenue:				
Water	588,699	(485,652)	(200,683)	(721,468)
Wastewater	(1,351,273)	(846,282)	(2,018,824)	(1,865,589)
Electric	(1,145,759)	(90,840)	(173,089)	(1,086,918)
Telecommunications	(1,377,322)	(1,590,834)	(1,112,723)	(1,039,452)
	<u>(3,285,655)</u>	<u>(3,013,608)</u>	<u>(3,505,319)</u>	<u>(4,713,427)</u>
General Revenues:				
Property taxes	-	-	-	-
Users taxes	1,707,079	1,592,942	1,583,908	1,495,488
Unrestricted interest earnings	155,478	106,904	114,266	108,066
Capital assets transfers	-	-	-	-
Miscellaneous	632,532	1,113,726	394,199	962,989
Gain (loss) on disposal of assets	-	-	-	-
Transfers:	-	-	-	-
Total general revenues and transfers	<u>2,495,089</u>	<u>2,813,572</u>	<u>2,092,373</u>	<u>2,566,543</u>
Change in net assets	(790,566)	(200,036)	(1,412,946)	(2,146,884)
Net assets - beginning	<u>60,966,049</u>	<u>61,166,085</u>	<u>62,579,031</u>	<u>64,725,916</u>
Net assets - ending	<u>\$ 60,175,483</u>	<u>\$ 60,966,049</u>	<u>\$ 61,166,085</u>	<u>\$ 62,579,031</u>

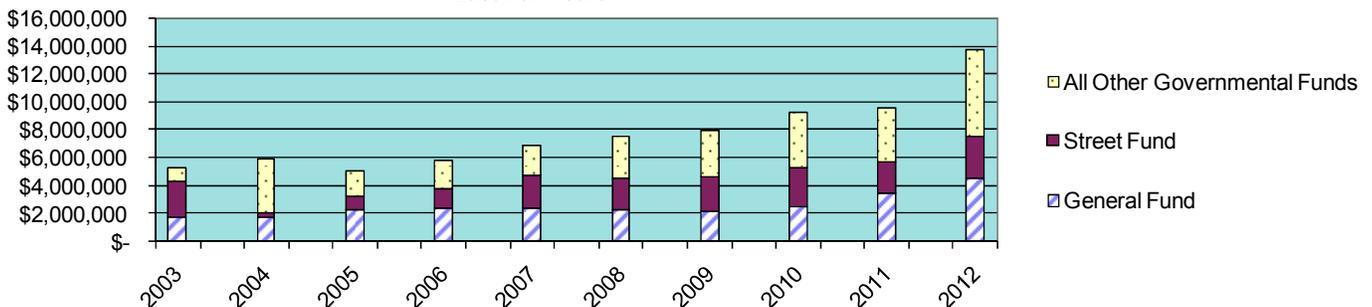
**CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
for the Fiscal Year Ended June 30, (continued)**

2008	2007	2006	2005	2004	2003
\$ 3,780,193	\$ 3,829,222	\$ 4,092,206	\$ 3,557,350	\$ 3,678,974	\$ 3,075,622
48,096	135,828	43,622	81,504	129,721	110,147
340,835	367,839	439,306	662,911	574,540	528,553
2,607,275	2,432,868	2,428,775	2,458,233	2,368,237	2,218,249
127,224	208,554	410,910	513,489	432,273	408,843
12,260,230	12,163,467	12,095,363	12,283,303	11,962,925	10,220,661
67,620	32,233	36,043	42,656	7,165	137,483
1,709,706	2,029,467	2,738,635	2,642,055	2,403,436	1,969,079
<u>20,941,179</u>	<u>21,199,478</u>	<u>22,284,860</u>	<u>22,241,501</u>	<u>21,557,271</u>	<u>18,668,637</u>
4,959,525	4,955,737	4,974,536	5,910,251	4,177,640	5,331,263
5,261,713	4,895,541	4,397,923	4,524,112	4,615,409	5,665,728
13,876,456	12,904,663	12,831,758	12,445,069	11,638,094	11,395,422
2,756,528	2,682,968	4,182,956	4,238,644	3,706,854	3,662,002
<u>26,854,222</u>	<u>25,438,909</u>	<u>26,387,173</u>	<u>27,118,076</u>	<u>24,137,997</u>	<u>26,054,415</u>
(790,401)	(622,848)	(399,402)	(1,608,486)	205,595	(1,616,941)
(2,527,214)	(2,254,119)	(1,558,238)	(1,552,390)	(1,814,899)	(3,038,636)
(1,548,606)	(708,963)	(700,352)	(119,110)	331,996	(1,037,278)
<u>(1,046,823)</u>	<u>(653,501)</u>	<u>(1,444,321)</u>	<u>(1,596,589)</u>	<u>(1,303,418)</u>	<u>(1,692,923)</u>
<u>(5,913,044)</u>	<u>(4,239,431)</u>	<u>(4,102,313)</u>	<u>(4,876,575)</u>	<u>(2,580,726)</u>	<u>(7,385,778)</u>
-	322	86,335	74,551	179,302	176,523
1,568,385	1,619,849	1,573,251	1,454,132	1,346,863	1,280,190
459,073	1,194,688	518,138	352,983	166,529	300,418
-	15,896,208	(1,425,346)	-	-	-
388,701	-	57,103	438,920	847,330	499,947
-	-	-	-	(986,004)	-
-	-	-	-	-	200,000
<u>2,416,159</u>	<u>18,711,067</u>	<u>809,481</u>	<u>2,320,586</u>	<u>1,554,020</u>	<u>2,457,078</u>
(3,496,885)	14,471,636	(3,292,832)	(2,555,989)	(1,026,706)	(4,928,700)
68,222,802	53,751,166	57,044,003	59,599,992	60,626,698	65,555,401
<u>\$ 64,725,917</u>	<u>\$ 68,222,802</u>	<u>\$ 53,751,171</u>	<u>\$ 57,044,003</u>	<u>\$ 59,599,992</u>	<u>\$ 60,626,701</u>

CITY OF ASHLAND, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
for the Fiscal Year Ended June 30,

General Fund	2012	2011	2010	2009
Reserved for:				
Reserved for asset forfeiture	\$ 224,361	\$ 187,864	\$ 129,510	\$ 140,974
Reserved for TOT tourism	102,786	100,563	-	-
Committed for:				
Parking surcharge	247,725	232,497	-	-
Public art	73,011	28,113	-	-
Affordable housing	148,426	23,367	-	-
Grubbs case	21,230			
Unassigned, reported in:				
General fund	3,692,190	2,875,653	2,345,060	2,044,482
Total general fund	4,509,729	3,448,057	2,474,570	2,185,456
Street Fund				
Reserved for:				
Reserved for system development charges	2,352,315	1,980,292	2,115,971	2,085,259
Unassigned, reported in:				
Special revenue funds	690,977	256,008	704,546	316,999
Total street fund	3,043,292	2,236,300	2,820,517	2,402,258
All Other Governmental Funds				
Reserved for:				
Reserved for system development charges	411,399	364,909	353,696	348,746
Reserved for CDGB funding	33,798	34,424	-	-
Reserved for perpetual care	861,244	831,603	807,796	788,752
Committed for:				
Committed for airport activities	83,711	60,083	-	-
Committed for food and beverage	365,466	526,148	-	-
Committed for facilities	3,463,420	1,241,604	-	-
Committed for debt service	982,650	809,249	762,199	1,072,785
Unreserved, reported in:				
General fund	-	-	-	-
Special revenue funds	-	-	32,160	19,979
Capital projects funds	-	-	1,969,977	1,154,776
Total all other governmental funds	6,201,688	3,868,020	3,925,828	3,385,038
Total governmental funds	\$ 13,754,709	\$ 9,552,377	\$ 9,220,915	\$ 7,972,752

Fund Balance Comparison
Governmental Funds
Last Ten Years



**CITY OF ASHLAND, OREGON
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years (continued)
for the Fiscal Year Ended June 30,**

2008	2007	2006	2005	2004	2003
\$ 236,514	\$ 329,180	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,060,152	2,038,534	2,326,936	2,308,388	1,755,143	1,715,220
2,296,666	2,367,714	2,326,936	2,308,388	1,755,143	1,715,220
2,049,977	1,761,561	1,597,642	1,472,090	1,197,249	1,594,538
120,493	615,659	(133,598)	(556,062)	(881,403)	934,212
2,170,470	2,377,220	1,464,044	916,028	315,846	2,528,750
96,632	168,896	65,675	65,675	1,197,249	-
-	-	-	-	-	-
771,948	749,918	719,429	702,629	684,476	679,646
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,246,509	559,263	459,095	423,842	433,278	282,293
-	-	-	-	1,755,143	-
6,891	(24,661)	130,126	2,942	(663,026)	(298)
951,989	714,329	586,843	635,387	429,873	67,583
3,073,969	2,167,745	1,961,168	1,830,475	3,836,993	1,029,224
\$ 7,541,105	\$ 6,912,679	\$ 5,752,148	\$ 5,054,891	\$ 5,907,982	\$ 5,273,194

**CITY OF ASHLAND, OREGON
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Years
for the Fiscal Year Ended June 30,**

Revenues:	2012	2011	2010	2009
Taxes	\$ 13,270,221	\$ 12,978,142	\$ 12,636,896	\$ 11,790,772
Fees, licenses and permits	1,340,102	482,275	474,379	768,451
Intergovernmental	2,878,726	3,642,108	2,103,165	1,630,055
Special assessments	43,542	17,867	3,292	25,587
Charges for services	6,520,263	6,315,976	5,799,929	5,732,687
Fines and forfeitures	168,305	183,239	183,266	156,092
Interest on investments	87,553	62,062	102,302	97,379
Miscellaneous	262,858	272,814	190,732	164,995
Total revenues	24,571,570	23,954,483	21,493,961	20,366,018
Expenditures:				
General government	4,631,724	4,300,262	4,278,859	3,982,889
Public safety	11,411,045	10,914,166	10,896,098	10,701,354
Highways and streets	2,422,483	3,778,610	2,361,523	2,298,680
Capital outlay	2,374,574	1,859,097	479,600	1,502,763
Debt service	2,172,846	2,562,886	2,229,718	2,363,685
Principal	1,196,086	1,563,425	1,183,203	1,277,584
Interest	976,760	999,461	1,046,515	1,086,101
Ratio of debt service to noncapital expenditures	11.77%	13.49%	12.71%	13.92%
Total expenditures	23,012,672	23,415,021	20,245,798	20,849,371
Excess (deficiency) of revenues over expenditures	1,558,898	539,462	1,248,163	(483,353)
Other financing sources (uses):				
Proceeds from debt issuance	-	-	-	915,000
Interfund loans	-	(208,000)	-	-
Transfers in	203,105	997,349	469,360	328,173
Transfers out	(203,105)	(997,349)	(469,360)	(328,173)
Total other financing sources (uses)	-	(208,000)	-	915,000
Net change in fund balance	\$ 1,558,898	\$ 331,462	\$ 1,248,163	\$ 431,647

**CITY OF ASHLAND, OREGON
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Last Ten Years (continued)
for the Fiscal Year Ended June 30,**

2008	2007	2006	2005	2004	2003
\$ 11,204,876	\$ 10,620,715	\$ 9,454,799	\$ 9,057,868	\$ 8,714,013	\$ 7,906,257
886,644	847,665	1,106,317	1,489,379	1,156,285	1,472,877
1,848,914	2,606,832	2,168,873	3,252,504	3,349,802	4,190,546
67,195	108,864	360,860	222,408	170,860	214,606
5,594,106	4,564,898	3,817,938	4,165,663	3,717,342	3,665,166
150,346	169,558	137,460	133,170	120,749	107,607
330,413	310,478	197,960	112,531	51,967	115,947
787,159	719,478	554,076	62,546	563,988	191,096
<u>20,869,653</u>	<u>19,948,488</u>	<u>17,798,283</u>	<u>18,496,069</u>	<u>17,845,006</u>	<u>17,864,102</u>
4,114,305	3,423,269	3,081,984	3,317,996	3,610,326	2,769,315
10,578,525	10,227,177	9,152,421	8,630,755	8,468,294	7,914,876
2,341,178	2,245,609	2,191,178	2,079,150	1,923,050	2,036,222
1,355,293	1,359,308	1,889,998	2,403,697	4,736,857	8,793,175
1,852,049	1,622,412	820,218	846,573	917,680	779,527
725,753	533,630	523,769	497,493	537,325	440,445
1,126,296	1,088,782	296,449	349,079	380,354	339,083
10.87%	10.21%	5.69%	6.03%	6.55%	6.13%
<u>20,241,350</u>	<u>18,877,775</u>	<u>17,135,799</u>	<u>17,278,171</u>	<u>19,656,207</u>	<u>22,293,115</u>
<u>628,303</u>	<u>1,070,713</u>	<u>662,484</u>	<u>1,217,898</u>	<u>(1,811,201)</u>	<u>(4,429,013)</u>
-	-	2,761,180	-	-	1,621,875
-	89,818	-	-	375,000	600,000
336,253	936,934	347,780	154,360	318,393	361,108
<u>(336,253)</u>	<u>(936,934)</u>	<u>(347,780)</u>	<u>(154,360)</u>	<u>(318,393)</u>	<u>(561,108)</u>
-	89,818	2,761,180	-	375,000	2,021,875
<u>\$ 628,303</u>	<u>\$ 1,160,531</u>	<u>\$ 3,423,664</u>	<u>\$ 1,217,898</u>	<u>\$ (1,436,201)</u>	<u>\$ (2,407,138)</u>

**CITY OF ASHLAND, OREGON
FUND BALANCE COMPARISON
Last Ten Years**

For the Fiscal Year Ended June 30, Fund Balances	2012 Adopted	2011 Adopted	2010 Adopted	2009 Adopted
City Component				
General Fund	\$ 1,729,188	\$ 1,484,490	\$ 1,332,508	\$ 1,190,469
Community Development Block Grant Fund	-	-	-	11,799
Reserve Fund	869,172	151,500	215,000	-
Street Fund	2,205,420	2,199,998	1,447,363	3,634,173
Airport Fund	44,387	10,804	9,024	31,727
Capital Improvements Fund	1,828,450	1,493,676	2,137,061	1,753,706
Debt Service Fund	1,020,546	790,646	1,149,113	1,166,758
Water Fund	1,121,531	4,302,000	836,814	3,041,343
Wastewater Fund	233,204	2,328,958	3,020,769	4,069,588
Electric Fund	1,091,591	1,387,036	649,494	2,067,545
Telecommunications Fund	339,464	281,732	325,135	396,498
Central Services Fund	10,026	70,593	12,531	106,614
Insurance Services Fund	646,302	394,466	543,266	977,803
Equipment Fund	1,124,500	88,202	1,322,161	1,252,898
Cemetery Trust Fund	852,797	826,753	812,948	790,918
Total city component	13,116,578	15,810,854	13,813,187	20,491,839
Parks Component				
Parks and Recreation Fund	1,703,840	1,409,225	1,450,910	1,190,614
Youth Activities Levy Fund	-	-	10,591	-
Parks Capital Improvements Fund	193,504	195,991	287,239	107,590
Total parks component	1,897,344	1,605,216	1,748,740	1,298,204
Total budget	\$ 15,013,922	\$ 17,416,070	\$ 15,561,927	\$ 21,790,043

For the Fiscal Year Ended June 30, Fund Balances	2012 Actual	2011 Actual	2010 Actual	2009 Actual
City Component				
General Fund	\$ 3,495,819	\$ 2,938,556	\$ 2,474,570	\$ 2,185,456
Community Development Block Grant Fund	33,798	34,424	37,424	69,618
Reserve Fund	1,013,910	509,502	148,072	-
Street Fund	3,043,292	2,236,300	2,820,517	2,402,258
Airport Fund	83,710	60,083	32,160	99,978
Capital Improvements Fund	4,449,285	2,132,661	2,138,176	1,433,904
Debt Service Fund	982,649	809,248	762,199	1,072,785
Water Fund	2,708,910	2,212,401	1,851,885	2,323,768
Wastewater Fund	2,794,806	3,250,111	3,496,009	3,710,771
Electric Fund	2,418,099	2,476,294	2,054,733	1,642,543
Telecommunications Fund	586,943	517,916	953,315	929,945
Central Services Fund	984,410	491,546	266,820	161,163
Insurance Services Fund	761,552	605,943	640,110	696,071
Equipment Fund	2,479,905	1,858,969	1,760,305	844,150
Cemetery Trust Fund	861,243	831,602	870,797	788,753
Total city component	26,698,331	20,965,556	20,307,092	18,361,163
Parks Component				
Parks and Recreation Fund	2,242,227	2,214,031	1,787,781	1,379,752
Youth Activities Levy Fund	20,326	9,899	22,534	27,356
Parks Capital Improvements Fund	449,131	432,866	252,864	166,991
Total parks component	2,711,684	2,656,796	2,063,179	1,574,099
Total actual	\$ 29,410,015	\$ 23,622,352	\$ 22,370,271	\$ 19,935,262

**CITY OF ASHLAND, OREGON
FUND BALANCE COMPARISON
Last Ten Years (continued)**

2008 Adopted	2007 Adopted	2006 Adopted	2005 Adopted	2004 Adopted	2003 Adopted
\$ 1,127,520	\$ 1,047,023	\$ 1,051,983	\$ 936,568	\$ 1,315,669	\$ 1,238,814
-	-	-	-	-	-
-	-	-	-	-	-
1,223,241	6,308,766	733,073	1,976,046	1,065,590	1,764,790
2,942	12,382	37,660	42,315	4,000	6,140
807,222	1,680,528	3,609,193	389,839	429,000	1,150,300
601,085	148,902	569,205	695,484	264,900	540,000
2,804,328	5,401,307	2,158,888	3,524,870	2,784,125	4,478,680
5,539,312	3,035,439	3,899,968	4,463,795	1,726,251	754,800
1,677,245	1,185,892	1,405,027	1,812,094	763,763	443,533
362,716	217,611	70,187	954,723	269,910	97,036
82,987	92,793	10,000	113,758	145,824	142,675
908,275	492,028	417,936	471,538	156,500	91,500
508,357	618,799	856,499	965,561	908,740	452,640
774,453	735,212	699,876	681,408	684,500	653,000
16,419,683	20,976,682	15,519,495	17,027,999	10,518,772	11,813,908
877,245	667,250	993,667	965,822	815,000	782,294
216,893	-	125,306	2,166	2,000	9,000
26,926	44,866	112,569	169,965	234,000	185,000
1,121,064	712,116	1,231,542	1,137,953	1,051,000	976,294
\$ 17,540,747	\$ 21,688,798	\$ 16,751,037	\$ 18,165,952	\$ 11,569,772	\$ 12,790,202

2008 Actual	2007 Actual	2006 Actual	2005 Actual	2004 Actual	2003 Actual
\$ 2,296,666	\$ 2,367,714	\$ 2,326,936	\$ 2,093,388	\$ 1,755,145	\$ 1,715,220
44,705	12,033	4,599	(8,492)	33,018	(32,433)
-	-	-	-	-	-
2,170,470	2,377,220	1,464,044	1,186,028	315,846	2,528,750
86,891	55,339	54,874	122,942	218,377	32,135
1,003,916	656,315	803,171	924,554	396,855	67,583
1,246,509	559,263	459,095	423,842	433,278	282,293
1,865,418	3,241,590	6,179,246	6,458,230	5,002,748	4,662,028
3,764,972	4,862,001	5,301,598	5,664,182	1,541,125	2,356,054
1,469,744	2,178,995	2,116,269	2,527,430	1,539,766	1,497,827
869,719	963,896	518,687	898,750	62,635	388,018
368,086	726,743	439,010	185,137	569,013	947,953
1,138,699	974,450	1,060,790	1,036,331	934,499	145,978
1,329,672	1,750,852	1,510,170	1,489,055	1,224,311	1,121,598
771,948	749,918	719,429	702,629	684,476	679,646
18,427,415	21,476,329	22,957,918	23,704,006	14,711,092	16,392,650
1,201,443	1,180,912	1,507,367	1,621,679	1,558,332	1,403,171
160,591	72,671	35,374	103,733	122,588	36,403
263,343	195,390	165,326	207,375	300,331	367,733
1,625,377	1,448,973	1,708,067	1,932,787	1,981,251	1,807,307
\$ 20,052,792	\$ 22,925,302	\$ 24,665,985	\$ 25,636,793	\$ 16,692,343	\$ 18,199,957

**CITY OF ASHLAND, OREGON
ASSESSED AND ESTIMATED ACTUAL
VALUE OF TAXABLE PROPERTY
for the last ten fiscal years - unaudited**

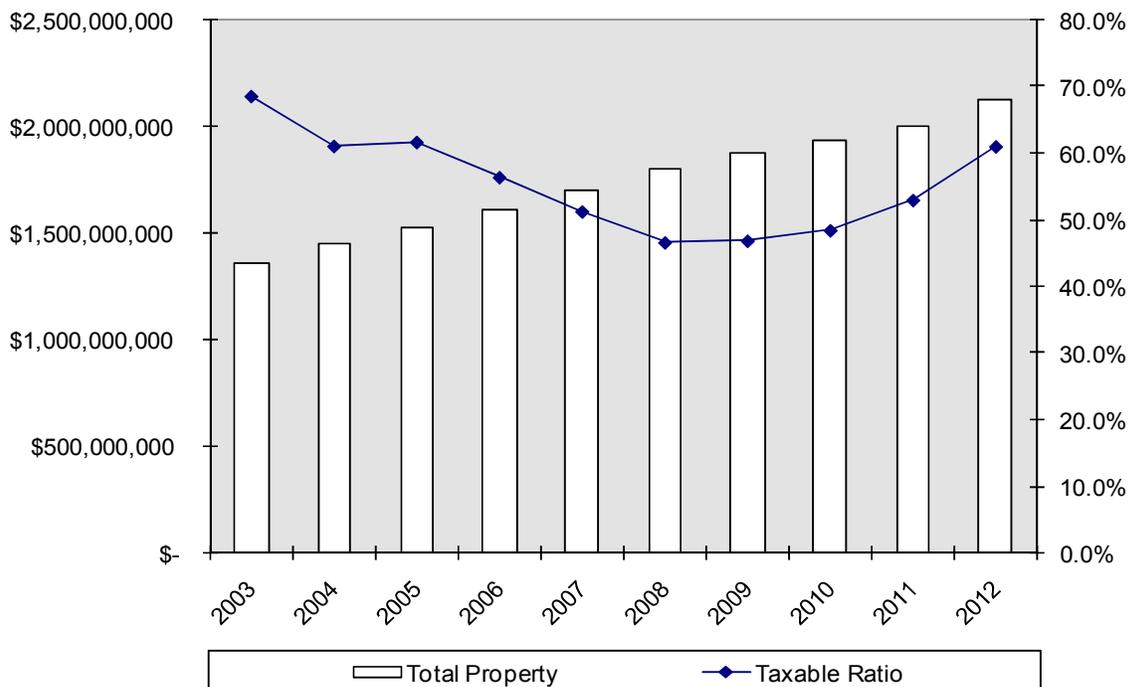
Fiscal Year Ended June 30,	Real Property	Mobile Home	Personal (1)	Utilities	Total	Property Tax Rate	Taxable ratio (True Cash Value to Assessed)
2012	\$ 2,055,111,118	\$ 6,318,010	\$ 40,939,090	\$ 26,290,929	\$ 2,128,659,147	\$ 4.71	67.7%
2011	2,000,563,826	5,956,110	41,057,580	24,422,710	2,072,000,226	4.60	61.0%
2010	1,937,303,620	5,881,825	40,133,110	24,860,300	2,008,178,855	4.59	53.0%
2009	1,871,896,544	5,744,350	44,282,840	21,243,990	1,943,167,724	4.42	48.4%
2008	1,802,639,910	5,762,080	44,536,050	22,372,000	1,875,310,040	5.73	46.9%
2007	1,700,020,579	5,498,040	40,468,280	20,509,400	1,766,496,299	5.56	46.6%
2006	1,610,148,502	5,301,570	38,820,610	20,344,260	1,674,614,942	5.25	51.3%
2005	1,524,210,039	5,108,410	38,419,400	27,532,841	1,595,270,690	5.26	56.4%
2004	1,446,150,336	5,400,552	37,453,000	22,831,681	1,511,835,569	5.34	61.7%
2003	1,360,297,002	5,147,040	34,209,260	24,241,450	1,423,894,752	5.36	61.1%

All property is evaluated once every six years as required by state statute

(1) Includes non-profit housing

Source: Jackson County Assessor tax roll property values

**Real Property Value and Taxable Ratio
Last Ten Years**



**CITY OF ASHLAND, OREGON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Valuation)
for the last ten fiscal years - unaudited**

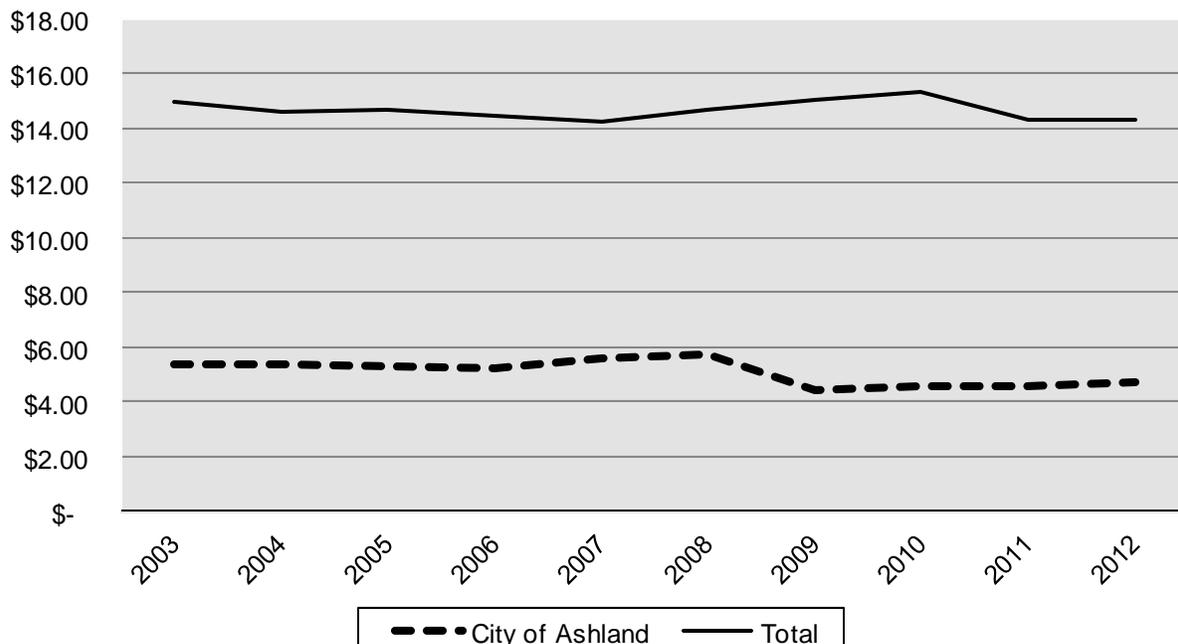
Fiscal Year Ended June 30,	City of Ashland Permanent rate	City of Ashland Local Option Levies	City of Ashland Bonded Debt	City of Ashland Component Unit	City of Ashland Total Tax Rate	Net General Government Tax Rate	Net School Support Tax Rate	Total
2012	\$ 2.10	\$ 0.19	\$ 0.24	\$ 2.09	\$ 4.63	\$ 7.18	\$ 8.38	\$ 15.56
2011	2.10	0.19	0.32	2.09	4.70	7.25	7.14	14.39
2010	2.10	0.19	0.20	2.09	4.59	7.17	7.14	14.31
2009	1.99	0.13	0.21	2.09	4.42	6.90	8.42	15.31
2008	1.85	0.20	0.20	3.47	5.72	8.12	6.90	15.01
2007	1.88	-	0.21	3.47	5.56	8.30	6.37	14.67
2006	1.62	-	0.16	3.47	5.26	8.01	6.28	14.29
2005	1.47	-	0.31	3.47	5.26	8.22	6.28	14.50
2004	1.47	-	0.40	3.47	5.34	8.34	6.33	14.67
2003	1.47	-	0.44	3.47	5.38	8.29	6.37	14.66

(1) Oregon Measure 47 combined with Jackson County tax rate since 1997-98

(2) Rogue Community College

Source: Jackson County Assessor and Tax Collector

**City of Ashland Property Tax Rate
Compared to Total Rate per Thousand**



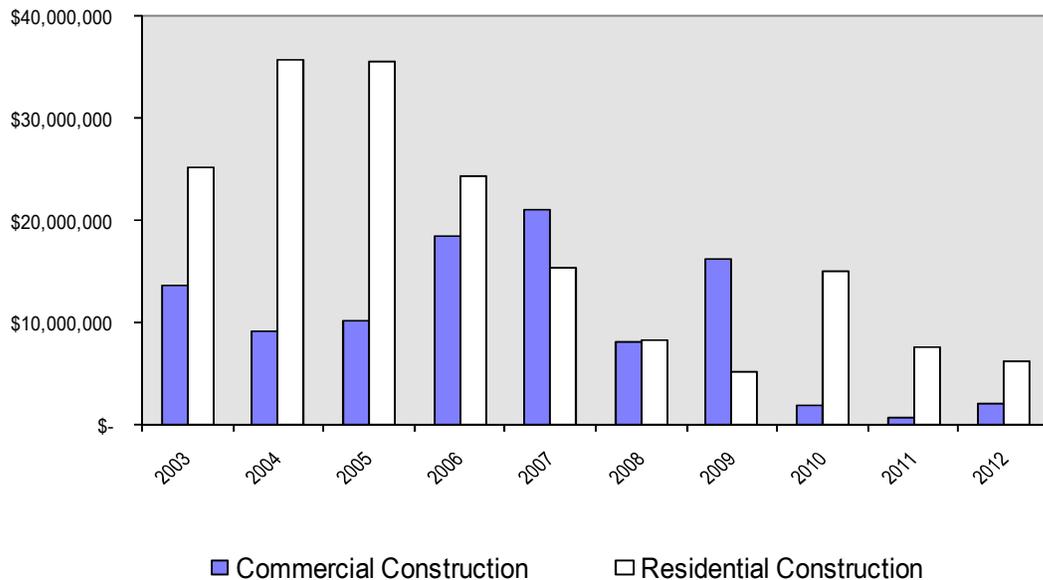
**CITY OF ASHLAND, OREGON
PROPERTY VALUE AND NEW CONSTRUCTION HISTORY
for the last ten fiscal years - unaudited**

Fiscal Year Ended June 30,	Property Value (1)	Commercial Construction		Residential Construction	
		Number of Units	Value	Number of Units	Value
2012	\$ 2,128,659,147	10	\$ 34,221,808	33	\$ 6,123,270
2011	2,072,000,226	11	1,989,421	47	7,531,926
2010	1,937,303,620	4	611,406	89	14,985,434
2009	1,943,167,724	15	1,812,635	21	5,108,099
2008	1,875,310,040	23	16,269,379	82	8,258,031
2007	1,766,496,299	26	8,086,124	98	15,270,781
2006	1,674,614,942	19	20,988,810	160	24,336,944
2005	1,595,270,690	42	18,426,846	188	35,576,749
2004	1,511,835,569	30	10,137,442	154	35,764,484
2003	1,423,894,752	17	9,077,761	152	25,170,310

(1) Property value is assessed valuation

Source: City of Ashland, Community Development Department
Jackson County Assessor

**Commercial and Residential Construction
Last Ten Years**



**CITY OF ASHLAND, OREGON
FOOD AND BEVERAGE TAX REVENUES BY FUND
for the last ten fiscal years- unaudited
(amounts expressed in thousands)**

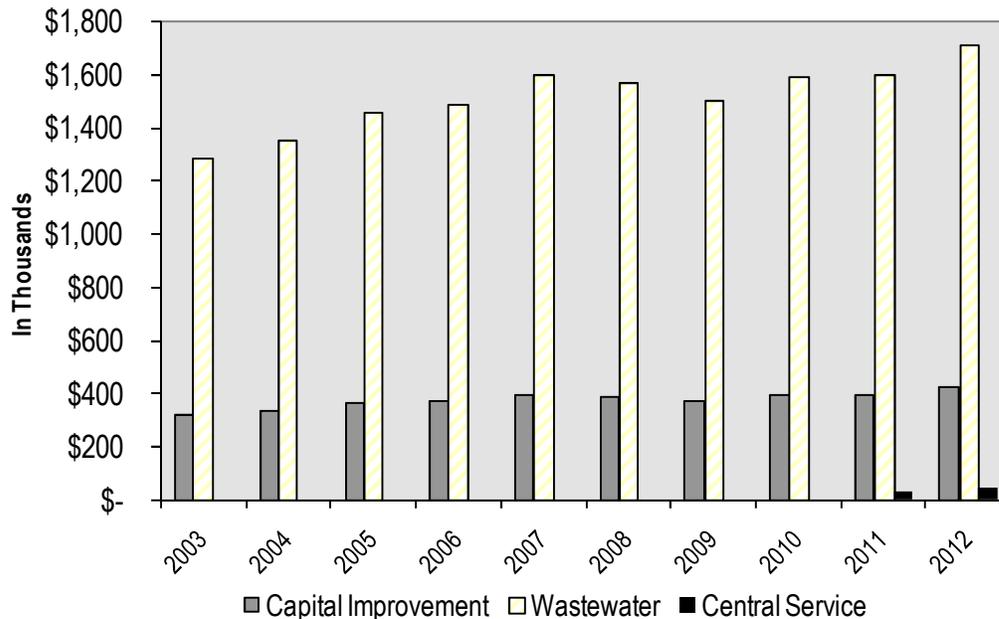
Fiscal Year Ended June 30,	Capital Improvement (1)	Wastewater (2)	Central Service	Total (3)	Cumulative
2012	\$ 427	\$ 1,707	\$ 47	\$ 2,181	\$ 30,610
2011	398	1,593	31	2,022	28,429
2010	396	1,584	-	1,980	26,407
2009	374	1,495	-	1,869	24,427
2008	392	1,567	-	1,959	22,558
2007	395	1,594	-	1,989	20,599
2006	370	1,481	-	1,851	18,610
2005	364	1,454	-	1,818	16,759
2004	337	1,347	-	1,684	14,941
2003	320	1,280	-	1,600	13,257

(1) Dedicated to acquisition of open space parkland

(2) Derived from wastewater enterprise operations

(3) Tax enacted July 1, 1993

**Food and Beverage Tax Revenues by Fund
Last Ten Years**



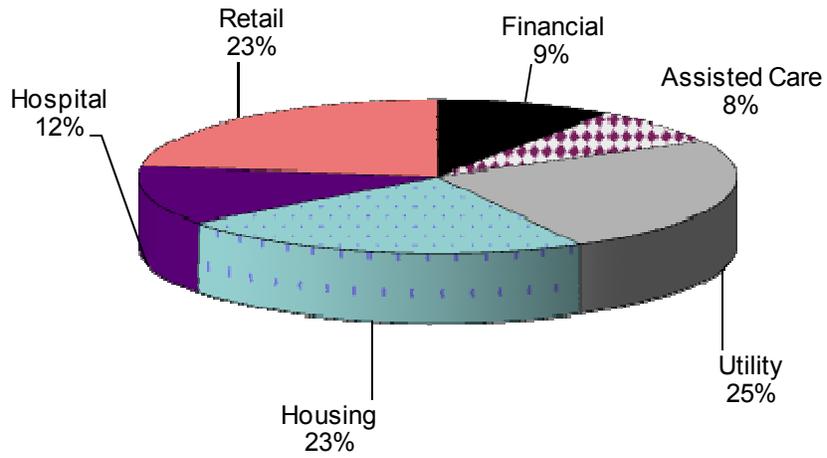
**CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago**

Taxpayers	Type of Business	Percentage	
		2012 Assessed Valuation	of Total Assessed Valuation
Ronald L. Deluca	Housing	\$ 10,110,540	0.47%
Qwest Corporation	Utility	8,533,700	0.40%
Ashland Community Hopsital	Hospital	8,250,970	0.39%
Avista Corp.	Utility	8,051,400	0.38%
Pacific Financial , Inc.	Financial	6,408,900	0.30%
Beverly Rydbom	Retail	5,321,930	0.25%
Skylark Assisted Living	Assisted Care	5,231,090	0.25%
Windmill Inns of America, Inc.	Motels	5,139,360	0.24%
Bard's Inn	Housing	5,007,650	0.24%
Summit Investment	Retail	4,938,750	0.23%
All other		2,061,664,857	96.85%
Total		\$ 2,128,659,147	100.00%

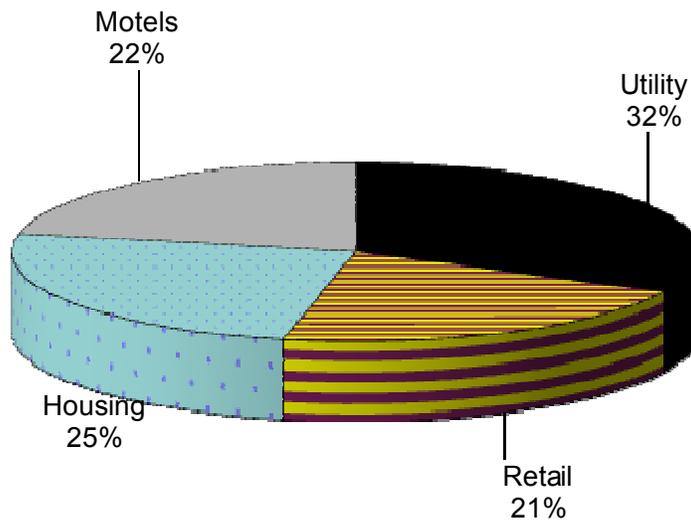
Taxpayers	Type of Business	Percentage	
		2003 Assessed Valuation	of Total Assessed Valuation
Qwest, Inc	Utility	\$ 14,492,510	1.02%
Windmill Inns of America, Inc.	Motels	8,949,760	0.63%
Ronald L. Deluca	Housing	7,288,670	0.51%
Avista Corp. DBA Washington Water Power Co.	Utility	5,743,500	0.40%
Financial Pacific, Inc	Housing	4,867,590	0.34%
Skylark Assisted Living	Housing	4,028,500	0.28%
Bard's Inn Limited	Motels	3,838,160	0.27%
Rydbom, Michael and Beverly	Retail	3,759,750	0.26%
Summit Investment	Retail	3,627,480	0.25%
Winsor Inn Motel	Motels	3,122,400	0.22%
All other		\$ 1,364,176,432	95.81%
Total		\$ 1,423,894,752	100.00%

Source: Jackson County Assessor

2012 Principal Property Tax Payers



2003 Principal Property Tax Payers



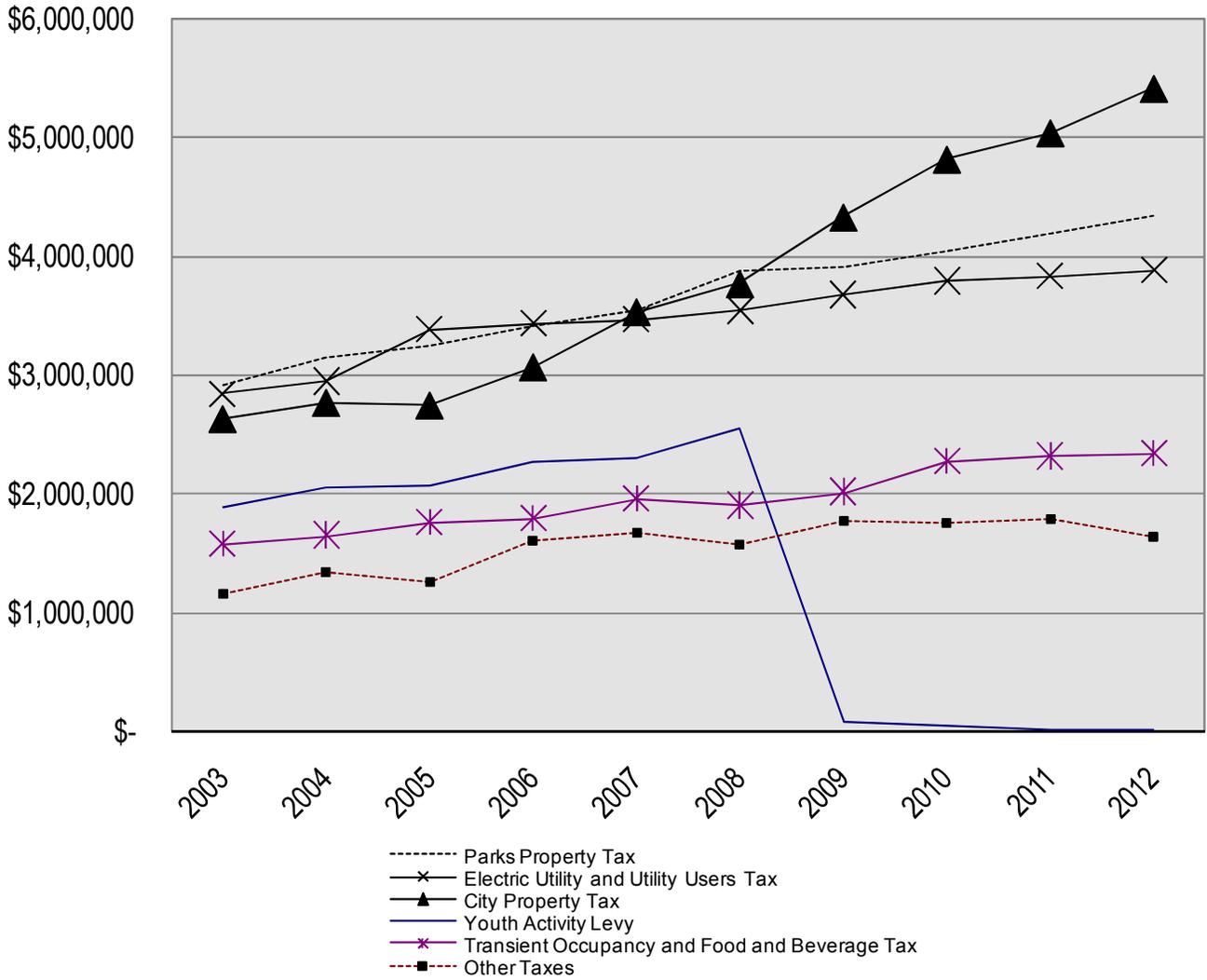
CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES
BY SOURCE
for the last ten fiscal years - unaudited
(amounts expressed in thousands)

Fiscal Year Ended June 30,	Combined Property Taxes	Electric Utility Franchise (1)	Utility Users Tax (1)	Other Franchise and Privilege Taxes	Transient Occupancy Tax	Food and Beverage Tax (2)	Business License Tax	Total
2012	\$ 9,759	\$ 1,251	\$ 2,627	\$ 1,436	\$ 1,911	\$ 427	\$ 202	\$17,613
2011	9,246	1,228	2,603	1,591	1,918	398	197	17,181
2010	8,896	1,232	2,557	1,552	1,880	396	197	16,710
2009	8,313	1,207	2,468	1,567	1,639	374	201	15,769
2008	10,573	1,170	2,375	1,362	1,508	392	201	17,581
2007	9,378	1,119	2,345	1,544	1,559	395	129	16,469
2006	8,801	1,111	2,323	1,399	1,414	370	205	15,623
2005	8,061	1,106	2,277	1,101	1,390	364	155	14,454
2004	7,970	842	2,103	1,178	1,309	337	155	13,894
2003	7,426	914	1,929	997	1,255	320	153	12,994

(1) Derived from city-owned electric utility operations

(2) Tax enacted July 1, 1993

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE



**CITY OF ASHLAND, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
for the last ten fiscal years - unaudited**

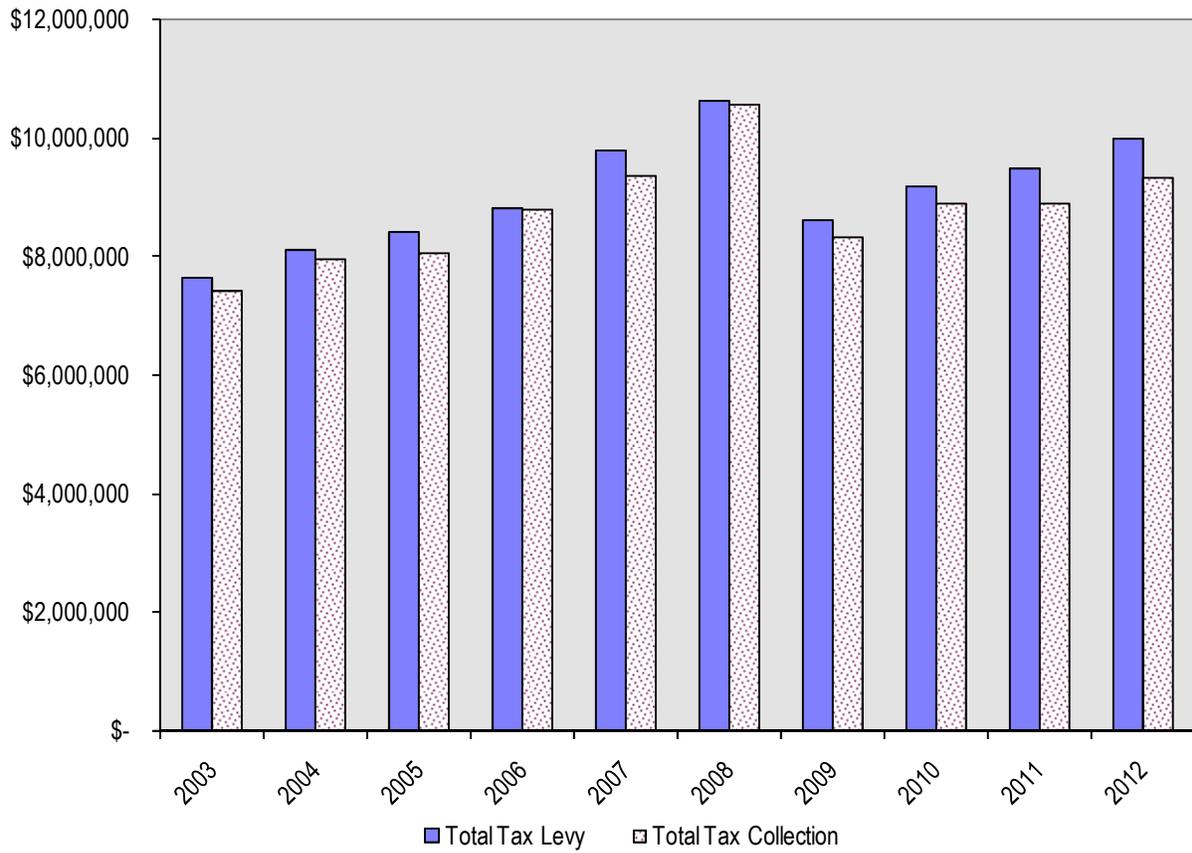
Fiscal Year Ended June 30,	Total Tax Levy (1)	Current Tax Collections (2)	Percent of Levy Collected	Delinquent Tax Collections (2)(3)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2012	\$9,997,229	\$ 9,322,678	93.3%	\$ 436,198	\$ 9,758,876	97.6%	\$ 755,098	7.6%
2011	9,470,164	8,885,987	93.8%	359,767	9,245,754	97.6%	773,714	8.2%
2010	9,176,778	8,511,729	92.8%	384,362	8,896,091	96.9%	699,122	7.6%
2009	8,616,000	7,981,337	92.6%	331,445	8,312,782	96.5%	684,345	7.9%
2008	10,609,706	10,273,879	96.8%	298,774	10,572,653	99.7%	636,512	6.0%
2007	9,797,262	9,142,734	93.3%	235,560	9,378,294	95.7%	609,308	6.2%
2006	8,803,680	8,428,550	95.7%	372,526	8,801,076	100.0%	642,298	7.3%
2005	8,399,000	7,753,164	92.3%	307,911	8,061,075	96.0%	535,484	6.4%
2004	8,103,092	7,618,841	94.0%	351,635	7,970,476	98.4%	661,833	8.2%
2003	7,643,588	7,100,832	92.9%	325,084	7,425,916	97.2%	717,103	9.4%

(1) Includes levy within the tax base, levy for bonded indebtedness, miscellaneous assessment payments in lieu of tax, and tax levy shared offsets

(2) Includes adjustments, rounding and discounts

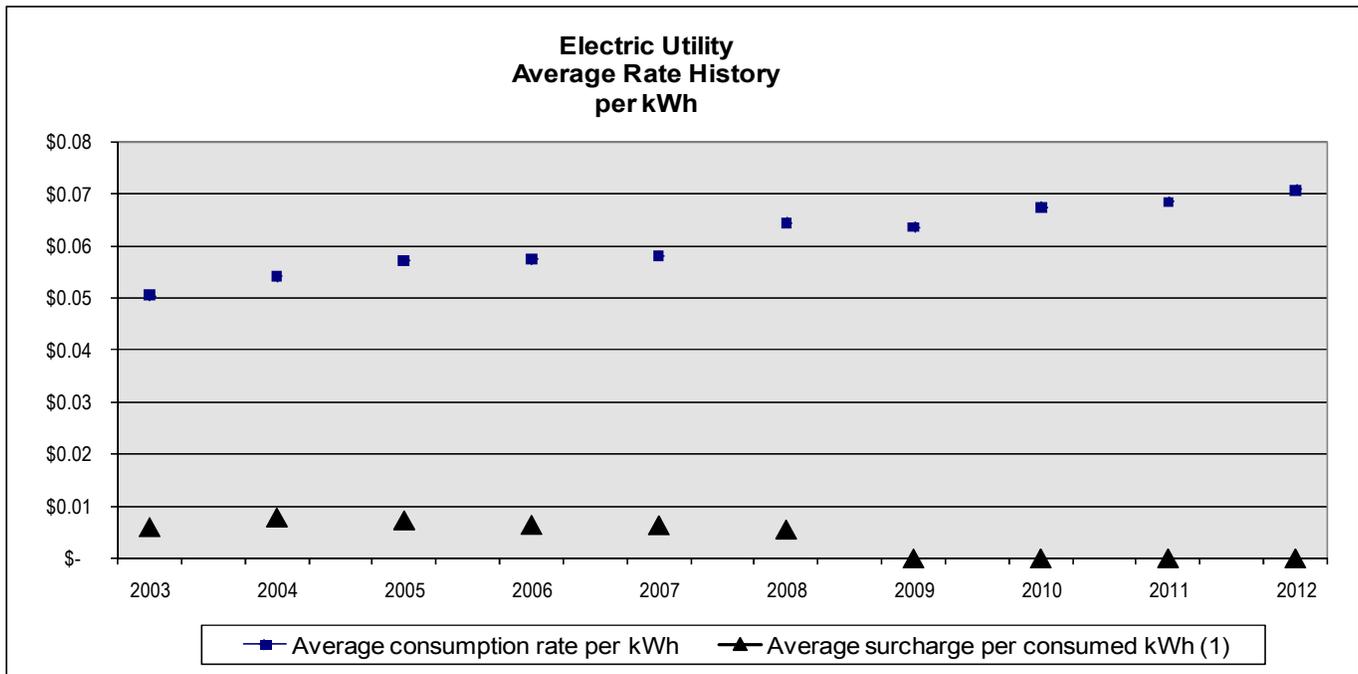
(3) Delinquent taxes collected represent accumulative amounts for the specific fiscal year

PROPERTY TAX LEVIES AND COLLECTIONS



**CITY OF ASHLAND, OREGON
ELECTRIC UTILITY USAGE
IN KILOWATT HOURS (kWh)
for the last ten fiscal years - unaudited**

	2012	2011	2010	2009
Electric:				
Commercial	55,628,874	55,617,369	56,996,490	56,893,914
Governmental	20,136,246	20,539,286	19,467,344	18,283,476
Municipal	6,164,885	6,107,945	6,407,172	6,288,095
Residential	91,550,691	94,402,343	93,634,626	91,638,620
Electric usage total	173,480,696	176,666,943	176,505,632	173,104,105
Total electric revenue	\$ 12,305,176	\$ 12,126,401	\$ 11,931,379	\$ 11,028,224
Average consumption rate per kWl	\$ 0.071	\$ 0.069	\$ 0.068	\$ 0.064
BPA surcharge revenue	NA	NA	NA	NA
Average surcharge per consumed	NA	NA	NA	NA

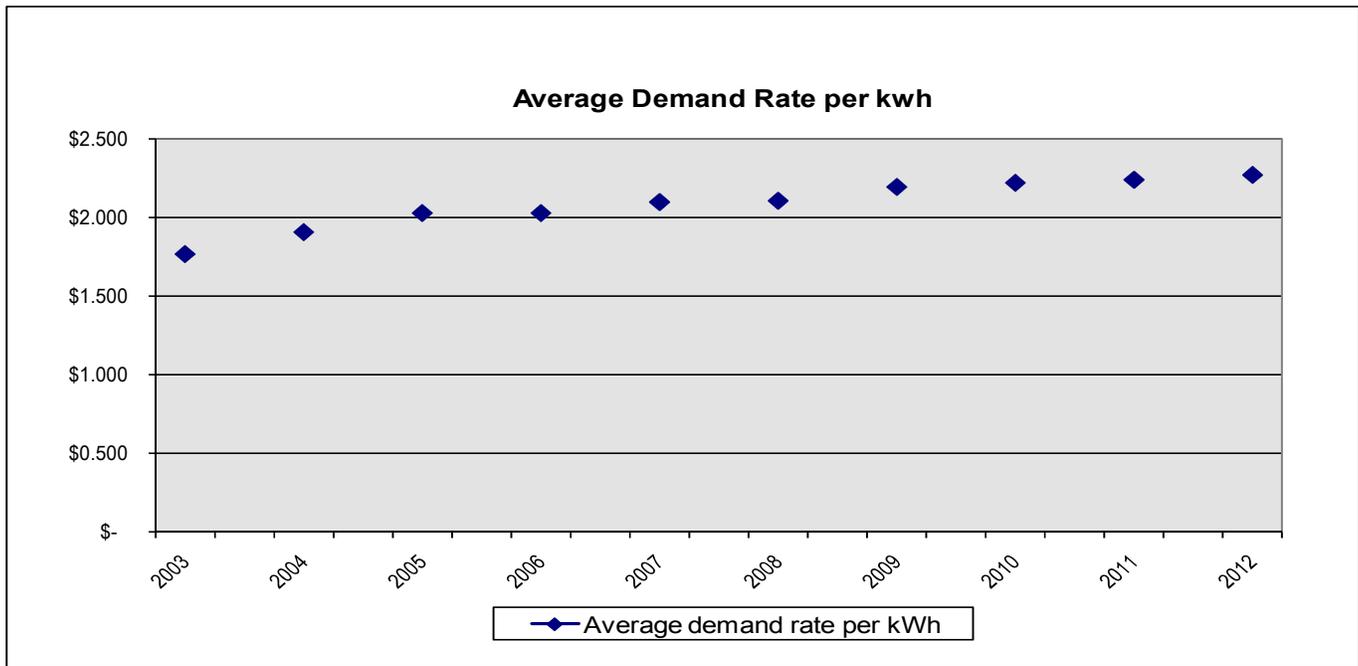


(1) Council implemented the surcharge due to increasing costs and changes in the wholesale power industry in FY 2002

	2012	2011	2010	2009	2008
Demand:					
Commercial	164,566	162,175	151,072	147,155	159,430
Governmental/Municipal	71,111	68,480	63,445	70,242	65,931
Demand usage total	235,677	230,655	214,517	217,397	225,361
Total demand revenue	\$ 533,947	\$ 515,481	\$ 475,273	\$ 476,024	\$ 473,565
Average demand rate per kWh	\$ 2.266	\$ 2.235	\$ 2.216	\$ 2.190	\$ 2.101

**CITY OF ASHLAND, OREGON
ELECTRIC UTILITY USAGE
IN KILOWATT HOURS (kwh)
for the last ten fiscal years - unaudited (continued)**

2008	2007	2006	2005	2004	2003
59,730,031	59,796,009	58,939,938	58,199,994	57,257,258	56,017,453
18,328,996	16,771,812	17,684,660	17,522,640	16,826,746	16,009,661
6,231,719	5,911,482	5,798,328	6,015,412	6,181,644	5,785,074
95,853,685	91,324,747	90,977,982	89,045,820	86,225,218	85,158,420
180,144,431	173,804,050	173,400,908	170,783,866	166,490,866	162,970,608
\$ 11,638,234	\$ 10,118,284	\$ 9,978,512	\$ 9,779,099	\$ 9,022,608	\$ 8,236,862
\$ 0.065	\$ 0.058	\$ 0.058	\$ 0.057	\$ 0.054	\$ 0.051
\$ 1,016,152	\$ 1,123,490	\$ 1,133,645	\$ 1,266,655	\$ 1,329,577	\$ 994,166
\$ 0.006	\$ 0.006	\$ 0.007	\$ 0.007	\$ 0.008	\$ 0.006



2007	2006	2005	2004	2003
164,228	160,133	156,388	156,476	155,538
69,856	68,828	67,529	65,457	62,436
234,084	228,961	223,917	221,933	217,974
\$ 490,039	\$ 463,244	\$ 453,221	\$ 422,209	\$ 384,340
\$ 2.093	\$ 2.023	\$ 2.024	\$ 1.902	\$ 1.763

CITY OF ASHLAND, OREGON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
for the last ten fiscal years - unaudited

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Population (1)</u>	<u>Percentage</u> <u>Change</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded</u> <u>Debt (3)</u>	<u>Debt Service Fund</u> <u>Monies Available</u>
2012	20,255	0.80%	\$ 2,128,659,147	\$ 35,728,075	\$ 976,265
2011	20,095	-6.56%	2,072,000,226	35,331,935	804,633
2010	21,505	0.09%	2,008,178,855	39,708,269	762,199
2009	21,485	-1.44%	1,943,167,724	42,560,804	1,072,785
2008	21,800	1.73%	1,875,310,040	44,138,466	1,246,509
2007	21,430	2.63%	1,766,496,299	46,090,591	479,262
2006	20,880	1.41%	1,674,614,942	49,105,540	459,095
2005	20,590	0.78%	1,595,270,690	48,595,783	423,842
2004	20,430	1.49%	1,511,835,569	43,746,882	433,278
2003	20,130	1.82%	1,423,894,752	42,804,005	282,293

Source:

- (1) Center for Population Research and Census, Portland State University
- (2) Jackson County Assessor tax roll property value records
- (3) City of Ashland financial records - includes all long-term general obligation debt, including general obligation special assessments, general obligation bonds, and general obligation warrants.
- (4) Includes general obligation debt paid from Hospital Enterprise Fund operations, Utility Services Fund operations, and special assessment payments from benefited property owners.

**CITY OF ASHLAND, OREGON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
for the last ten fiscal years - unaudited (continued)**

<u>Enterprise Fund Monies Available</u>	<u>Debt Payable for Enterprise Revenues (4)</u>	<u>Net General Obligation Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
\$ 875,490	\$ 16,821,156	\$ 31,584,013	1.48%	\$ 1,471.76
875,490	18,578,931	31,095,074	1.50%	1,547.40
875,490	21,389,684	17,898,670	0.89%	832.30
875,490	23,059,454	18,970,000	0.98%	882.94
1,751,369	38,652,249	18,840,000	1.00%	864.22
-	40,456,883	19,425,000	1.10%	906.44
1,913,648	41,842,256	19,770,000	1.18%	946.84
1,913,648	43,614,513	20,045,000	1.26%	973.05
1,281,341	36,866,762	4,875,000	0.32%	239.11
1,913,648	38,884,073	5,280,000	0.37%	262.30

**Net Bonded Debt Per Capita
Last Ten Years**

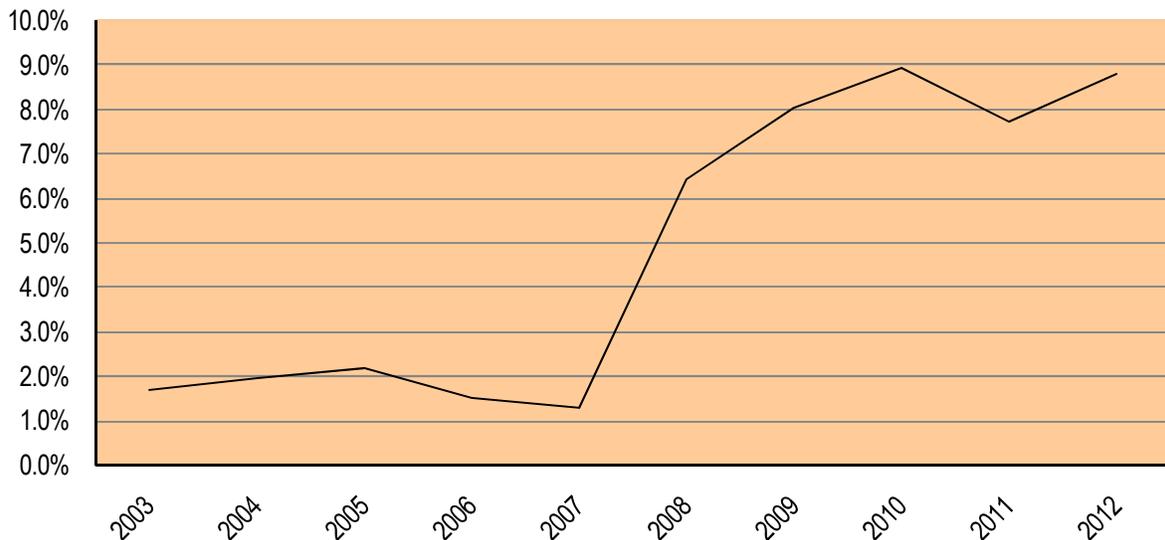


CITY OF ASHLAND, OREGON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
for the last ten fiscal years - unaudited

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service (1)	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2012	\$ 1,105,000	\$ 916,434	\$ 2,021,434	\$ 23,012,672	8.8%
2011	905,000	904,149	1,809,149	23,415,021	7.7%
2010	865,000	943,917	1,808,917	20,245,798	8.9%
2009	695,000	976,738	1,671,738	20,849,371	8.0%
2008	415,000	885,470	1,300,470	20,241,350	6.4%
2007	205,000	34,836	239,836	18,877,775	1.3%
2006	195,000	62,360	257,360	17,302,206	1.5%
2005	185,000	187,607	372,607	17,278,171	2.2%
2004	185,000	196,353	381,353	19,656,207	1.9%
2003	170,000	199,068	369,068	22,293,115	1.7%

(1) Includes General, Special Revenue Funds, and Debt Service Funds

**Ratio of Debt Service
to General Governmental Expenditures
Last Ten Years**



**CITY OF ASHLAND, OREGON
PLEDGED REVENUE COVERAGE
WATER FUND
for the last ten fiscal years - unaudited**

Fiscal Year Ended June 30,	Gross Revenues	Operating Expenses	Future Rate Stabilization Offset (3)	Net Revenues Available for Debt Service	Debt Service Requirements (4)			Coverage
					Principal	Interest	Total	
2012	\$ 5,745,624	\$ 4,540,937	\$ -	\$ 1,204,687	\$ 580,742	\$ 127,436	\$ 708,178	1.70
2011	4,806,603	3,597,288	-	1,209,315	394,036	135,574	529,610	2.28
2010	4,455,767	3,439,267	-	1,016,500	345,000	112,206	457,206	2.22
2009	4,552,624	2,819,395	-	1,733,229	335,000	120,288	455,288	3.81
2008	4,274,376	3,499,545	-	774,831	335,000	127,406	462,406	1.68
2007	4,651,122	3,115,885	-	1,535,237	325,000	133,191	458,191	3.34
2006	4,531,503	2,591,347	-	1,940,156	320,000	140,456	460,456	4.21
2005	4,428,981 (1)	1,825,395 (2)	-	2,603,586	320,000	146,856	466,856	5.58
2004	5,015,140 (1)	3,375,551 (2)	-	2,006,445	345,000	127,347	472,347	3.51
2003	3,478,958	2,340,293	100,000	1,038,665	155,000	171,727	326,727	3.18

(1) Total Operating Revenues, including System Development Charges

(2) Total operating expenses, not including Interfund Loan, Capital Outlay, Existing Debt, and Franchise Taxes paid

(3) Gross revenues in excess of those necessary to meet current debt service obligations by covenant available to assure coverage in future fiscal periods

(4) Includes Revenue Bond principal and interest amounts transferred to registered paying agent irrespective of actual bond maturities

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**CITY OF ASHLAND, OREGON
RATIOS OF OUTSTANDING DEBT
BY TYPE
for the last ten years**

Governmental Activities			<u>Notes and Contracts</u>		
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Promissory Notes	OECD (1) Loans	Per Capita (2)
2012	17,550,000	0.82%	\$ 681,780	\$ 675,138	\$ 853.51
2011	15,695,000	0.76%	354,502	703,502	833.69
2010	16,600,000	0.83%	488,197	1,230,388	851.83
2009	17,465,000	0.90%	622,313	1,412,321	907.59
2008	18,160,000	0.97%	740,079	1,587,138	939.78
2007	18,575,000	1.05%	883,775	1,754,932	989.91
2006	18,625,000	1.11%	1,066,510	1,920,792	1,035.07
2005	18,265,000	1.14%	1,200,270	2,079,804	1,046.39
2004	3,235,000	0.21%	8,758,585	2,231,077	696.26
2003	3,420,000	0.24%	1,343,423	2,249,447	348.38

Business - Type Activities					
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Revenue Bonds and Notes	DEQ (3) Loan	Per Capita (2)
2012	\$ 14,034,014	0.66%	\$ 2,787,143	\$ -	\$ 783.84
2011	15,400,074	0.74%	3,178,857	-	924.55
2010	1,298,697	0.06%	3,560,571	16,530,415	994.64
2009	1,505,000	0.08%	3,927,286	17,627,168	1,073.28
2008	680,000	0.04%	4,284,000	18,687,249	1,084.92
2007	850,000	0.05%	4,315,000	19,711,883	1,160.84
2006	1,145,000	0.07%	4,640,000	20,702,256	1,268.55
2005	1,795,000	0.11%	4,960,000	21,659,513	1,380.02
2004	1,650,000	0.11%	5,280,000	22,584,762	1,444.68
2003	1,860,000	0.13%	13,545,000	23,479,073	1,931.65

Total Outstanding Debt			
Fiscal Year Ended June 30,	Total Outstanding Debt	Personal Income (4)	Debt as a Percentage of Personal Income
2012	\$ 35,728,075	unavailable	NA
2011	35,331,935	unavailable	NA
2010	39,708,269	unavailable	NA
2009	42,559,088	391,431,000	10.87%
2008	44,138,466	430,978,000	10.24%
2007	46,090,591	463,652,000	9.94%
2006	48,099,558	461,001,000	10.43%
2005	49,959,587	411,308,000	12.15%
2004	43,739,424	394,362,000	11.09%
2003	45,896,943	338,294,000	13.57%

(1) OECD - Oregon Economic and Community Development Department

(2) *Per Capita* is calculated using the total debt for the category divided by population shown on *Ratio of Net*

General Obligation Bonded Debt to Assessed Value Schedule

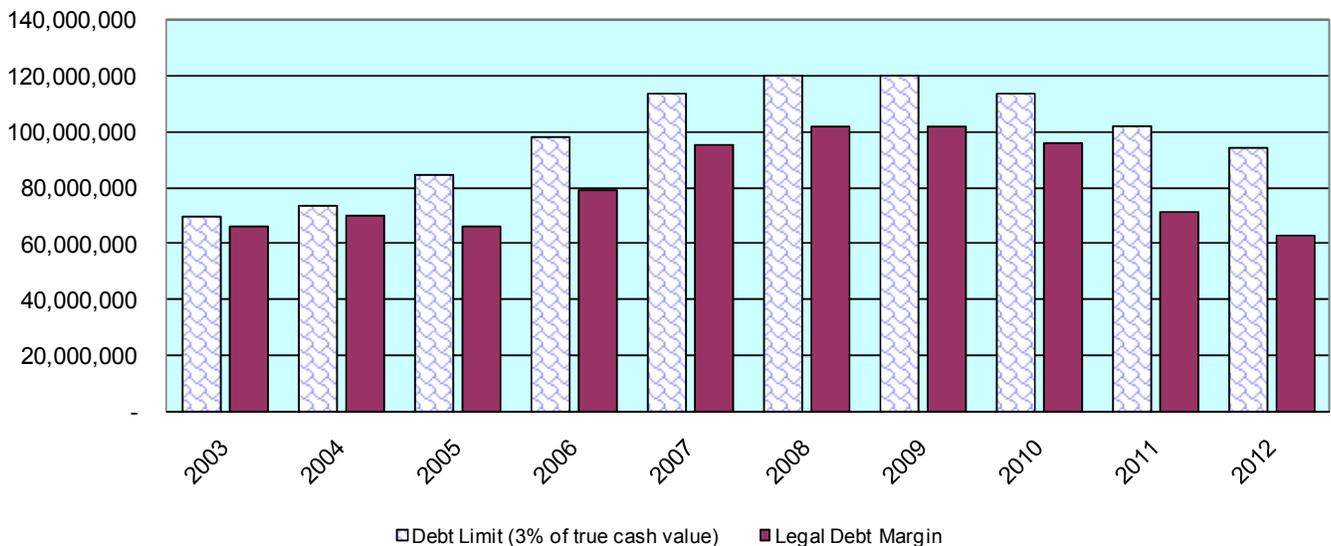
(3) DEQ - Oregon Department of Environmental Quality

(4) Oregon Department of Revenue Personal Income Tax Statistics

**CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
for the Fiscal Year Ended June 30,
for the last ten years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
True Cash Value	\$ 3,145,655,451	\$ 3,394,416,254	\$ 3,790,236,802	\$ 4,011,032,636
Legal Debt Margin				
Debt limit (3% of true cash value)	\$ 94,369,664	\$ 101,832,488	\$ 113,707,104	\$ 120,330,979
Net Bonded Debt:				
Gross bonded debt	31,584,014	31,095,074	17,898,697	18,970,000
Less amounts exempted:				
Water	-	-	-	-
Special assessment	-	-	-	-
Re-funding	-	-	-	-
Water re-funding	<u>(370,000)</u>	<u>(360,000)</u>	<u>(345,000)</u>	<u>(505,000)</u>
Total debt applicable to margin	<u>31,214,014</u>	<u>30,735,074</u>	<u>17,553,697</u>	<u>18,465,000</u>
LEGAL DEBT MARGIN	<u>\$ 63,155,650</u>	<u>\$ 71,097,414</u>	<u>\$ 96,153,407</u>	<u>\$ 101,865,979</u>

**Legal Debt Margin
Compared to Debt Limit
Last Ten Years**



**CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
for the Fiscal Year Ended June 30,
for the last ten years (continued)**

2008	2007	2006	2005	2004	2003
<u>\$ 4,000,418,984</u>	<u>\$ 3,788,568,503</u>	<u>\$3,266,109,773</u>	<u>\$ 2,827,489,200</u>	<u>\$ 2,450,551,643</u>	<u>\$2,327,582,133</u>
<u>\$ 120,012,570</u>	<u>\$ 113,657,055</u>	<u>\$ 97,983,293</u>	<u>\$ 84,824,676</u>	<u>\$ 73,516,549</u>	<u>\$ 69,827,464</u>
18,840,000	19,425,000	19,780,000	20,045,000	4,875,000	5,280,000
(25,000)	(50,000)	(60,000)	(85,000)	(100,000)	(125,000)
-	-	-	-	-	-
-	-	-	-	-	(75,000)
<u>(655,000)</u>	<u>(800,000)</u>	<u>(940,000)</u>	<u>(1,075,000)</u>	<u>(1,205,000)</u>	<u>(1,325,000)</u>
<u>18,160,000</u>	<u>18,575,000</u>	<u>18,780,000</u>	<u>18,885,000</u>	<u>3,570,000</u>	<u>3,755,000</u>
<u>\$ 101,852,570</u>	<u>\$ 95,082,055</u>	<u>\$ 79,203,293</u>	<u>\$ 65,939,676</u>	<u>\$ 69,946,549</u>	<u>\$ 66,072,464</u>

**CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2012 - unaudited**

True cash value	\$ 3,145,655,451	
3% of true cash value	<u>0.03</u>	
		\$ 94,369,664

NET BONDED DEBT:

Gross bonded debt	31,584,014	
Less amounts exempted:		
Water		
Water re-funding	<u>(370,000)</u>	
Total debt applicable to margin		<u>31,214,014</u>

LEGAL DEBT MARGIN	<u>\$ 63,155,650</u>
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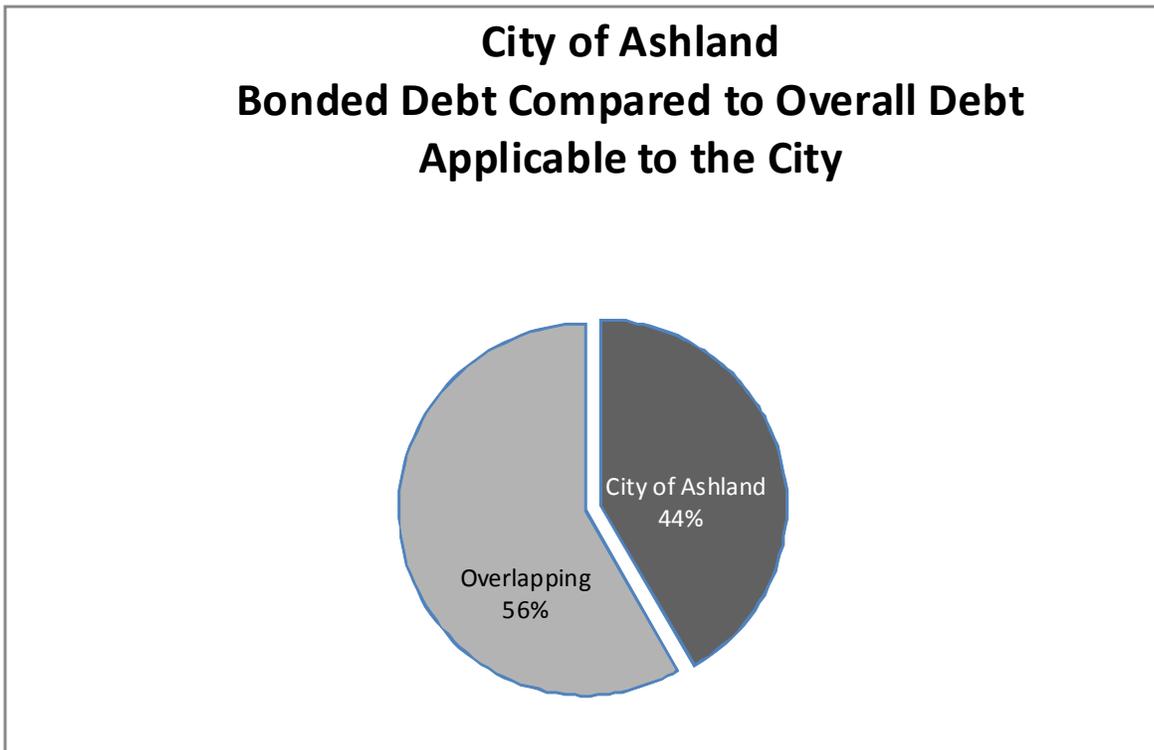
ORS 287.004 provides a debt limit of three percent of the true cash value of all taxable property within the Municipality's boundaries. According to ORS 287.004, the three percent limitation does not apply to bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, power or lighting purposes, nor to bonds issued pursuant to applications to pay assessments for improvements or installments for benefited property owners.

Source: Jackson County Assessor's Office
Audited Financial Statements
Oregon Revised Statutes (ORS) 287.004

**CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2012 - unaudited**

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Ashland	\$ 31,584,014	100.00%	\$ 31,584,014
Overlapping:			
Jackson County	3,027,915	14.54%	440,259
School District No. 5	27,126,046	79.81%	21,649,297
Rogue Community College	<u>3,075,628</u>	14.54%	<u>447,196</u>
	<u>\$ 33,229,589</u>		<u>\$ 22,536,752</u>
	<u>\$ 64,813,603</u>		<u>\$ 54,120,766</u>

Source: State of Oregon, Office of Treasurer



**CITY OF ASHLAND, OREGON
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago**

2012		
Employer (1)	Employees	Percentage of Total City Employment
Southern Oregon University	627	6.97%
Ashland Community Hospital	406	4.51%
Oregon Shakespeare Festival	435	4.83%
Ashland Public Schools	375	4.17%
City of Ashland	251	2.79%
Total	<u>2,094</u>	<u>23.27%</u>
Estimated total city employment	9,000	

2003		
Employer	Employees	Percentage of Total City Employment
Southern Oregon University	744	12.40%
Ashland Public Schools	438	7.30%
Oregon Shakespeare Festival	356	5.93%
Ashland Community Hospital	290	4.83%
City of Ashland	269	4.48%
Subtotal	<u>2,097</u>	<u>23.30%</u>
Professional Tool Mfg. LLC	100	1.67%
Prestige Care (dba Linda Vista)	75	1.25%
Albertsons	71	1.18%
Windmill Inn of Ashland	60	1.00%
Ashland Springs Hotel	60	1.00%
Total	<u>2,463</u>	<u>41.05%</u>
Estimated total city employment	6,000	

Source: Ashland Chamber of Commerce

Note: Ashland Chamber of Commerce has changed their reporting method and now only tracks the top five employers in the city

**CITY OF ASHLAND, OREGON
DEMOGRAPHIC STATISTICS
for the last ten fiscal years - unaudited**

Fiscal Year Ended June 30,	Population (1)	Percentage Change	Per Capita Income	Total Personal Income (2)	School Enrollment (3)	Jackson County Unemployment Rate (4)
2012	21,460	6.79%	-	unavailable	3,000	8.3%
2011	20,095	-6.56%	-	unavailable	3,000	11.9%
2010	21,505	0.09%	-	unavailable	3,000	12.1%
2009	21,485	-1.44%	18,219	391,431	3,000	13.6%
2008	21,800	1.73%	19,770	430,978	3,000	6.7%
2007	21,430	2.63%	21,636	463,652	3,000	5.6%
2006	20,880	1.41%	22,079	461,001	2,777	5.7%
2005	20,590	0.78%	19,976	411,308	2,920	6.2%
2004	20,430	1.49%	19,303	394,362	3,138	7.3%
2003	20,130	1.82%	16,805	338,294	3,321	6.8%

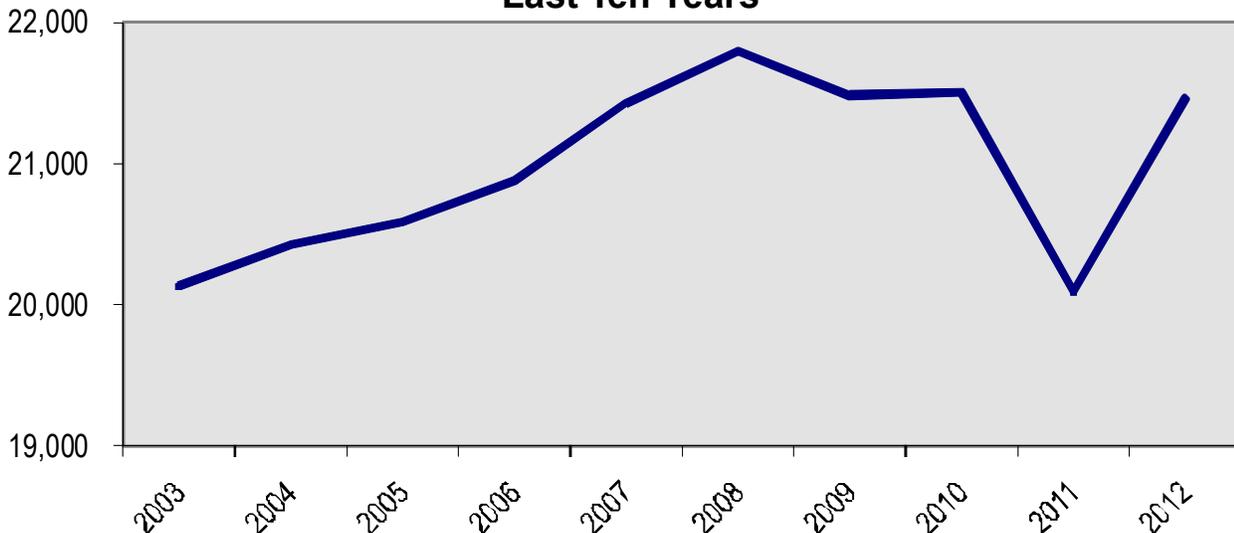
(1) Center for Population and Research and Census, and Portland State University

(2) State of Oregon, Department of Revenue, in thousands of dollars

(3) Ashland School District

(4) State of Oregon Employment Department

**Population Growth
Last Ten Years**



**CITY OF ASHLAND, OREGON
SCHEDULE OF MAJOR INSURANCE IN FORCE
June 30, 2012**

Company	Coverage	Policy Period	Annual Aggregate/Each Occurrence	Premium
Citycounty Insurance Services	General Liability	07/01/2011-07/01/2012	\$ 15,000,000 / \$ 5,000,000	\$ 84,145
	Public Officials Liability	07/01/2011-07/01/2012	\$ 15,000,000 / \$ 5,000,000	
	Employment Practices	07/01/2011-07/01/2012	\$ 15,000,000 / \$ 5,000,000	
	Automobile Liability			14,849
	Scheduled Autos	07/01/2011-07/01/2012	None / \$ 5,000,000	
	Hired Autos/Non Owned	07/01/2011-07/01/2012	None / \$ 5,000,000	
	Uninsured Motorist	07/01/2011-07/01/2012	None / \$ 5,000,000	
	Auto Physical Damage			444
	Scheduled Autos	07/01/2011-07/01/2012	Per Filed Value	
	Rented or Leased	07/01/2011-07/01/2012	Per Filed Value	
	Newly Acquired Autos	07/01/2011-07/01/2012	Per Filed Value	
	Property			36,857
	Buildings	07/01/2011-07/01/2012	Per Filed Value	
	Mobile Equipment	07/01/2011-07/01/2012	Per Filed Value	
	Boiler and Machinery	07/01/2011-07/01/2012	Replacement Cost of Machinery & Equipment not covered elsewhere	Included above
	Excess Crime	07/01/2011-07/01/2012	Per Loss/ \$250,000	1,166
ACE Property & Casualty	Airport Liability	07/01/2011-07/01/2012	\$4,000,000/\$4,000,000	4,650
The Hartford	Flood	10/23/2011-10/23/2012	\$ 54,200	977
Safety National Casualty Corp.	Workers' Compensation Self-Insured Bond	07/01/2011-07/01/2012		6,000
Safety National Casualty Corp.	Excess Workers' Compensation	07/01/2011-07/01/2012	\$ 1,000,000 / \$ 1,000,000	23,221
National Union Fire Ins. Co of Pittsburgh, PA	Volunteer Accident Ins	07/01/2011-07/01/2012	Per Filed Value	1,788
ACE American Ins. Co.	Underground Storage Tank Liability	07/01/2011-07/01/2012	\$1,000,000/\$1,000,000	498
Atlantic Specialty Ins.	Installation/Builders Risk Ins. on Fire Station #2	05/31/2012-12/31/2012	\$2,500,000	5,883

**CITY OF ASHLAND, OREGON
CITY EMPLOYEE BY FUNCTION/PROGRAM
for the Fiscal Year Ended June 30,**

Function/Program	2012	2011	2010	2009	2008	2007	2006*	2005	2004**
Administration	5.00	4.00	4.00	4.00	3.06	3.00	3.00	3.00	3.00
Human Resources	2.00	2.00	2.00	2.00	3.00	3.00	2.00	2.00	2.00
Legal	3.00	3.00	3.00	3.00	3.50	3.50	3.50	3.50	3.50
Information Technology	8.80	8.80	7.95	7.95	7.60	7.60	7.60	6.45	4.95
Finance	16.25	16.25	17.25	17.25	15.75	15.50	17.50	16.50	15.80
Municipal Court	3.15	3.65	3.65	3.65	4.15	4.15	4.15	3.75	3.00
City Recorder/Treasurer	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police	35.30	34.80	34.80	36.80	39.30	40.30	39.80	39.80	37.30
Fire	33.75	32.00	32.40	33.40	35.40	35.40	35.00	34.00	32.00
Streets	9.90	9.90	10.20	10.20	10.20	10.20	10.20	9.70	9.45
Water	14.50	14.50	16.30	16.30	16.30	16.30	14.80	14.80	13.70
Wastewater	10.30	10.30	12.80	12.80	11.80	11.80	11.80	11.80	12.55
Public Works Administration	6.00	7.50	7.00	7.00	8.00	8.00	8.00	8.00	6.75
Engineering	6.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	5.75
Facilities Maintenance / Cemetery	4.50	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Fleet Maintenance	4.80	5.00	3.50	3.50	3.50	3.50	3.50	3.50	3.60
Planning	8.90	8.90	8.70	8.70	10.65	11.75	10.50	8.65	8.45
Building	3.70	3.60	3.85	3.85	5.75	6.05	6.50	6.55	6.55
Electric	17.75	17.75	18.50	18.50	18.10	18.10	18.10	17.15	14.40
Telecommunication	6.70	6.20	7.55	7.55	7.55	7.55	8.05	9.65	8.65
Conservation	3.00	3.00	3.00	3.00	3.00	3.00	3.00	2.80	3.00
Senior Program	*	*	*	*	*	*	*	1.75	1.75
Subtotal	205.30	202.65	208.45	211.45	218.61	220.70	219.00	215.35	202.15
Parks	43.80	43.45	45.65	48.55	50.55	48.45	48.45	45.90	37.40
Total	249.10	246.10	254.10	260.00	269.16	269.15	267.45	261.25	239.55

* Senior Program included in Parks in 2006

**2004 figures do not include temporary employees

The City implemented GASB Statement No. 34 in fiscal year 2003; therefore, some of the tables presenting government-wide information include only nine years.

**CITY OF ASHLAND, OREGON
OPERATING INDICATORS
BY FUNCTION / PROGRAM
for the last ten years**

Function/Program	2012	2011	2010	2009
Police				
Physical arrests, juvenile and adult	2,670	2,343	2,073	2,098
Traffic violations	2,679	2,868	3,160	2,784
Fire				
Fire alarm responses	379	291	359	363
Emergency medical responses	3,105	2,694	2,705	2,761
Non-emergency public service responses	94	79	75	46
Code enforcement plans review	246	215	293	262
Total calls for service	3,577	3,327	3,128	3,170
Total ambulance patient transports	1,635	1,611	1,456	1,476
Water				
Service connections	9,071	8,678	8,433	8,126
Daily average consumption in millions of gallons	2.7	4.6	2.7	3.3
Maximum daily capacity of plant in million gallons	8.0	8	8	8
Sewer				
Service connections	7,850	8,181	7,995	8,008
Daily average treatment in million of gallons	2.2	2.1	2.2	2.2
Maximum daily capacity in millions of gallons	3.3	4	4	4
Electric				
Service connections	12,148	11,985	11,275	11,944
Telecommunications				
Cable TV	-	-	-	-
Cable modem	4,066	4,454	4,094	4,160
Potential station capacity	140	140	140	80

¹ Identifies correction to capacity

² Identifies the implementation of new software that correctly accounts for crimes

³ Cable TV outsourced

⁴ Cable TV analog channels

**CITY OF ASHLAND, OREGON
OPERATING INDICATORS
BY FUNCTION / PROGRAM
for the last ten years (continued)**

2008	2007	2006	2005	2004	2003
2,489	2,748	2,607	2,004	2,293	2,412
2,600	3,036	3,773	4,608	4,405	5,858
500	457	425	415	388	319
3,022	2,955	2,716	2,952	2,428	2,294
76	87	109	100	90	127
440	495	535	644	721	643
3,590	3,534	4,000	3,285	3,186	2,922
1,700	1,616	1,511	1,243	1,274	989
8,291	8,281	7,870	7,764	7,609	7,419
3.4	4	4	3	4	3
8	8	8	8	8	8
8,153	8,129	7,722	7,583	7,455	7,290
2.2	2	2	2	2	2
4	4	4	4	4	4
11,979	11,780	11,277	11,062	10,561	10,374
-	-	3,095	3,170	3,100	2,961
4,153	3,988	3,823	3,686	3,435	3,040
80	80	140	161	161	161

CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS
BY FUNCTION/PROGRAM
for the last ten years

Function/Program	2012	2011	2010	2009
Police				
Stations	1	1	1	1
Contact station	1	1	1	1
Patrol units (vehicles)	8	8	8	8
Sworn officers	28	25.0	26.5	26.5
Fire				
Stations	2	2	2	2
Fire fighters	27	26	26	29
Streets				
Miles of paved streets	102	92	92	92
Miles of gravel streets	10	9	14	14
Miles of storm sewers	83	93	93	90
Water				
Miles of water mains	130	130	130	130
Hydrants	1,253	1,248	1,245	1,237
Water treatment plant	1	1	1	1
Sewer				
Miles of sanitary sewers	110	110	110	110
Treatment plant	1	1	1	1

¹ Identifies integration of Cartegraph System with GIS that has provided more accurate figures.

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE STATISTICS
BY FUNCTION/PROGRAM
for the last ten years (continued)**

2008	2007	2006	2005	2004	2003
1	1	1	1	1	1
1	NA	NA	NA	NA	NA
8	8	8	8	8	6
27	27	27	27	30	29
2	2	2	2	2	2
31	31	31	31	31	27
100	100	100	100	97	97
11	10	14	14	17	19
89	85	85	84	76	55
124	124	124	124	121	115
1,154	1,115	1,142	1,131	1,069	1,000
1	1	1	1	1	1
110	110	110	108	106	106
1	1	1	1	1	1

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
for the last ten years (continued)**

Function/Program	2012	2011	2010	2009
Electric				
Street lights	1,850	1,827	1,832	1,811
Electrical transformers	2,000	2,007	2,002	1,996
Poles	3,608	3,506	3,560	3,557
Substations	3	3	3	3
Telecommunications				
Miles of fiber	25	25	25	25
Miles of coax	119	119	119	118
Parks and Recreation				
Community centers	3	3	3	3
Parks	16	16	19	19
Park acreage	642	642	642	640
Golf courses	1	1	1	1
Swimming pools	1	1	1	1
Ice skating rinks	1	1	1	1
Skateboard parks	1	1	1	1
Tennis courts	12	12	12	12
Trails (miles)	26	26	29	29
Health Care				
Hospital	1	1	1	1
Hospital beds	49	48	49	49
Education				
Elementary schools	5	4	4	4
Elementary school instructors	72	69	59	59
Secondary schools	2	2	2	2
Secondary school instructors	90	91	106	106
State universities	1	1	1	1

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
for the last ten years (continued)**

2008	2007	2006	2005	2004	2003
1,802	1,802	1,771	1,707	1,804	1,870
1,982	1,982	1,973	1,943	1,851	1,815
3,453	2,551	2,559	3,501	2,511	2,501
3	3	3	3	3	3
25	25	29	25	25	35
117	117	110	117	117	117
3	3	3	3	3	3
19	19	19	19	19	19
640	640	640	637	637	637
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
12	12	12	12	12	12
29	29	29	29	29	NA
1	1	1	1	1	1
49	49	49	49	49	49
4	4	3	3	4	5
59	59	59	61	58	69
2	2	2	2	2	2
106	106	106	106	90	102
1	1	1	1	1	1



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

Oregon Administrative Rules 162-10-050 through 162-10-320, the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required financial statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to the audit of such statements and schedules are set forth following.



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Ashland as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the City of Ashland'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity 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 (ORS Chapters 279A, 279B, 279C).**
- **Elected Officials**

In connection with our testing nothing came to our attention that caused us to believe the City of Ashland 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 Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporation.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs.

This report is intended solely for the information and use of the council members and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

PAULY, ROGERS AND CO., P.C.



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October 15, 2012

To the City Council
City of Ashland

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

We have audited the financial statements of City of Ashland as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Josephine County Solid Waste Agency (a component unit) were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

audit comments and disclosures required by state regulations

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Ashland on the Schedule of Findings and Questioned Costs. The responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Council, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



PAULY, ROGERS AND CO., P.C.



**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



government auditing standards compliance reports

**CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Grantor's Number	Program or Award Amount	Year to Date Disbursements / Expenditures
Oregon Military Department Office of Emergency Management State Homeland Security Program 10/01/2009-12/31/2011	97.073	09-202	\$ 7,500.00	\$ 4,201.40
Oregon Military Department Office of Emergency Management Citizen Corps Program 10/01/2009-12/31/2011	97.053	09-101	\$ 12,675.00	\$ 12,030.52
Oregon Military Department Office of Emergency Management Citizen Corps Program 01/01/2011-12/31/2012	97.053	10-101	\$ 18,000.00	\$ 2,611.00
Oregon Military Department Office of Emergency Management Citizen Corps Program 01/01/2012-12/31/2013	97.053	11-101	\$ 10,000.00	\$ -
Oregon Military Department Office of Emergency Management State Homeland Security Program (Radios) 01/11/2011-12/31/2012	97.073	10-203	\$ 34,079.00	\$ 23,857.04
Oregon Military Department Office of Emergency Management State Homeland Security Program (MDT) 1/1/2012-12/31/2012	97.073	11-201	\$ 28,500.00	\$ 28,500.27
United States Department of Agriculture USFS, Rogue River-Siskiyou National Forest Ashland Forest Resiliency Stewardship Project (AFR) 3/15/2010-09/30/2013	10.678	ORFO-03-31-10-02EH	\$ 3,430,854.00	\$ 196,663.27 (1)
United States Department of Agriculture via The Nature Conservancy Promoting Ecosystem Resiliency via Collaboration (PERC) 3/12/2012-12/31/2013	10.664	FIRE_CITYOFASHLAND_11.16.11	\$ 255,345.00	\$ 25,906.97
United States Department of Homeland Security Federal Emergency Management Agency FY2010 Assistance to Firefighters Grant (Hose Grant) 1/28/2011-1/27/2012	97.044	EMW-2010-FO-05471	\$ 100,446.00	\$ 76,697.05
United States Department of Homeland Security Federal Emergency Management Agency FY2011 Assistance to Firefighters Grant (SCBA) 2/17/2012-2/16/2013	97.044	EMW-2011-FO-04833	\$ 133,794.00	\$ 13,457.70
United States Department of Housing and Urban Development Community Development Block Grant-ARRA 06/05/2009-09/30/2012	14.253	B09MY410008	\$ 55,622.00	\$ 8,971.79
United States Department of Housing and Urban Development Community Development Block Grant Program Unallocated Carryover 07/01/2011-06/30/2012-Grant Award	14.218 14.218	B10MC410008 B11MC410008	\$ 41,145.00 \$ 186,256.00	\$ - \$ 195,599.15
TOTAL CDBG in FY12			\$ 227,401.00	\$ 195,599.15
United States Department of Justice Office of Justice Programs Byrne Memorial Justice Assistance Grant 06/30/2009-02/28/2013	16.738	2009-SB-B9-0400	\$ 22,173.00	\$ 7,629.68
United States Department of Transportation Federal Aviation Administration Nonprimary Entitlement Grant	20.106	3-41-0002-09	\$ 1,581,949.00	\$ 67,436.89
TOTAL FEDERAL ASSISTANCE			\$ 5,918,338.00	\$ 663,562.72

(1) - major program



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October 15, 2012

To the City Council
City of Ashland

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of City of Ashland with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. City of Ashland's major federal programs are identified in the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of compliance with those requirements.

In our opinion, City of Ashland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

government auditing standards compliance reports

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses.

This report is intended solely for the information and use of management, the Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



PAULY, ROGERS AND CO., P.C.

SCHEDULE FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Section I – Summary of Auditor's Results

Financial Statements

Type of Auditor's report issued: Unqualified
Internal control over financial reporting:
• Material weakness(es) identified? Yes No
• Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported
Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over financial reporting:
• Material weakness(es) identified? Yes No
• Significant deficiency(ies) identified that are not considered to be material weaknesses Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs

CFDA Number(s): 10.678 Name of Federal Program: Forest Resiliency Stewardship Project

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

The accompanying schedule of expenditures of federal awards includes the federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF ASHLAND

SCHEDULE FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

1 -

Condition: We noted that the Information Technology (IT) department does not have a cohesive written internal control document that details out their internal controls over their internally developed utility billing (UB) system. The UB system also should be modified to be fully integrated into the Eden GL system, and should have a report written that “red flags” unusual or missing charges to individual accounts. We also recommend that that IT department have an external review of the processes and controls from an outside entity.

Criteria: Good internal control requires that internally built systems have written controls and best practice controls in place.

Cause: An internally built system normally does not have the controls in place that an externally generated system would.

Effect: Transactions could be processed improperly in the UB system.

Response: This finding is a repeat from prior years. Information Technology Department (IT) improved written internal controls in FY 2010-2011 but significant changes in staffing and operations requires another review. Finance is in the process of replacing the internally-written utility billing software that is a key part of the remaining portion of the comment. Implementation of the new software is scheduled to occur by December 2012. The new software will fully integrate into the general ledger however, certain internally-written software is still required by IT to manage elements of the Ashland Fiber Network cable modem system. Staff will work with IT to tighten the controls on the self-developed software and in considering an external review.

2 -

Condition: All staff at the Courts Department can make manual changes to court charges within the system.

Criteria: Good internal control requires that the all manual changes be reviewed by someone other than the preparer and that not all staff have access to make manual changes.

Cause: A lack of segregation of duties causes this issue.

Effect: Court transactions could be processed incorrectly or theft could be perpetrated by pocketing cash and manually reducing individual court charges.

Response: This finding is a repeat from prior years. The Municipal Court Division is a small operation with only 3.5 full time equivalent employees excluding the Judge, bailiff and a division manager situated in Administration. Due to the size and complexity of the court services most individuals are required to operate at several levels of responsibility to meet operational requirements. Staff will continue to review the processes and encompassed transactions to provide increased internal controls to minimize exposure.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None reported

