

**CITY OF
ASHLAND**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For year ended June 30, 2005

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



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INTRODUCTORY SECTION



CITY OF ASHLAND

December 20, 2005

Re: City of Ashland Comprehensive Annual Financial Report

To the Citizens of the City of Ashland:

The Comprehensive Annual Financial Report of the City of Ashland, for the fiscal year ended June 30, 2005, is hereby submitted 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 close of each fiscal year and responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. 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, account groups 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.

This is the third year that the City has prepared the Comprehensive Annual Financial Report (CAFR) to meet the requirements of the Governmental Accounting Standards Board Statement Number 34, basic financial statements and management's discussion and analysis for state and local governments (GASBS 34). GASBS 34 established a new reporting model that the City has reported in five sections:

1. Introductory section- includes this transmittal letter, the organizational chart of the City of Ashland, a list of the City's principal officials, and other material.
2. Financial section- includes the auditor's report, management's discussion and analysis, the basic financial statements, notes, the combining and individual fund financial statements, and supplementary information.
3. Statistical section- includes financial and demographic information, generally presented on a multi-year basis and updated this year with additional schedules and information required by GASBS 44.
4. Audit Comments and Disclosures section- includes the auditor's required comments mandated by State of Oregon regulations.

5. Government Auditing Standards Compliance section- contains a schedule of the City's federally funded activities and reports on compliance.

The City is required to undergo an audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133. Information related to this audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulation, and a schedule of findings and questioned costs, are included in section five of this report titled "Government Auditing Standards Compliance Reports."

The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the year ended June 30, 2005 are presented in conformity with Generally Accepted Accounting Principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

The discretely presented component unit is reported in a separate column in the government-wide financial statements. The Parks and Recreation Commission activities are reported as a discretely presented component unit. 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. The City currently has a land area of 6.52 square miles and a population of 20,590. 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 governing council.

The City operates under the council-administrator form of government. Policymaking and legislative authority are vested in the City Council. The governing council is 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 Director and Telecommunications Director). The Mayor, with confirmation of the City Council, appoints the City Administrator, the City Attorney, the departments 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, 17 standing advisory boards and commissions, and additional ad hoc committees assist the City Council. Over 128 Ashland citizens serve on these boards and commissions and make a valuable contribution to the City of Ashland.

Ashland currently enjoys a favorable economic environment and local indicators point to continued stability. The City'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 and 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 enjoys a reasonably high occupancy rate with a variety of shops, restaurants, 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 2004-2005 business license data, Ashland has an employed private sector work force of approximately 6,046 within the City limits. When governments and non-profits beyond the scope of licensing (approximately 28% of the employment base) are included, the total work force is an estimated 8,369. The City of Ashland's Transient Occupancy Tax and Food and Beverage Tax revenue (for all business activities as presented in tables in the Statistical section) reflect increases of 6.2% and 8.0% respectively over the previous year.

In 2004-2005 the City issued fifty-four million dollars in building permits, which is an increase of eight million over the previous year and is nineteen million more than the average amount of permits issued during the previous five years. Active residential electric customers rose from 9,049 in 2004 to 9,189 in June 30, 2005.

This single-year increase of 1.5% is equal to Ashland's steady growth in population of 1.5%. Non-residential accounts grew at 2.0 %.

The estimated consumer economy is \$228 million according to the 1997 US Economic Census, an increase of 13% over the \$202 million estimated in 1992. Using city tax collection information, visitor accommodations (over \$18.7 million) and food service (over \$33.7 million) accounted for 20% of the economy. The success of these aspects can be greatly attributed to tourism generated by cultural attractions, the largest of which is the Oregon Shakespeare Festival Association (OSFA), a nationally renowned theater company presenting seventeen plays over a season from February 8 through October 30 to an estimated attendance of 360,000. OSFA employs 5.38 % of the total work force in the City limits, and has an estimated impact on the local economy of over \$100 million based on the 2.9 multiplier provided by the 1997 economic census.

INITIATIVES

The City Council has adopted a Community Values Statement and identified several major goals to meet the service needs of citizens. The goals within the 2004-2005 budget reflect the City's commitment of ensuring that its citizens are able to live and work in an enviable environment. The Community Values Statement is:

"The citizens of Ashland value a city government that helps create an environment within which they are able to live happy and productive lives. This includes a healthy and sustainable environment: and opportunity to acquire the basic necessities of life: a sound infrastructure that meets our common needs for transportation, energy, information and communications, health care, water and waste management: and a variety of social, recreational, business and cultural opportunities.

The citizens want their government to respect our diverse people, natural environment, and rich heritage and culture: and to promote citizen involvement, initiative, innovation, and a strong sense of community."

A few of the 2004-2005 Goals:

Financial Management - The City will be an accountable and effective steward of the public trust and public resources. The City will provide equitable and efficient services to the public through the efficient use of assets and resources.

- Develop performance measures program for all city departments.
Ongoing.
- Enhance revenue and services from the Ashland Fiber Network to strengthen its viability. **A committee has been formed to review operations and evaluate options for Council to consider.**

Citizen participation and involvement - The City recognizes the value of citizen involvement and the wealth of information and resources that the citizens of Ashland possess. The City is committed to a high level of communication with the public.

- Continue to help commissions and committees become more effective through resources and training opportunities. **Ongoing.**
- Consider update of City Charter. **Council is in the process of evaluating proposed changes submitted by the committee formed to review the charter.**

Economic Strategy - The City encourages a variety of economic activities in the City, while continuing to reaffirm the economic goals of Ashland citizens and existing businesses. Economic development in Ashland should serve the purpose of maintaining and improving the local quality of life.

- Design implementation of local Economic Development program, based on current Comprehensive Plan, Policy 3. **In Progress.**
- Work on master planning of Railroad area and Old Croman Mill site. **Ongoing.**

Public Services - The City will provide a full range of public services that meet the needs of existing and future citizens.

- Evaluate space needs (for Municipal Court, Police, City Council, and others at the Civic Center) in Civic Center. **Ongoing.**

Transportation & Transit - To retain Ashland's small-town character while it grows, the City must proactively plan for a transportation system that is integrated into the community and enhances the livability, character and natural environment.

- Improve safety of existing at-grade RR crossings and develop a plan to improve the Hersey St./N. Laurel St. crossing. **In process.**
- Improve pedestrian and traffic safety based on the 3-Es – Education, Enforcement and Engineering at Wimer Street and North Main. **In process.**

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) the valuation of costs and benefits requires estimates and judgements by management.

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

As a 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.

As part of the City's single audit, described earlier, 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, 2005, 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 2004-2005 budget was prepared on a fund basis with line item detail.

Fiduciary Funds. The City has one active fiduciary fund in 2004-2005. This is the Mt. Ashland Ski Area Agency Fund with assets totaling \$269,532.

Debt Administration. On June 30, 2005, the City had a number of debt issues outstanding. These issues included \$20,045,000 of general obligation bonds, \$4,960,000 in water revenue bonds, \$21,659,513 in loans from the State of Oregon DEQ. The City was well received in the market for recent issuances and maintains an "A2" underlying rating from Moody's Investors' Service. Under current state statutes, only \$20,045,000 of the General Obligation bonds are subject to a legal debt limitation.

Cash Management. Cash temporarily left idle during the year was invested in demand deposits, certificates of deposit, treasury notes, treasury bills, and the State of Oregon Local Government Investment Pool. 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. All bank balances were collateralized by federal depository insurance or certificates

of participation in the collateral pool issued by the Treasurer of the State of Oregon as the collateral pool manager.

Risk Management. The City has an ongoing risk management program. As part of this comprehensive program, which was started in 1980, resources are accumulated in the Insurance Services Fund to meet potential losses. Various risk control techniques, including employee accident prevention training and employee wellness programs, have been implemented to minimize workers compensation and health insurance claims. The City provides life and health coverage to its employees and their dependants. The City pays up to 100% for employees with management and three of five bargaining units paying 5% of their premium. Other optional supplemental insurances are available to employees and are paid entirely by the individuals electing to carry them. General liability claims up to \$50,000 and workers compensation claims are being self-insured.

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 immediately following the report of the independent auditors.

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 college and the other for local governments. The citizens of the State of Oregon approved a property tax limitation in November 1991 referred to as Measure 5. This constitutional amendment divides property taxes into an education category and an all other local government category. 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 2004-2005 local government tax rate in the City of Ashland was \$5.26, 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 a property tax limitation referred to as Measure 47. Prior to enactment, this measure was repealed and replaced at a special election May 20, 1997, by Measure 50. Measure 50, after the 1996-1997 fiscal year, changed the property tax limitation on levies, rates assessment and equalization. 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 back the assessed value of each unit of property for the tax year 1997-98 to its 1995-96 “real market value” less ten percent. The Measure limited increases in assessed value in future years to 3% 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 \$3.5647 of this amount in 2004-2005. The Measure also provides for voter approved Local Options 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.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Pauly, Rogers and Co., P.C. was selected by the City’s Audit Committee. In addition to meeting the requirements set forth in the state statutes, the audit was also designed to meet requirements of the federal Single Audit Amendments of 1996 and the related OMB Circular A-133. Generally accepted auditing standards and the standards set forth in the General Accounting Office’s *Government Auditing Standards* were used by the auditors in conducting the engagement. The independent auditor’s report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of its report. The auditor’s reports related specifically to the Single Audit Act are included in the grant compliance section.

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, 2004. This was the thirteenth year the City had submitted its report for review. To receive this Certificate of Achievement, the City published 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 only. 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 2004-2005 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 Finance Department and Ashland Parks and Recreation

Commission staff. Each member has my 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,

Lee Tuneberg
Administrative Services/Finance Director

CITY OF ASHLAND
ELECTED CITY OFFICIALS
June 30, 2005

| <u>Name</u> | <u>Position</u> |
|---|--------------------|
| John Morrison 249 Wimer Street #40 Ashland, OR 97520 | Mayor |
| Alex Amarotico 101 Oak Street Ashland, OR 97520 | Council Member |
| David Chapman 390 Orchard Street Ashland, OR 97520 | Council Member |
| Jack Hardesty 575 Dogwood Way Ashland, OR 97520 | Council Member |
| Cate Hartzell 881 East Main Street Ashland, OR 97520 | Council Member |
| Kate Jackson 359 Kearney Street Ashland, OR 97520 | Council Member |
| Russ Silbiger 562 Ray Lane Ashland, OR 97520 | Council Member |
| Barbara Christensen 759 Willow Street Ashland, OR 97520 | Recorder/Treasurer |
| Allen Drescher 815 Oak Street Ashland, OR 97520 | Municipal Judge |

CITY OF ASHLAND
APPOINTED CITY OFFICIALS
June 30, 2005

Name

Position

Gino Grimaldi
1331 Ashland Mine Road
Ashland, OR 97520

City Administrator

Michael Franell
665 Wren Ridge Drive
Eagle Point, OR 97524

City Attorney

Darlow "Lee" Tuneberg
327 Starflower Lane
Ashland, OR 97520

Finance Director / Budget Officer

Paula Brown
P.O. Box 1079
Ashland, OR 97520

Public Works Director

Richard Wanderscheid
1280 Kirk Lane
Ashland, OR 97520

Electric & Telecommunications Director

Michael Bianca
192 Steinman
Ashland, OR 97520

Police Chief

Keith Woodley
571 Oak Knoll Drive
Ashland, OR 97520

Fire Chief

John McLaughlin
203 N. Wightman
Ashland, OR 97520

Community Development Director

ASHLAND PARKS AND RECREATION COMMISSION
(A Component Unit of the City of Ashland, Oregon)
ELECTED OFFICIALS
June 30, 2005

Name

Position

Mike Gardiner
349 Orange Avenue
Ashland, OR 97520

Commissioner Chair

Rich Rosenthal
1228 Rose Lane
Ashland, OR 97520

Commissioner Vice Chair

Diane Amarotico
265 Alta Avenue
Ashland, OR 97520

Commissioner

JoAnne Eggers
221 Granite Street
Ashland, OR 97520

Commissioner

Jim Lewis
640 A Street
Ashland, OR 97520

Commissioner

APPOINTED OFFICIAL

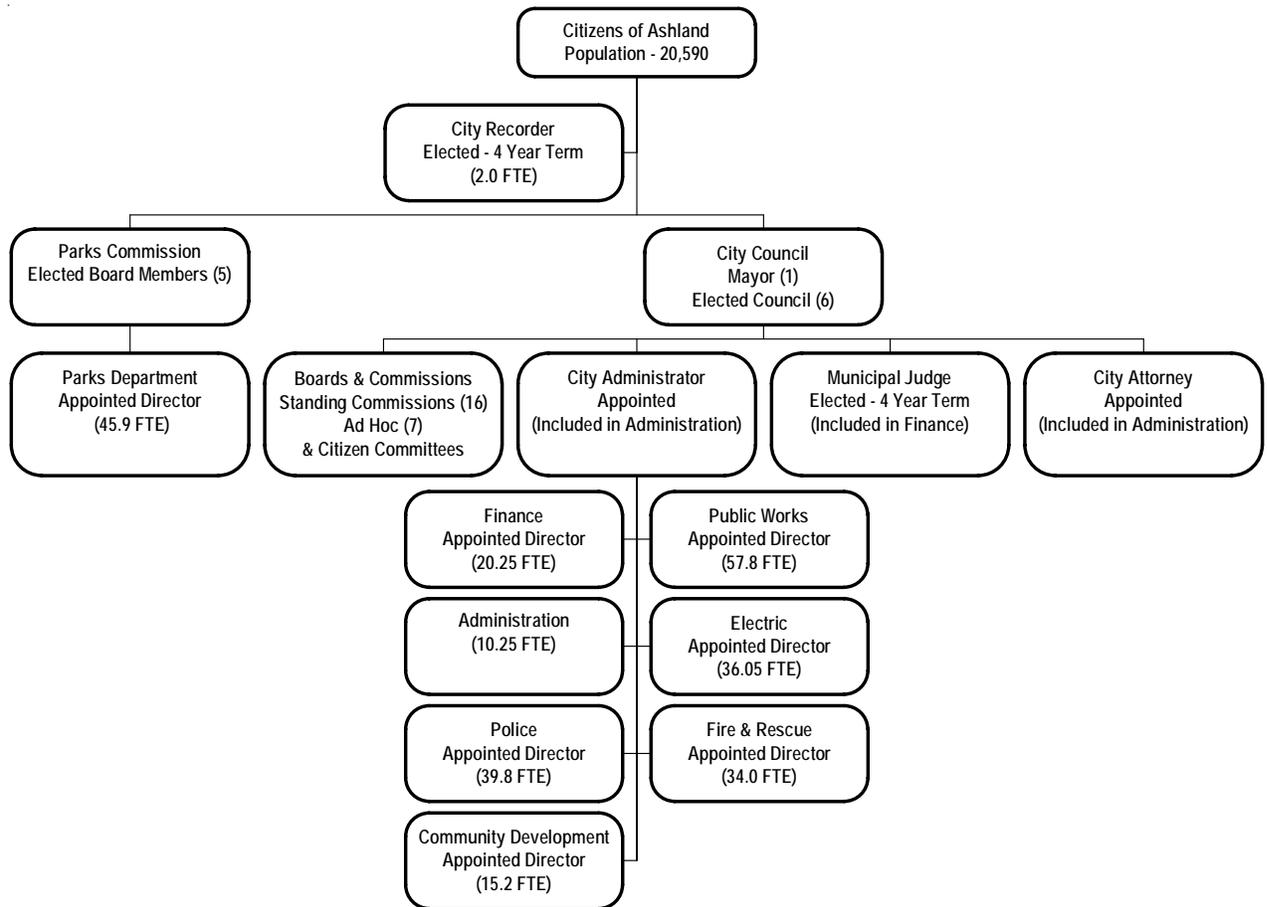
Don Robertson
458 Williamson Way
Ashland, OR 97520

Parks Director

City of Ashland

261.25 FTE

Adopted



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, 2004

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.



Nancy L. Zjelle

President

Jeffrey R. Emmer

Executive Director

November 29, 2005

CITY OF ASHLAND

The City Council
City of Ashland, Oregon

The Audit Committee advises the City Council on matters concerning the City's financial reporting process. In fulfilling its responsibilities, the Committee recommends the independent certified public accountants to be engaged by the City Council as the City's auditors. The Committee discusses with the selected independent certified public accountants the overall scope and specific plans for the audit.

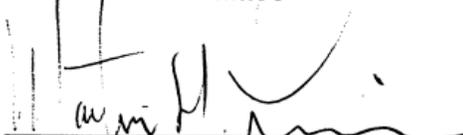
The Committee also discusses with the City's auditors the City's financial accounting and reporting processes, including the preparation of the financial statements. In addition, the Committee discusses including the safeguarding of the City's assets and other resources against unauthorized acquisition, use or disposition.

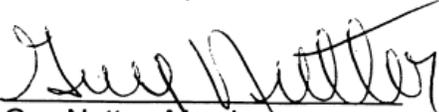
At the conclusion of the annual audit, the Committee meets with the City's auditors to discuss the results of their audit and their evaluation of the City's financial reporting.

Based on the Committee's discussions with the City's auditors, we accept the City's 2004-2005 Comprehensive Annual Financial Report (CAFR) and the related audit reports of the independent certified public accountants. Based on our acceptance, we recommend the CAFR and auditor's reports be accepted by the City Council.

Respectfully submitted,

The Audit Committee


Martin Levine, CPA


Guy Nutter, Member


Barbara Christensen, City Recorder/
Treasurer Ex-Officio Member


Alan Case, CPA, Chairman

20 East Main Street
Ashland, Oregon 97520
www.ashland.or.us

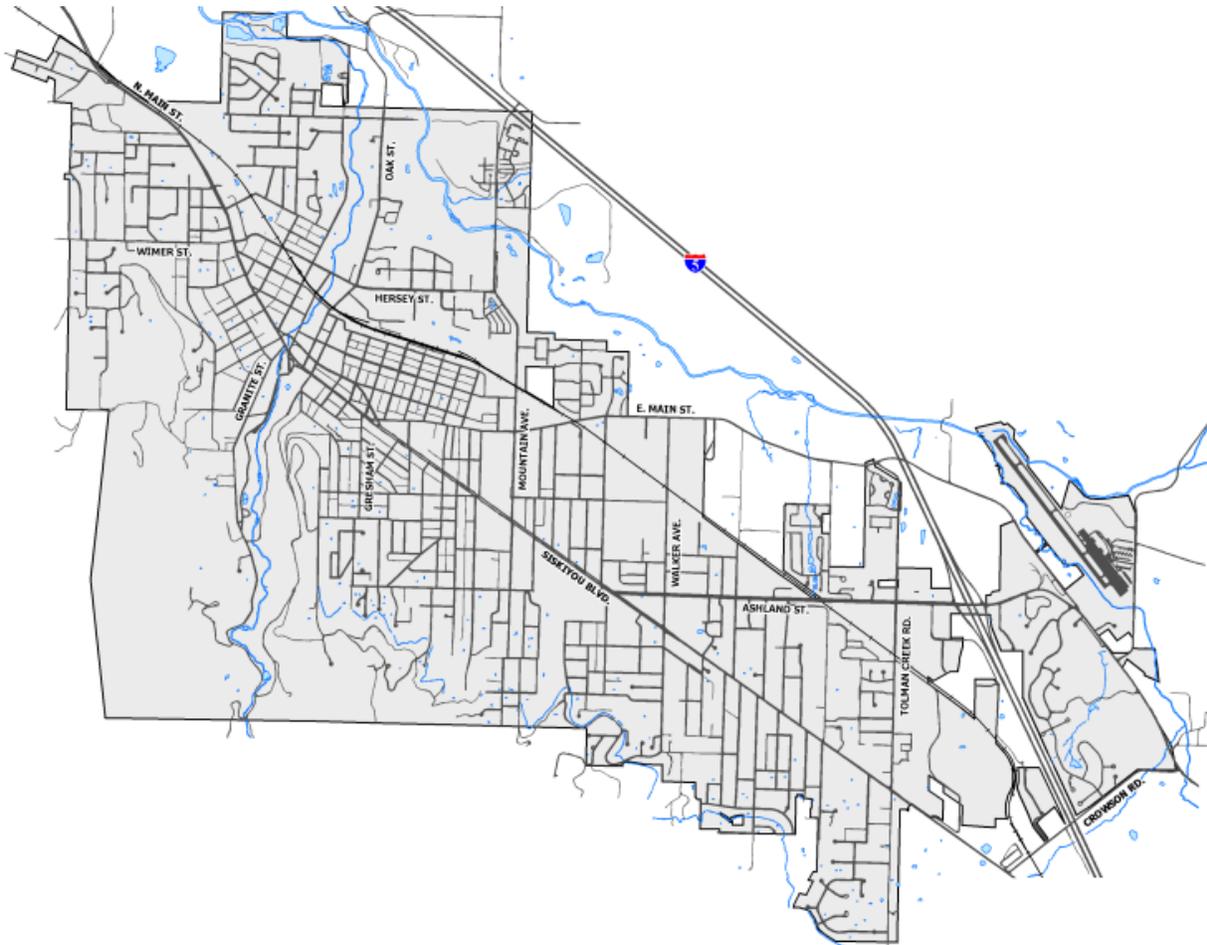
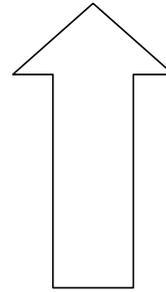
Tel: 541-488-5300
Fax: 541-488-5311
TTY: 800-735-2900



CITY OF ASHLAND



Vicinity Map 2005



FINANCIAL SECTION





PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

September 30, 2005

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, 2005, 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 Ashland Parks and Recreation Commission were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005 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 September 30, 2005, 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.

The Management Discussion and Analysis and the required supplementary information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's basic financial statements. The introductory section, supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pauly Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Ashland management offers readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. Certain information has been provided for the Ashland Parks & 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.

Financial Highlights

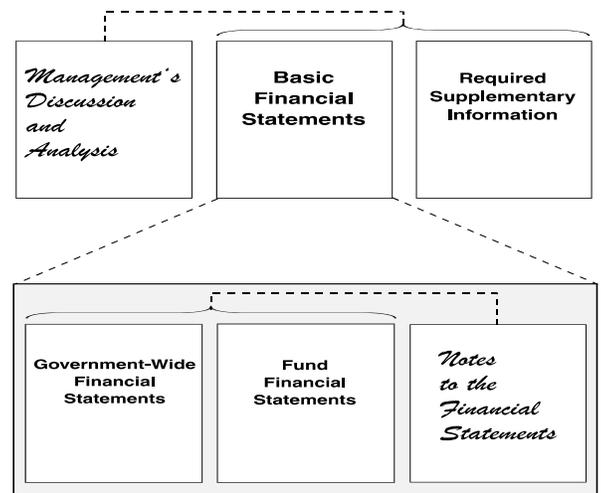
- The total net assets of the City of Ashland (total assets less total liabilities) at the fiscal year end of June 30, 2005 is \$102,188,450.
- The City's total net assets decreased this year by \$2,665,895 or 2.5%.
- The City's governmental funds reported combined ending fund balances totaling \$5,054,891, an increase of \$1,217,898 for the year. Proprietary funds combined ending fund balances decreased \$2,468,268 to \$56,055,284.
- The unreserved fund balance for the General Fund was \$2,308,388 or 20.3 percent of total General Fund expenditures.
- The City of Ashland issued \$15.5 million in Full Faith and Credit bonds during the year to refinance inter-fund borrowing and bank loans related to the construction and start-up costs for the Ashland Fiber Network incurred since fiscal year 1998-1999.

Overview of the Financial Statements

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. Figure 1 shows how the required parts of this annual report are arranged and related to one another. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in

Figure 1, Required Components of the City of Ashland's Annual Financial Report



the *short term* as well as what remains for future spending.

- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2 Major Features of the City of Ashland's Government-wide and Fund Financial Statements

| Type of Statements | Government-wide | Governmental Funds | Fund Statements Proprietary Funds | Fiduciary Funds |
|--|---|---|---|--|
| Scope | Entire City's government (except fiduciary funds) and the City's component units | The activities of the City that are not proprietary or fiduciary | Activities the City operates similar to private business: self insurance | Instances in which the City is the trustee or agent for someone else's resources |
| Required financial statements | -Statement of net assets -Statement of activities | -Balance sheet -Statement of revenues, expenditures & changes in fund balances | -Statement of net assets -Statement of revenues, expenses and changes in fund net assets -Statement of cash flows | -Statement of fiduciary net assets -Statement of changes in fiduciary net assets |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term: the Agency's funds do not currently contain capital assets, although they can |
| Type of inflow/outflow information | All revenue and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year: expenditures for goods or services that have been received and payment is due during the year or soon thereafter. | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement

of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, and interest on long-term debt. Property taxes, grants and some fees finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$102,188,450 at June 30, 2005. (See Table A)

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

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2005-2004 |
|---|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|--|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | |
| Current Assets: | | | | | | | |
| Cash and cash equivalents | \$ 9,552 | \$ 6,725 | \$ 15,067 | \$ 9,287 | \$ 24,619 | \$ 16,012 | 53.8% |
| Due from other governments | | | | | - | - | n/a |
| Other receivables | 975 | 3,652 | 3,436 | 662 | 4,411 | 4,314 | 2.2% |
| Deferred charges | | | 1,820 | 1,922 | 1,820 | 1,922 | -5.3% |
| Inventories - supplies and materials | 43 | 17 | 851 | 821 | 894 | 838 | 6.7% |
| Total current assets: | <u>10,570</u> | <u>10,394</u> | <u>21,174</u> | <u>12,692</u> | <u>31,744</u> | <u>23,086</u> | 37.5% |
| Noncurrent assets: | | | | | | | |
| Capital assets | 75,929 | 73,049 | 109,264 | 111,648 | 185,193 | 184,697 | 0.3% |
| Less accumulated depreciation | <u>(31,952)</u> | <u>(28,220)</u> | <u>(26,617)</u> | <u>(25,237)</u> | <u>(58,569)</u> | <u>(53,457)</u> | 9.6% |
| Total noncurrent assets | <u>43,977</u> | <u>44,829</u> | <u>82,647</u> | <u>86,411</u> | <u>126,624</u> | <u>131,240</u> | -3.5% |
| Total Assets | <u>54,547</u> | <u>55,223</u> | <u>103,821</u> | <u>99,103</u> | <u>158,368</u> | <u>154,326</u> | 2.6% |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | 2,653 | 2,734 | 3,162 | 2,269 | 5,815 | 5,003 | 16.2% |
| Deferred revenue | 26 | 94 | | 4 | 26 | 98 | -73.5% |
| Total current liabilities | <u>2,679</u> | <u>2,828</u> | <u>3,162</u> | <u>2,273</u> | <u>5,841</u> | <u>5,101</u> | 14.5% |
| Long-term liabilities: | | | | | | | |
| Claims payable | <u>6,724</u> | <u>7,141</u> | <u>43,615</u> | <u>37,230</u> | <u>50,339</u> | <u>44,371</u> | 13.5% |
| Total Liabilities | <u>9,403</u> | <u>9,969</u> | <u>46,777</u> | <u>39,503</u> | <u>56,180</u> | <u>49,472</u> | 13.6% |
| Net Assets: | | | | | | | |
| Invested in capital assets | 37,631 | 37,949 | 39,033 | 44,754 | 76,664 | 82,703 | -7.3% |
| Restricted | 2,664 | 2,315 | 6,550 | 5,302 | 9,214 | 7,617 | 21.0% |
| Unrestricted | 4,849 | 4,990 | 11,461 | 9,544 | 16,310 | 14,534 | 12.2% |
| Total Net Assets | <u>\$ 45,144</u> | <u>\$ 45,254</u> | <u>\$ 57,044</u> | <u>\$ 59,600</u> | <u>\$ 102,188</u> | <u>\$ 104,854</u> | -2.5% |

At June 30, 2005, approximately 67.0% (\$6.2 million) of the City's restricted net assets represent proceeds from systems development charges as compared to \$5.2 million or 68.5% the prior year. These proceeds, when spent, are restricted for capital assets or related debt. The \$16.3 million of unrestricted net asset at June 30, 2005, is 12.2% larger than the prior year and represents resources available to fund the programs of the City next year.

Changes in net assets. The City's total revenues increased \$0.8 million (2.0%) to \$43.4 million during the year. Revenue increases were 2.0% for both Governmental and Business-type Activities. Of the total \$43.4 million, 70.5% or \$30.6 million is from Charges for services and \$3.2 million is from grants, interest earnings and other non-tax sources. Only 22.1% or \$9.6 million comes from the various sources of taxes. (See Table B.) Tax revenues represented 19.8% of total revenues in the prior year.

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

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change <u>2005-2004</u> |
|---|----------------------------|------------------|-----------------------------|------------------|-------------------|-------------------|---|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> | |
| Program revenues: | | | | | | | |
| Charges for services | \$ 8,480 | \$ 7,939 | \$ 22,117 | \$ 21,420 | \$ 30,597 | \$ 29,359 | 4.2% |
| Operating grants & contributions | 431 | 912 | 43 | 7 | 474 | 919 | -48.4% |
| Capital grants & contributions | 1,466 | 1,159 | 81 | 130 | 1,547 | 1,289 | 20.0% |
| General revenues: | | | | | | | |
| Property taxes | 2,659 | 2,626 | 75 | 179 | 2,734 | 2,805 | -2.5% |
| Other taxes | 5,391 | 5,189 | 1,454 | 1,347 | 6,845 | 6,536 | 4.7% |
| Interest | 146 | 63 | 353 | 167 | 499 | 230 | 117.0% |
| Other | 288 | 591 | 439 | 847 | 727 | 1,438 | -49.4% |
| Total revenues | <u>18,861</u> | <u>18,479</u> | <u>24,562</u> | <u>24,097</u> | <u>43,423</u> | <u>42,576</u> | 2.0% |
| Program expenses: | | | | | | | |
| General government | 5,203 | 2,983 | | | 5,203 | 2,983 | 74.4% |
| Public safety | 9,236 | 8,454 | | | 9,236 | 8,454 | 9.3% |
| Highways and streets | 4,221 | 4,637 | | | 4,221 | 4,637 | -9.0% |
| Interest on long-term debt | 311 | 370 | | | 311 | 370 | -15.9% |
| Water | | | 5,910 | 4,178 | 5,910 | 4,178 | 41.5% |
| Wastewater | | | 4,524 | 4,615 | 4,524 | 4,615 | -2.0% |
| Electric | | | 12,445 | 11,638 | 12,445 | 11,638 | 6.9% |
| Telecommunications | | | 4,239 | 3,707 | 4,239 | 3,707 | 14.4% |
| Total expenses | <u>18,971</u> | <u>16,444</u> | <u>27,118</u> | <u>24,138</u> | <u>46,089</u> | <u>40,582</u> | 13.6% |
| Increase (Decrease) in net assets before transfers and disposals | (110) | 2,035 | (2,556) | (41) | (2,666) | 1,994 | -233.7% |
| Loss on sale of fixed assets | | (869) | | (986) | - | (1,855) | n/a |
| Increase (Decrease) in net assets | (110) | 1,166 | (2,556) | (1,027) | (2,666) | 139 | -2018.0% |
| Net Assets - 6/30/2004 | 45,254 | 43,131 | 59,600 | 60,627 | 104,854 | 103,758 | 1.1% |
| Recognition of prior infrastructure | | 957 | | | | 957 | |
| Net Assets - 6/30/2005 | <u>\$ 45,144</u> | <u>\$ 45,254</u> | <u>\$ 57,044</u> | <u>\$ 59,600</u> | <u>\$ 102,188</u> | <u>\$ 104,854</u> | -2.5% |

The total cost of all programs and services was \$46.1 million which is 13.6% more than 2004's \$40.6 million. Governmental Activities increased \$2.5 million and Business-type Activities increased \$3.0 million. This translates into a 12.3% growth in expenses for utilities and a 15.4% growth for General Government, Public Safety, Streets and Highways and Interest expenditures.

The overall change in Net Assets during the year is a decrease of \$2.7 million or 2.5%. In the prior year the City experienced a \$1.1 million increase in net assets. The two years combined indicate stability in the City's financial position.

The overall reduction for 2004-2005 represents increased operating and capital costs as compared to revenue streams. The city received less in Operating grants and taxes than the prior year while increasing expenditures in General Government operations. Utilities also spent more and held charges near constant, relying on reserves beyond target levels.

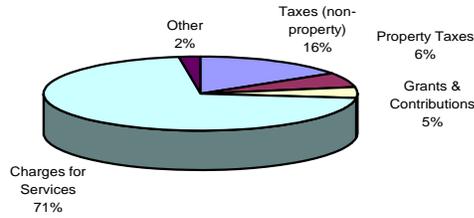
Governmental Activities

- The cost of all governmental activities in FY 2004-2005 was \$19.0 million or 15.4% (\$2.5 million) more than the prior year. Fiscal year 2003-2004 was 17.8% less than the prior year's \$18.8 million.
- The amount that citizens paid for these activities through property taxes was \$2,658,995 or just \$32,626 more than the prior year. A smaller amount for debt service was levied in 2004-2005. This, combined with increases from growth in assessed valuation due to new construction and rising property values, kept the revenue stream constant.
- Those who directly benefited from the programs paid \$540,624 (6.8%) more than the prior year's \$7,939,085 which equates to 44.7% of cost for FY 2004-2005 as compared to 48.3% in the prior year.
- Grants and contributions revenues dropped 8.4% between years from \$2.1 million to \$1.9 million but were still 10.0% of costs in FY 2004-2005. This, compared to 2003-2004's 12.5% of grant revenue to costs, indicates less dependency for operating and capital grants to provide general services to the public.

Property tax revenue was nearly identical between years. Other tax revenues increased \$1.1 million with Utility users tax revenues increasing 8.3% and other user taxes posting similar amounts. State subventions (such as gas taxes) also grew. Figure 3 shows the mix of the different sources of revenue.

Net Assets for Governmental Activities as identified in Table B decreased \$110,000 (0.25%) to \$45,144,000 as compared to the prior years \$2.0 million increase. This was a result of nearly identical total revenues compared to significantly larger total costs. The most significant increases in governmental expenses were related to capital projects in the non-major funds including Community Development Block Grant and the Airport. Debt service payments also contributed to the higher amount expended in 2004-2005 over the prior year. Much of this activity helped to reduce reserves that were above targets for fund balances set by the city.

**Figure 3 City of Ashland
Sources of Revenue for Fiscal Year 2005**



Reducing reserves had been a goal of the City and prior budgets reflected such activity. This approach for funding new or elevated programs will not be possible in the coming years. Management’s focus for FY 2005-2006 and beyond is to balance annual and short-term revenues and expenses, maintaining approved reserve levels to assure long-term financial stability. FY 2004-2005 came very close to that goal.

Table C presents the cost of each of the City’s largest Governmental Activities as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The table shows that only General Government had charges for services, grants and contributions sufficient to cover expenses as reflected by \$711,000 more in revenues than expenses. Public Safety and Highways and Streets had “positive” net costs that required funding through General Revenues like taxes and fund balance in FY 2004-2005. Changes between years are common and most often due to timing of capital projects and receipt of related financing proceeds, grants or other intergovernmental monies.

Table C
Net Cost of Selected City of Ashland Governmental Functions
(In thousands of dollars)

| | Total Cost of Services | | | Net Cost of Services | | |
|----------------------|------------------------|-------------|----------|----------------------|-------------|----------|
| | <u>2005</u> | <u>2004</u> | % Change | <u>2005</u> | <u>2004</u> | % Change |
| General Government | \$ 5,203 | \$ 2,983 | 74.4% | \$ (711) | \$ 10 | -7210.0% |
| Public Safety | 9,235 | 8,454 | 9.2% | 7,341 | 6,579 | 11.6% |
| Highways and Streets | 4,221 | 4,637 | -9.0% | 1,653 | 777 | 112.7% |

Business-type Activities

Program revenues of the City’s Business-type Activities totaled \$22,117,341 or 81.6% of related expenses for FY 2004-2005 as compared to \$21,420,000 or 88.7% of the prior year. Increased activity (more customers, especially in Telecommunications) and

rate increases as compared to a conservative approach on expenses in many areas accounts for this. All grants and contributions totaled \$124,160 in the current year as compared to \$136,886 in FY 2003-2004. Total General revenues relating to business-type activities were \$2,320,586 or 8.6% of total expenses resulting in a decrease in net assets of \$2,555,989 for FY 2004-2005.

All four utilities presented in Table D recorded program revenues less than expenses resulting in net costs in FY 2004-2005. In the prior year water and electric operations generated enough revenue to cover the operating expenses but in the current year each activity relied on general revenues like taxes or reserves in the way of fund balances to pay for operations.

Table D
 Net Cost of Selected City of Ashland Business-type Functions
 (In thousands of dollars)

| | Total Cost of Services | | % Change | Net Cost of Services | | % Change |
|--------------------|------------------------|-------------|----------|----------------------|-------------|----------|
| | <u>2005</u> | <u>2004</u> | | <u>2005</u> | <u>2004</u> | |
| Water | \$ 5,910 | \$ 4,148 | 42.5% | \$ 1,608 | \$ (206) | -880.6% |
| Wastewater | 4,524 | 4,615 | -2.0% | 1,552 | 1,815 | -14.5% |
| Electric | 12,445 | 11,638 | 6.9% | 119 | (332) | -135.8% |
| Telecommunications | 4,239 | 3,707 | 14.4% | 1,597 | 1,303 | 22.6% |

FINANCIAL ANALYSIS OF THE CITY OF ASHLAND'S FUNDS

Revenues from governmental fund types totaled \$18.5 million, just \$700,000 more than the preceding year. Primary changes were increases in Taxes (\$344,000), Fees, licenses and permits (\$333,000) and Charges for services (\$448,000) offsetting reductions in other areas like Miscellaneous revenues' \$501,000 decrease from sales of assets. Total costs for the same activities decreased approximately 12.1% or \$2.4 million to \$17.3 million during FY 2004-05 representing less expended on capital projects for general government activities while other programs increased.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget three times by transfer of appropriation or supplemental budget. With these adjustments, actual expenditures were 8.2% or \$1,164,449 below final budget amounts as compared to FY 2003-2004's 10.0% or \$1,222,802 unspent. The Fire and Rescue Department spent 88.4% of their adopted budget leaving \$557,492 for carry forward primarily due to capital expenditures like the radio repeater tower construction being delayed. Another significant positive variance is Community Development's Planning and Building divisions' 14.9% and 13.6% under expending budget again this year resulting in a total of \$244,500 remaining in Ending Fund Balance. The primary reason for these variances are

reduced staffing in the form of unfilled positions, related benefit savings and unexpended program monies reliant upon staff available to coordinate the work.

On the other hand, many resources exceeded budget estimates with Interest on investments being the largest percentage variance (205% but only \$34,229) due to higher interest rates and bank balances. The most significant shortfall in resources was Intergovernmental revenues which relates to capital grant work not performed in FY 2004-2005. This also relates to the positive variance in Fire and Rescue's budget.

The net effect of revenue shortfalls being less than under-expenditures for the year is a Fund balance increase of \$338,245 as opposed to a budgeted decrease of \$518,861 after Transfers. This amount is \$293,609 more than the unspent Contingency. The addition to Fund balance would have been \$215,000 more had the General Fund not lent \$215,000 to the Community Development Block grant Fund to restore federal monies that were used to buy The Grove community center. This money will be repaid to the General Fund when identified surplus property is sold in FY 2005-2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the City had invested \$126,623,703 (\$76,664,116 net of related debt) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table E). This is a reduction of \$4.6 million in Net Assets and closely approximates the increase in accumulated depreciation of \$5.1 million.

Table E
City of Ashland's Capital Assets
(In thousands dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2005-2004 |
|--------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|--------------------------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | |
| Land | \$ 8,288 | \$ 8,288 | \$ 1,945 | \$ 1,945 | \$ 10,233 | \$ 10,233 | 0.0% |
| Buildings and improvements | 9,110 | 9,110 | 23,114 | 23,114 | 32,224 | 32,224 | 0.0% |
| Equipment | 11,771 | 11,503 | 675 | 675 | 12,446 | 12,178 | 2.2% |
| Other | 46,759 | 46,629 | 83,530 | 83,433 | 130,289 | 130,062 | 0.2% |
| Totals at historical cost | <u>75,928</u> | <u>75,530</u> | <u>109,264</u> | <u>109,167</u> | <u>185,192</u> | <u>184,697</u> | 0.3% |
| Total accumulated depreciation | <u>31,952</u> | <u>29,903</u> | <u>26,617</u> | <u>23,554</u> | <u>58,569</u> | <u>53,457</u> | 9.6% |
| Net capital assets | <u>\$ 43,976</u> | <u>\$ 45,627</u> | <u>\$ 82,647</u> | <u>\$ 85,613</u> | <u>\$ 126,623</u> | <u>\$ 131,240</u> | -3.5% |

The Totals at historical cost amount shown in the table above, represents a net increase (including additions and deductions) of \$0.5 million or 0.27 percent over last year.

The City's fiscal year 2006 capital budget estimates spending \$7,896,400 on capital projects including construction of new water system infrastructure, wastewater and street improvements. Bond proceeds, some cash reserves and systems development charge balances will be used to fund these capital projects. Reserves in the Equipment Fund will be used to purchase 10 vehicles, various pieces of utility equipment and software. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

The City borrowed \$15,500,000 in Full Faith and Credit revenue bonds in August 2004 to refinance the telecommunications utility owned by the City and operated as Ashland Fiber Network (AFN). The refinancing was used to consolidate two bank loans and internal borrowing used to fund the construction of the network and pay for start-up costs from inception (FY 1998-1999). These are taxable bonds due to the contractual nature of the operations and necessary partnerships with private parties that exist to provide services to the community. Additionally, since the amount includes start-up costs (losses while the system was being built) a taxable issuance provides maximum flexibility for the City.

Bond Ratings

The City's bonds presently carry Moody's "Aaa" ratings with insurance and underlying ratings as follows: General Obligation Bonds at "A2" and Water Revenue Bonds at "A3".

At year-end the City had \$45.0 million in bonds and notes outstanding as shown in Table F. More detailed information about the City's debt is presented in the notes to the financial statements.

Table F
City of Ashland's Long Term Debt
(In thousands dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2005-2004 |
|--------------------------------|-------------------------|-----------------|--------------------------|------------------|------------------|------------------|--------------------------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | |
| Bonds payable | \$ 3,050 | \$ 3,235 | \$ 16,995 | \$ 6,930 | \$ 20,045 | \$ 10,165 | 97.20% |
| Claims payable | 3,295 | 3,906 | 21,660 | 30,300 | 24,955 | 34,206 | -27.04% |
| Total bonds & notes | \$ 6,345 | \$ 7,141 | \$ 38,655 | \$ 37,230 | \$ 45,000 | \$ 44,371 | 1.42% |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Growth in assessed value used for the 2006 budget preparation was projected at 3% per the Measure 50 limitation and 2% for new construction.
- Projections for new construction for 2006 is up \$30.0 million or 2%.
- General Fund budgeted spending for 2006 increases over 2005's actual of \$11.3 million by \$1.6 million to \$12.9 (excluding transfers and contingency). This is a 12.4% increase.

These indicators were taken into account when adopting the General Fund budget for 2006. The amounts available for appropriation in the General Fund budget was estimated to be \$12.9 million in resources and a working capital carry over of \$1.3 million. The actual carry forward for the General Fund budget is \$2.1 million.

General Fund Tax revenues are projected to increase 11% to \$8.9 million yet property taxes are a small part of the total, The City will use these increases in revenues to finance programs we currently offer.

The largest increments in budgeted expenditures for 2006 are increased benefit and retirement costs for staffing, added staff in Municipal Courts and Community Development, and larger allocations of funds for social and economic grants. The City has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the City's budgetary General Fund fund balance is not expected to change appreciably by the close of 2006.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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, 2005

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|----------------------------|
| | Governmental Activities | Business-type Activities | Total | Parks and Recreation |
| ASSETS | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 9,123,663 | \$ 15,066,503 | \$ 24,190,166 | \$ 2,066,200 |
| Receivables (net of allowance for uncollectibles) | 2,354,558 | 2,057,466 | 4,412,024 | 448,119 |
| Inventories | 42,894 | 851,200 | 894,094 | - |
| Deferred charges | - | 1,819,860 | 1,819,860 | - |
| Internal Balances | (1,378,719) | 1,378,719 | - | - |
| Restricted assets: | | | | |
| Cash and cash equivalents | 428,719 | - | 428,719 | - |
| Capital Assets: | | | | |
| Land | 8,287,911 | 1,945,107 | 10,233,018 | - |
| Buildings and Improvements | 30,138,810 | 23,113,448 | 53,252,258 | 11,905,582 |
| Machinery and equipment | 11,771,045 | 675,297 | 12,446,342 | 1,483,064 |
| Infrastructure | 15,986,209 | 79,057,892 | 95,044,101 | 536,322 |
| Construction in progress | 9,744,570 | 4,472,229 | 14,216,799 | - |
| Accumulated Depreciation | (31,952,088) | (26,616,727) | (58,568,815) | (4,353,814) |
| Total assets | \$ 54,547,572 | \$ 103,820,994 | \$ 158,368,566 | \$ 12,085,473 |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 2,652,837 | \$ 2,343,307 | \$ 4,996,144 | \$ 324,505 |
| Accrued interest payable | - | 819,171 | 819,171 | - |
| Unearned revenue | 26,392 | - | 26,392 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 908,822 | 1,437,257 | 2,346,079 | 512 |
| Due in more than one year | 5,815,074 | 42,177,256 | 47,992,330 | - |
| Total liabilities | 9,403,125 | 46,776,991 | 56,180,116 | 325,017 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 37,631,383 | 39,032,733 | 76,664,116 | 9,570,642 |
| Restricted for: | | | | |
| System development | 1,537,765 | 4,636,560 | 6,174,325 | - |
| Debt service | 423,842 | 1,913,648 | 2,337,490 | - |
| Perpetual care: Nonexpendable | 702,629 | - | 702,629 | - |
| Unrestricted | 4,848,828 | 11,461,062 | 16,309,890 | 2,189,814 |
| Total net assets | \$ 45,144,447 | \$ 57,044,003 | \$ 102,188,450 | \$ 11,760,456 |

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, 2005

| <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 | \$ 5,202,781 | \$ 4,607,246 | \$ 358,309 | \$ 948,845 |
| Public Safety | 9,235,540 | 1,769,625 | 71,245 | 53,443 |
| Highways and Streets | 4,221,022 | 2,102,838 | 1,243 | 463,695 |
| Interest on long-term debt | 311,527 | - | - | - |
| Total governmental activities | 18,970,870 | 8,479,709 | 430,797 | 1,465,983 |
| Business-type Activities: | | | | |
| Water | 5,910,251 | 4,220,261 | - | 81,504 |
| Wastewater | 4,524,112 | 2,971,722 | - | - |
| Electric | 12,445,069 | 12,283,303 | 42,656 | - |
| Telecommunications | 4,238,644 | 2,642,055 | - | - |
| Total business-type activities | 27,118,076 | 22,117,341 | 42,656 | 81,504 |
| Total primary government | \$ 46,088,946 | \$ 30,597,050 | \$ 473,453 | \$ 1,547,487 |
| Component Unit: | | | | |
| Ashland Parks and Recreation | \$ 6,553,601 | \$ 967,613 | \$ 29,559 | \$ - |

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

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

Net (Expense) Revenue and
Changes in Net Assets

| Primary Government | | | Component Unit |
|----------------------------|-----------------------------|-----------------------|---------------------------------|
| Governmental Activities | Business-type Activities | Total | Ashland Parks and Recreation |
| \$ 711,619 | \$ - | \$ 711,619 | \$ - |
| (7,341,227) | - | (7,341,227) | - |
| (1,653,246) | - | (1,653,246) | - |
| (311,527) | - | (311,527) | - |
| (8,594,381) | - | (8,594,381) | - |
| - | (1,608,486) | (1,608,486) | - |
| - | (1,552,390) | (1,552,390) | - |
| - | (119,110) | (119,110) | - |
| - | (1,596,589) | (1,596,589) | - |
| - | (4,876,575) | (4,876,575) | - |
| (8,594,381) | (4,876,575) | (13,470,956) | - |
| - | - | - | (5,556,429) |
| 2,658,995 | 74,551 | 2,733,546 | 5,285,297 |
| 2,277,178 | - | 2,277,178 | - |
| 1,753,477 | 1,454,132 | 3,207,609 | - |
| 1,360,724 | - | 1,360,724 | - |
| 146,041 | 352,983 | 499,024 | 54,424 |
| 288,060 | 438,920 | 726,980 | 118,364 |
| 8,484,475 | 2,320,586 | 10,805,061 | 5,458,085 |
| (109,906) | (2,555,989) | (2,665,895) | (98,344) |
| 45,254,353 | 59,599,992 | 104,854,345 | 11,858,800 |
| <u>\$ 45,144,447</u> | <u>\$ 57,044,003</u> | <u>\$ 102,188,450</u> | <u>\$ 11,760,456</u> |

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

**CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

| | General | Street | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 2,016,491 | \$ 1,546,633 | \$ 1,910,811 | \$ 5,473,935 |
| Receivables (net of allowance for uncollectibles) | 1,074,941 | 252,747 | 973,728 | 2,301,416 |
| Due from other funds | 429,877 | - | - | 429,877 |
| Cash - restricted | - | - | 428,719 | 428,719 |
| Total assets | \$ 3,521,309 | \$ 1,799,380 | \$ 3,313,258 | \$ 8,633,947 |
| LIABILITIES, AND EQUITY | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 735,271 | \$ 453,828 | \$ 150,662 | \$ 1,339,761 |
| Deferred revenue | 279,441 | 151,511 | 770,543 | 1,201,495 |
| Due to other agencies | 1,364 | - | - | 1,364 |
| Due to other funds | - | 270,000 | 549,877 | 819,877 |
| Liabilities payable from restricted assets | 196,845 | 8,013 | 11,701 | 216,559 |
| Total liabilities | 1,212,921 | 883,352 | 1,482,783 | 3,579,056 |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Reserved for system development charges | - | 1,472,090 | 65,675 | 1,537,765 |
| Reserved for debt service | - | - | 423,842 | 423,842 |
| Reserved for perpetual care | - | - | 702,629 | 702,629 |
| Unreserved, reported in: | | | | |
| General Fund | 2,308,388 | - | - | 2,308,388 |
| Special revenue funds | - | (556,062) | 2,942 | (553,120) |
| Capital projects funds | - | - | 635,387 | 635,387 |
| Total fund balances | 2,308,388 | 916,028 | 1,830,475 | 5,054,891 |
| Total liabilities and fund balances | \$ 3,521,309 | \$ 1,799,380 | \$ 3,313,258 | \$ 8,633,947 |

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, 2005

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

| | | |
|---------------|----|-----------|
| Fund Balances | \$ | 5,054,891 |
|---------------|----|-----------|

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 | | 40,740,261 |
|--------------------|--|------------|

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 | | (6,345,074) |
|-----------------------|--|-------------|

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

| | | |
|---------------------------------|--|-----------|
| Accrued Vacation and Sick Leave | | (287,757) |
|---------------------------------|--|-----------|

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

| | | |
|------------------|--|-----------|
| Deferred Revenue | | 1,175,103 |
|------------------|--|-----------|

Internal service funds are used by the City to account for the fleet operations, support services, administrative service 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 | | <u>4,807,023</u> |
|----------------------------------|--|------------------|

| | | |
|------------------|----|--------------------------|
| Total Net Assets | \$ | <u><u>45,144,447</u></u> |
|------------------|----|--------------------------|

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

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2005

| | General | Street | Other Governmental Funds | Total Primary Government |
|--|---------------------|-------------------|--------------------------------|-----------------------------|
| Revenues: | | | | |
| Taxes | \$ 8,069,463 | \$ 224,250 | \$ 764,155 | \$ 9,057,868 |
| Fees, licenses and permits | 1,489,379 | - | - | 1,489,379 |
| Intergovernmental | 467,227 | 1,491,827 | 1,293,450 | 3,252,504 |
| Special assessments | - | 218,368 | 4,040 | 222,408 |
| Charges for services | 1,650,211 | 1,792,152 | 723,300 | 4,165,663 |
| Fines and forfeitures | 133,170 | - | - | 133,170 |
| Interest on investments | 50,929 | 21,022 | 40,580 | 112,531 |
| Miscellaneous | 34,247 | 2,582 | 25,717 | 62,546 |
| Total revenues | <u>11,894,626</u> | <u>3,750,201</u> | <u>2,851,242</u> | <u>18,496,069</u> |
| Expenditures: | | | | |
| General government | 2,591,672 | - | 1,928,338 | 4,520,010 |
| Public safety | 8,761,569 | - | - | 8,761,569 |
| Highways and streets | - | 3,150,019 | - | 3,150,019 |
| Debt service | - | - | 846,573 | 846,573 |
| Total expenditures | <u>11,353,241</u> | <u>3,150,019</u> | <u>2,774,911</u> | <u>17,278,171</u> |
| Excess (deficiency) of revenues over expenditures | <u>541,385</u> | <u>600,182</u> | <u>76,331</u> | <u>1,217,898</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 12,360 | - | 142,000 | 154,360 |
| Transfers out | <u>(500)</u> | <u>-</u> | <u>(153,860)</u> | <u>(154,360)</u> |
| Total other financing sources (uses) | <u>11,860</u> | <u>-</u> | <u>(11,860)</u> | <u>-</u> |
| Net Change in Fund Balance | 553,245 | 600,182 | 64,471 | 1,217,898 |
| Fund balances, July 1, 2004 | <u>1,755,143</u> | <u>315,846</u> | <u>1,766,004</u> | <u>3,836,993</u> |
| Fund balances, June 30, 2005 | <u>\$ 2,308,388</u> | <u>\$ 916,028</u> | <u>\$ 1,830,475</u> | <u>\$ 5,054,891</u> |

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

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, 2005

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 | \$ | 1,217,898 |
|--------------------------------------|----|-----------|

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.

| | | |
|--------------------------|--|-------------|
| Capitalized Expenditures | | 139,174 |
| Depreciation Expense | | (1,653,586) |

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. In the statement of activities, however, 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 | | (208,905) |
| General Obligation Bonds & Notes Payable | | 535,046 |

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

| | | |
|---------------------|--|----------|
| Property Taxes | | (1,151) |
| Special Assessments | | (11,045) |
| Other | | (61,253) |

Internal service funds are used by the City to account for the fleet operations, support services, administrative service and insurance services that are provided to the 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 | | <u>(66,084)</u> |
| Change in Net Assets | \$ | <u><u>(109,906)</u></u> |

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

| | Water Fund | Wastewater Fund | Electric Fund | Telecom- munications Fund | Total | Governmental Activities Internal Service Funds |
|---|----------------------|----------------------|----------------------|---------------------------------|-----------------------|---|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 7,066,863 | \$ 5,222,212 | \$ 2,003,573 | \$ 773,855 | \$ 15,066,503 | \$ 3,649,728 |
| Interest and accounts receivable, net | 175,820 | 584,854 | 902,893 | 278,845 | 1,942,412 | 27,254 |
| Notes and contracts receivable | - | - | 115,054 | - | 115,054 | 25,888 |
| Interfund receivable | 120,000 | 270,000 | - | - | 390,000 | - |
| Inventories | 248,027 | 11,050 | 592,123 | - | 851,200 | 42,894 |
| Deferred charges | 201,469 | - | - | 230,029 | 431,498 | - |
| Total current assets | <u>7,812,179</u> | <u>6,088,116</u> | <u>3,613,643</u> | <u>1,282,729</u> | <u>18,796,667</u> | <u>3,745,764</u> |
| Capital assets | | | | | | |
| Accumulated depreciation | (10,390,498) | (6,584,877) | (8,549,965) | (1,091,387) | (26,616,727) | (6,231,666) |
| Capital assets, net | <u>20,086,892</u> | <u>43,193,359</u> | <u>11,349,685</u> | <u>8,017,310</u> | <u>82,647,246</u> | <u>3,236,196</u> |
| Other assets | | | | | | |
| Deferred costs (net of amortization) | - | - | - | 1,388,362 | 1,388,362 | - |
| Total assets | <u>\$ 27,899,071</u> | <u>\$ 49,281,475</u> | <u>\$ 14,963,328</u> | <u>\$ 10,688,401</u> | <u>\$ 102,832,275</u> | <u>\$ 6,981,960</u> |
| LIABILITIES AND NET ASSETS | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 892,307 | \$ 124,812 | \$ 582,408 | \$ 99,556 | \$ 1,699,083 | \$ 245,030 |
| Accrued salaries, vacation and payroll taxes | 117,949 | 78,059 | 158,321 | 54,394 | 408,723 | 332,624 |
| Accrued interest payable | 17,150 | - | - | 802,021 | 819,171 | - |
| Other liabilities | 5,072 | - | 230,429 | - | 235,501 | 608,565 |
| Notes/bonds payable, current portion | 480,000 | 957,257 | - | - | 1,437,257 | - |
| Total current liabilities | <u>1,512,478</u> | <u>1,160,128</u> | <u>971,158</u> | <u>955,971</u> | <u>4,599,735</u> | <u>1,186,219</u> |
| Long-term liabilities: | | | | | | |
| Notes payable | - | 20,702,256 | - | - | 20,702,256 | - |
| Revenue bonds payable, net | 4,640,000 | - | - | - | 4,640,000 | - |
| General obligation bonds payable, net | 1,335,000 | - | - | 15,500,000 | 16,835,000 | - |
| Total long-term liabilities | <u>5,975,000</u> | <u>20,702,256</u> | <u>-</u> | <u>15,500,000</u> | <u>42,177,256</u> | <u>-</u> |
| Total liabilities | <u>7,487,478</u> | <u>21,862,384</u> | <u>971,158</u> | <u>16,455,971</u> | <u>46,776,991</u> | <u>1,186,219</u> |
| Net Assets: | | | | | | |
| Net assets (deficit): | | | | | | |
| Invested in capital assets, net of related debt | 13,631,892 | 21,533,846 | 11,349,685 | (7,482,690) | 39,032,733 | 3,236,196 |
| Restricted for system development | 3,010,749 | 1,625,811 | - | - | 4,636,560 | - |
| Restricted for debt service | 207,946 | 1,705,702 | - | - | 1,913,648 | - |
| Unrestricted | <u>3,561,006</u> | <u>2,553,732</u> | <u>2,642,485</u> | <u>1,715,120</u> | <u>10,472,343</u> | <u>2,559,545</u> |
| Total net assets | <u>20,411,593</u> | <u>27,419,091</u> | <u>13,992,170</u> | <u>(5,767,570)</u> | <u>56,055,284</u> | <u>5,795,741</u> |
| Total liabilities and net assets | <u>\$ 27,899,071</u> | <u>\$ 49,281,475</u> | <u>\$ 14,963,328</u> | <u>\$ 10,688,401</u> | <u>\$ 102,832,275</u> | <u>\$ 6,981,960</u> |
| Total net assets | | | | | \$ 56,055,284 | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | 988,719 | |
| Net assets of business-type activities | | | | | <u>\$ 57,044,003</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, 2005

| | Water Fund | Wastewater Fund | Electric Fund | Telecom- munications Fund | Total | Governmental Activities Internal Service Funds |
|---|----------------------|----------------------|----------------------|---------------------------------|-----------------------|---|
| Operating revenues: | | | | | | |
| Charges for services | \$ 4,117,203 | \$ 2,869,095 | \$ 12,141,315 | \$ 2,581,616 | \$ 21,709,229 | \$ 6,385,670 |
| Miscellaneous | 5,145 | 119 | 286,745 | 16,902 | 308,911 | 246,477 |
| Total operating revenues | <u>4,122,348</u> | <u>2,869,214</u> | <u>12,428,060</u> | <u>2,598,518</u> | <u>22,018,140</u> | <u>6,632,147</u> |
| Operating expenses: | | | | | | |
| Cost of sales and services | 4,194,875 | 2,374,109 | 10,471,450 | 2,800,894 | 19,841,328 | 6,344,585 |
| Depreciation and amortization | 953,557 | 1,084,517 | 636,568 | 498,525 | 3,173,167 | 499,562 |
| Total operating expenses | <u>5,148,432</u> | <u>3,458,626</u> | <u>11,108,018</u> | <u>3,299,419</u> | <u>23,014,495</u> | <u>6,844,147</u> |
| Operating income (loss) | <u>(1,026,084)</u> | <u>(589,412)</u> | <u>1,320,042</u> | <u>(700,901)</u> | <u>(996,355)</u> | <u>(212,000)</u> |
| Nonoperating income (expenses): | | | | | | |
| Taxes | 74,551 | 1,454,132 | - | - | 1,528,683 | - |
| Intergovernmental | 81,504 | - | 42,656 | - | 124,160 | - |
| Interest income | 150,578 | 114,951 | 32,640 | 10,331 | 308,500 | 77,993 |
| Tax equivalents | (179,500) | (122,896) | (1,104,088) | (61,121) | (1,467,605) | - |
| Gain (loss) on disposal of assets | - | - | 724 | - | 724 | (19,800) |
| Transfers | - | - | (200,000) | 200,000 | - | - |
| Interest expense | (413,228) | (774,207) | - | (778,940) | (1,966,375) | - |
| Total nonoperating income (expenses) | <u>(286,095)</u> | <u>671,980</u> | <u>(1,228,068)</u> | <u>(629,730)</u> | <u>(1,471,913)</u> | <u>58,193</u> |
| Change in net assets | (1,312,179) | 82,568 | 91,974 | (1,330,631) | (2,468,268) | (153,807) |
| Total net assets - beginning | <u>21,723,772</u> | <u>27,336,523</u> | <u>13,900,196</u> | <u>(4,436,939)</u> | <u>58,523,552</u> | <u>5,949,548</u> |
| Total net assets - ending | <u>\$ 20,411,593</u> | <u>\$ 27,419,091</u> | <u>\$ 13,992,170</u> | <u>\$ (5,767,570)</u> | <u>\$ 56,055,284</u> | <u>\$ 5,795,741</u> |
| Change in net assets | | | | | \$ (2,468,268) | |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | (87,721) | |
| Change in net assets of business-type activities - Statement of Activities | | | | | <u>\$ (2,555,989)</u> | |

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

CITY OF ASHLAND, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2005

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental |
|--|---|---------------------|---------------------|---------------------------------|----------------------|---------------------------|
| | Water Fund | Wastewater Fund | Electric Fund | Telecom- munications Fund | | Internal Service Funds |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers and users | \$ 4,134,229 | \$ 2,840,662 | \$ 12,277,887 | \$ 2,417,555 | \$ 21,670,333 | \$ 6,665,306 |
| Payments to suppliers | (2,344,753) | (1,825,688) | (8,952,339) | (1,624,105) | (14,746,885) | (2,918,502) |
| Payments to employees | (975,101) | (683,641) | (1,494,553) | (619,713) | (3,773,008) | (3,498,839) |
| Net cash from operating activities | <u>814,375</u> | <u>331,333</u> | <u>1,830,995</u> | <u>173,737</u> | <u>3,150,440</u> | <u>247,965</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Proceeds from (payment of) interfund and other loans | 2,155,000 | 4,005,000 | 375,000 | (14,277,000) | (7,742,000) | - |
| Transfers | - | - | (200,000) | 200,000 | - | - |
| Taxes collected | 74,551 | 1,454,132 | - | - | 1,528,683 | - |
| Net cash from noncapital financing activities | <u>2,229,551</u> | <u>5,459,132</u> | <u>175,000</u> | <u>(14,077,000)</u> | <u>(6,213,317)</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Acquisition and construction of capital assets | (76,987) | (20,565) | (1) | - | (97,553) | (382,854) |
| Proceeds from issuance of debt | - | - | - | 15,500,000 | 15,500,000 | - |
| Proceeds from intergovernmental income | 81,504 | - | 42,656 | - | 124,160 | - |
| Principal paid on bonds, contracts and notes | (475,000) | (925,249) | - | - | (1,400,249) | - |
| Interest paid on debt | (413,228) | (774,207) | - | (778,940) | (1,966,375) | - |
| Tax Equivalents | (179,500) | (122,896) | (1,104,088) | (61,121) | (1,467,605) | - |
| Net cash from capital and related financing activities | <u>(1,063,211)</u> | <u>(1,842,917)</u> | <u>(1,061,433)</u> | <u>14,659,939</u> | <u>10,692,378</u> | <u>(382,854)</u> |
| Cash flows from investing activities: | | | | | | |
| Interest from investments | 150,578 | 114,951 | 32,640 | 10,331 | 308,500 | 77,993 |
| Net increase (decrease) in cash and investments | <u>2,131,293</u> | <u>4,062,499</u> | <u>977,202</u> | <u>767,007</u> | <u>7,938,001</u> | <u>(56,896)</u> |
| Cash and investments, beginning of year | <u>4,935,570</u> | <u>1,159,713</u> | <u>1,026,371</u> | <u>6,848</u> | <u>7,128,502</u> | <u>3,706,624</u> |
| Cash and investments, end of year | <u>\$ 7,066,863</u> | <u>\$ 5,222,212</u> | <u>\$ 2,003,573</u> | <u>\$ 773,855</u> | <u>\$ 15,066,503</u> | <u>\$ 3,649,728</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ (1,026,084) | \$ (589,412) | \$ 1,320,042 | \$ (700,901) | \$ (996,355) | \$ (212,000) |
| Depreciation and amortization | 953,557 | 1,084,517 | 636,568 | 498,525 | 3,173,167 | 499,562 |
| Change in assets and liabilities: | | | | | | |
| (Increase) decrease in: | | | | | | |
| Receivables | 11,881 | (28,552) | (146,173) | (60,903) | (223,747) | 33,159 |
| Inventories | (21,914) | (7,062) | (23,955) | - | (52,931) | (3,154) |
| Deferred charges | 222,010 | - | - | (230,029) | (8,019) | - |
| Increase (decrease) in: | | | | | | |
| Accounts payable and accrued liabilities | 540,084 | (206,217) | (122,166) | (189,370) | 22,331 | (380,704) |
| Other liabilities | 134,841 | 78,059 | 166,679 | 856,415 | 1,235,994 | 311,102 |
| Net cash from operating activities | <u>\$ 814,375</u> | <u>\$ 331,333</u> | <u>\$ 1,830,995</u> | <u>\$ 173,737</u> | <u>\$ 3,150,440</u> | <u>\$ 247,965</u> |

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

CITY OF ASHLAND, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2005

| | Agency Fund |
|--------------------------------|-------------|
| | Mt. Ashland |
| | Ski Area |
| | Agency Fund |
| | |
| ASSETS | |
| Cash and investments | \$ 269,532 |
| Total assets | 269,532 |
| | |
| LIABILITIES | |
| Due to Mt. Ashland Association | 269,532 |
| Total liabilities | 269,532 |
| Change in net assets | - |
| Beginning net assets | - |
| Net Assets: | \$ - |

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, 2005

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 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on the nonfiduciary 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.

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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 and fiduciary fund 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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 accrual basis of accounting. The budgetary basis of accounting is the same as Generally Accepted Accounting Principles. 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.

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 cable television 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.

Additionally, the City reports the following fiduciary fund types:

The Agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for, using the accrual basis of accounting. The Agency fund is used to account for assets that the City holds for others in an agency capacity. The fund in this category includes the Mt. Ashland Ski Area.

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.

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 nonoperating items. Operating revenues and expenses result from providing and 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 as operating revenue the portion of System Development Charges intended to recover the cost of connecting new customers to the system. 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 nonoperating 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 considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (continued)

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.

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. The property tax receivable allowance is equal to 8 percent of outstanding property taxes at June 30, 2005.

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables (continued)

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 noncurrent debt service obligations.

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (continued)

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.

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 system | 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 |

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. 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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long Term Obligations (continued)

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 the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, except the Mt. Ashland Ski Area Agency Fund. 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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

detail budget document, however, is required to contain more specific, detailed information for the above-mentioned expenditure categories.

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 by 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 lapse at year end. During 2004-2005, the City made one appropriation transfer, as well as two supplemental budgets by adoption of resolutions.

B. Excess of Expenditures Over Appropriations

During 2004-2005 one over-expenditure occurred at the level of control established by appropriation resolutions. In the Airport Fund, Capital Outlay, the City expended \$30,617 more than the \$1,139,650 appropriation.

C. Deficit Fund Equity

The Telecommunications Fund enterprise fund has a deficit balance of \$5,767,570 as of June 30, 2005. The Fund ended its qualified startup period as a new cable television business, under FAS 51, on April 30, 2001, the business plan anticipates deficits to occur during the initial years of operation. The deficit will be eliminated in future years as the business and customer base matures and other revenue streams are provided by the City.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

| | Total Primary Government | Component Unit <hr/> Parks and Recreation | Total |
|--|-----------------------------|--|----------------------|
| Petty Cash | \$ 3,010 | | \$ 3,010 |
| Deposits with financial institutions | 431,308 | | 431,308 |
| Deposit with registered or billing agent | 102,619 | | 102,619 |
| Investments | 24,351,480 | \$ 2,066,200 | 26,417,680 |
| | <u>\$ 24,888,417</u> | <u>\$ 2,066,200</u> | <u>\$ 26,954,617</u> |
| | | | |
| Governmental - unrestricted | \$ 24,190,166 | | |
| Governmental - restricted | 428,719 | | |
| Fiduciary | 269,532 | | |
| | <u>\$ 24,888,417</u> | | |

DEPOSITS

State statutes require that the City obtain from its depositories a certificate of participation for the full amount of the City's deposits that exceed FDIC coverage. The depositories are required to pledge, with an independent collateral pool manager, as agent for the City, securities in the City's name at least equal to twenty-five percent of the face value of the certificate of participation issued to the City. The City's deposits at year-end were covered, as required by law, by federal depository insurance or by certifications of participation backed by securities held by financial institutions acting as agents for the City in the City's name.

Deposits consist of bank demand deposits. The carrying amount of deposits is \$431,308. The total bank balance per the bank statements is \$865,411. Of these deposits, \$133,185 is covered by federal depository insurance and \$183,056 is collateralized by securities held by financial institutions acting as agents for the City in the City's name, and the remaining is uninsured and uncollateralized. At June 30, 2005, the collateral was sufficient to meet the requirements of Oregon Law.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

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, Bankers' Acceptances (BA's), Certificates of Deposit (Commercial Banks which have a branch in Oregon & Savings & Loan Associations which have a branch in Oregon), State & 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, 2005, the City had the following investments and maturities.

| Investment Type | Fair Value | Investment Maturities (in months) | | |
|-----------------------------------|----------------------|-----------------------------------|---------------------|-------------|
| | | Less than 3 | 3-17 | 18-59 |
| Certificates of Deposit | \$ 2,513,567 | \$ 513,567 | \$ 2,000,000 | \$ - |
| US Government Securities | 6,725,000 | 2,000,000 | 4,725,000 | - |
| State Treasurer's investment pool | 17,179,113 | 17,179,113 | - | - |
| Total | \$ 26,417,680 | \$ 19,692,680 | \$ 6,725,000 | \$ - |

Investments are valued at fair value as required by GASB 31. There is no material difference between fair value of the City's position in the State Treasurer's Local Governmental Investment Pool and the value of the pool shares at June 30, 2005.

INTEREST RATE RISK

As a means of limiting its exposure to fair value losses resulting from rising interest rates, 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

INTEREST RATE RISK (CONTINUED)

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 |

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 bankers' acceptances to be guaranteed by and carried on the books of, a qualified financial institution, eligible for discount by 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, 2005 the City was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool 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:

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

CONCENTRATION OF CREDIT RISK (CONTINUED)

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

B. Receivables

Receivables, as of year end for the government's individual major funds and nonmajor, 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:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---------------------------------------|---------------------|------------------|
| Delinquent Property Taxes Receivable: | | |
| General Fund | \$ 131,315 | \$ - |
| Debt Service Fund | 24,255 | - |
| Installment notes receivable | 737,510 | - |
| Ambulance billing | 119,070 | - |
| Fire-Med insurance premiums | - | 20,360 |
| 2004-05 Business Licenses | - | 6,032 |
| Special Assessments not yet due: | | |
| Unbonded-Street Fund | 151,511 | - |
| Bond-Other Non-major Funds | 11,442 | - |
| | <u>\$ 1,175,103</u> | <u>\$ 26,392</u> |

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

| | Balance June 30, 2004 | Additions | Retirements | Balance June 30, 2005 |
|---|--------------------------|-----------------------|-------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 8,287,911 | \$ - | \$ - | \$ 8,287,911 |
| Construction in progress | 9,882,445 | - | 137,875 | 9,744,570 |
| Total capital assets, not being depreciated | 18,170,356 | - | 137,875 | 18,032,481 |
| Buildings | 9,109,502 | - | - | 9,109,502 |
| Improvements other than buildings | 21,029,308 | - | - | 21,029,308 |
| Infrastructure | 15,718,373 | 267,836 | - | 15,986,209 |
| Machinery and equipment | 11,503,162 | 382,854 | 114,971 | 11,771,045 |
| Total capital assets, being depreciated | 57,360,345 | 650,690 | 114,971 | 57,896,064 |
| Less accumulated depreciation | 29,903,324 | 2,153,148 | 104,384 | 31,952,088 |
| Total capital assets being depreciated, net | 27,457,021 | (1,502,458) | 10,587 | 25,943,976 |
| Governmental activities capital assets, net | <u>\$ 45,627,377</u> | <u>\$ (1,502,458)</u> | <u>\$ 148,462</u> | <u>\$ 43,976,457</u> |

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

| | Balance June 30, 2004 | Additions | Retirements | Balance June 30, 2005 |
|--|--------------------------|-----------------------|-----------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 1,945,107 | \$ - | \$ - | \$ 1,945,107 |
| Construction in progress | 4,472,229 | - | - | 4,472,229 |
| Total capital assets, not being depreciated | 6,417,336 | - | - | 6,417,336 |
| Buildings | 23,113,447 | - | - | 23,113,447 |
| Machinery and equipment | 675,297 | - | - | 675,297 |
| Improvements other than buildings | 78,960,340 | 97,552 | - | 79,057,892 |
| Total capital assets, being depreciated | 102,749,084 | 97,552 | - | 102,846,636 |
| Less accumulated depreciation: | 23,553,803 | 3,063,647 | 724 | 26,616,726 |
| Total capital assets being depreciated, net | 79,195,281 | (2,966,095) | (724) | 76,229,910 |
| Business-type activities capital assets, net | <u>\$ 85,612,617</u> | <u>\$ (2,966,095)</u> | <u>\$ (724)</u> | <u>\$ 82,647,246</u> |

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

| | |
|--------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 662,534 |
| Public Safety | 434,440 |
| Highways and Streets | <u>1,056,174</u> |
| | <u>\$ 2,153,148</u> |

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2005. 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 \$1,617,970 at June 30, 2005.

D. Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

| Transfer Out from: | Transfer in to: | | | Total |
|-----------------------|-----------------|-----------------------|--------------------------|------------|
| | General Fund | Nonmajor Governmental | Business-type Activities | |
| General Fund | \$ - | \$ 500 | \$ - | \$ 500 |
| Business Type | - | | 200,000 | 200,000 |
| Nonmajor Governmental | 12,360 | 141,500 | - | 153,860 |
| Total Transfers Out | \$ 12,360 | \$ 142,000 | \$ 200,000 | \$ 354,360 |

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------|------------|
| General Fund | Nonmajor Governmental | \$ 429,877 |
| Wastewater | Street | 270,000 |
| Water | Nonmajor Governmental | 120,000 |
| | | \$ 819,877 |

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, the wastewater treatment facility by both prepared food and beverage tax, System Development Charges and user rates, and Ashland Fiber Network by user fees with the pledge of the Electric fund revenues as collateral.

Promissory Notes outstanding at year end are as follows:

| <u>Purpose</u> | <u>Interest Rates</u> | <u>Amount</u> |
|--------------------------|-----------------------|----------------------|
| Government activities | 5.5-8.5% | \$ 617,032 |
| Government activities | 10.00% | 8,556 |
| Government activities | 8.00% | 244,307 |
| Government activities | 4.40% | 1,234,968 |
| Government activities | 5.00% | 844,836 |
| Government activities | 4.68% | 345,375 |
| Business-type activities | 4.20% | 21,659,513 |
| | | <u>\$ 24,954,587</u> |

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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

Promissory note debt service requirement to maturity is as follows:

| Year ending June 30, | Governmental Activities | | Business-type Activities | |
|-------------------------|-------------------------|---------------------|--------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2006 | \$ 326,069 | \$ 158,339 | \$ 957,257 | \$ 840,708 |
| 2007 | 329,170 | 145,135 | 990,373 | 802,723 |
| 2008 | 318,073 | 124,721 | 1,024,634 | 763,426 |
| 2009 | 587,173 | 102,209 | 1,060,081 | 722,768 |
| 2010 | 300,702 | 81,751 | 1,096,753 | 680,704 |
| 2011-2015 | 868,593 | 242,273 | 5,779,824 | 2,719,834 |
| 2016-2020 | 197,016 | 141,080 | 7,206,776 | 1,427,207 |
| 2021-2025 | 258,471 | 79,625 | 3,543,815 | 156,687 |
| 2026-2028 | 109,807 | 10,433 | - | - |
| | <u>\$ 3,295,074</u> | <u>\$ 1,085,566</u> | <u>\$21,659,513</u> | <u>\$ 8,114,057</u> |

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.

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 |
|------------------------------------|----------------|----------------------|
| Governmental Activities | 5.0-5.875% | \$ 2,765,000 |
| Governmental Activities | 3.75-4.65% | 285,000 |
| Business-type Activities | 5.0-7.0% | 85,000 |
| Business-type Activities | 3.7-6.02% | 15,500,000 |
| Business-type Activities-refunding | 3.75-4.65% | 1,410,000 |
| | | <u>\$ 20,045,000</u> |

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005**

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, 2005, are as follows:

| Year ending June 30, | 1977 Water GO Bonds | | 1997 Flood and Refunding GO bonds | | 2004 Full Faith and Credit | |
|-------------------------|---------------------|------------------|--------------------------------------|-------------------|----------------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2006 | \$ 15,000 | \$ 16,087 | \$ 205,000 | \$ 71,368 | \$ - | \$ 1,234,248 |
| 2007 | 20,000 | 14,950 | 215,000 | 62,284 | - | 684,454 |
| 2008 | 20,000 | 13,650 | 225,000 | 52,658 | 195,000 | 860,849 |
| 2009 | 30,000 | 12,350 | 240,000 | 42,428 | 450,000 | 848,303 |
| 2010 | | | 255,000 | 31,410 | 605,000 | 826,378 |
| 2011-2015 | | | 555,000 | 26,089 | 3,490,000 | 3,652,840 |
| 2016-2020 | | | - | - | 4,590,000 | 2,553,043 |
| 2021-2025 | | | - | - | 6,170,000 | 973,155 |
| | <u>\$ 85,000</u> | <u>\$ 57,037</u> | <u>\$ 1,695,000</u> | <u>\$ 286,237</u> | <u>\$ 15,500,000</u> | <u>\$ 11,633,270</u> |

| Year ending June 30, | 2000 GO Bonds | | Total | |
|-------------------------|---------------------|---------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2006 | \$ 125,000 | \$ 152,363 | \$ 345,000 | \$ 1,474,066 |
| 2007 | 130,000 | 145,925 | 365,000 | 907,613 |
| 2008 | 140,000 | 139,230 | 580,000 | 1,066,387 |
| 2009 | 145,000 | 131,950 | 865,000 | 1,035,031 |
| 2010 | 150,000 | 124,265 | 1,010,000 | 982,053 |
| 2011-2015 | 900,000 | 489,010 | 4,945,000 | 4,167,939 |
| 2016-2020 | 1,175,000 | 209,055 | 5,765,000 | 2,762,098 |
| 2021-2025 | - | - | 6,170,000 | 973,155 |
| | <u>\$ 2,765,000</u> | <u>\$ 1,391,798</u> | <u>\$ 20,045,000</u> | <u>\$ 13,368,342</u> |

3. Revenue Bonds

The government also issues bonds where 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 upgrade of existing and addition of distribution infrastructure. In 2003 the remaining \$ 2.75 million of these bonds were defeased with the issuance of \$5.625 million for infrastructure construction and refunding of the original issue. Revenue bonds outstanding at year end are as follows:

| Purpose | Interest Rates | Amount |
|---------|----------------|---------------------|
| Water | 2.0-4.0% | <u>\$ 4,960,000</u> |

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Revenue Bonds (continued)

Revenue bond debt service requirements to maturity are as follows:

| Year ending June 30, | Principal | Interest |
|-------------------------|---------------------|---------------------|
| 2006 | \$ 320,000 | \$ 140,456 |
| 2007 | 325,000 | 134,006 |
| 2008 | 335,000 | 127,406 |
| 2009 | 335,000 | 120,288 |
| 2009 | 345,000 | 112,206 |
| 2010-2014 | 1,890,000 | 403,698 |
| 2015-2019 | 835,000 | 187,659 |
| 2020-2023 | 575,000 | 34,512 |
| | <u>\$ 4,960,000</u> | <u>\$ 1,260,231</u> |

4. Advance and Current Refundings

The government issued \$2,040,000 in 1992 and \$1,720,010 in 1997 of general obligation refunding bonds 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. As a result, the refunded 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 refunded debt, which was shorter than the life of the new debt issued. These advance refundings 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 in June, 2003, of revenue bonds 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 bonds issued in 1984. As a result, the refunded 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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

4. Advance and Current Refundings (continued)

against the new debt and amortized over the life of the refunded debt, which was shorter than the life of the new debt issued. This advance refunding 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 for \$4,832,000 and \$2,520,000 borrowed to construct the Ashland Fiber Network. The total interest cost on the bonds is calculated at 5.99% as compared to the bank loans interest rates of 5.14% and 7.01% respectively. Taxable bonds with a longer life than the loans were issued to consolidate bank loans with \$7.0 million in internal borrowing for operational losses to provide flexibility in use of proceeds and operations, not for an economic gain.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2005 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|----------------------|---------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation | \$ 3,235,000 | \$ - | \$ 185,000 | \$ 3,050,000 | \$ 190,000 |
| Total bonds payable | <u>3,235,000</u> | <u>-</u> | <u>185,000</u> | <u>3,050,000</u> | <u>190,000</u> |
| Notes on Contracts | 3,637,662 | - | 342,588 | 3,295,074 | 340,000 |
| Special assessments payable | 7,458 | - | 7,458 | - | - |
| Claims and judgements | 394,591 | 1,587 | 17,356 | 378,822 | 378,822 |
| Government activities | | | | | |
| Long-term liabilities | <u>\$ 7,281,661</u> | <u>\$ 1,587</u> | <u>\$ 552,402</u> | <u>\$ 6,723,896</u> | <u>\$ 908,822</u> |
| Business-type Activities: | | | | | |
| Bonds Payable: | | | | | |
| General obligation | \$ 1,650,000 | \$ 15,500,000 | \$ 155,000 | \$ 16,995,000 | \$ 160,000 |
| Revenue | 5,280,000 | - | 320,000 | 4,960,000 | 320,000 |
| Total bonds payable | <u>6,930,000</u> | <u>15,500,000</u> | <u>475,000</u> | <u>21,955,000</u> | <u>480,000</u> |
| Notes and Contracts | 29,936,762 | - | 8,277,249 | 21,659,513 | 957,257 |
| Business-type Activities | | | | | |
| Long-term liabilities | <u>\$ 39,228,101</u> | <u>\$ 15,500,000</u> | <u>\$ 8,752,249</u> | <u>\$ 43,614,513</u> | <u>\$ 1,437,257</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 \$142,681 of internal service fund compensated absences, and \$378,822 of internal service fund claims and judgements are included in the above amounts.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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 | \$ 1,472,090 | \$ - |
| Capital Improvements Fund | 65,675 | - |
| Water Fund | - | 3,010,749 |
| Wastewater Fund | - | 1,625,811 |
| | \$ 1,537,765 | \$ 4,636,560 |

G. Compensated Absences

The balances of the compensated absences accounts in the governmental and business-type are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---------------------------------------|----------------------|------------|------------|-------------------|
| Governmental Activities: | \$ 237,976 | \$ 287,757 | \$ 237,976 | \$ 287,757 |
| Business-Type Activities: | 197,245 | 213,781 | 197,245 | 213,781 |
| Total Compensated Absences Payable | \$ 435,221 | \$ 501,538 | \$ 435,221 | \$ 501,538 |

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, 2005, such premiums did not exceed paid claims and reserves.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

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 reevaluated 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. Settlements have exceeded coverages 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. No settlements have exceeded coverages. Changes in the balances of claims liability during the past two years are as follows:

| | Year ended <u>June 30, 2005</u> | Year ended <u>June 30, 2004</u> |
|---|------------------------------------|------------------------------------|
| Unpaid claims, beginning of fiscal year | \$ 342,781 | \$ 573,380 |
| Incurred claims (including IBNRs) | 53,397 | 596,637 |
| Removal of ACH | - | (376,506) |
| Claim Payments | <u>(17,356)</u> | <u>(450,730)</u> |
| Unpaid claims, end of fiscal year | <u>\$ 378,822</u> | <u>\$ 342,781</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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

IV. OTHER INFORMATION (CONTINUED)

B Contingent Liabilities (continued)

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, under agreement with the Forest Service, land that is a designated ski area to the Mt. Ashland Association (Ski Ashland), a non-profit organization, to conduct skiing activities. The permit with the Forest Service and the lease agreement recognize the need for reclamation of the area should skiing operations cease and the City, as the permit holder, is the responsible party. The lease agreement between the City of Ashland and Mt. Ashland Association estimates the cost of reclamation to be \$305,000 at June 30, 2005, and requires Ski Ashland to maintain sufficient liquid assets to cover that cost.

The City leases property to Ashland Community Hospital per a July 1, 1996, agreement when the hospital operation transitioned from a department to a non-profit 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 amounts. 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.

C. Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain benefits for 16 retired City employees who completed a minimum of 15 years employment with the City. The City pays a monthly stipend from the retiree's fifty-eighth 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.

For fiscal year 2005, costs advanced funded total \$228,433, and are recorded in the Insurance Services Fund. The City has funded the estimated amount of benefits that will be payable in the future to eligible

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (continued)

retirees. At present, the entire estimated liability is fully funded, and the City expects to fully fund future increases in this liability.

| Fiscal Year | Number of Retirees Covered | Benefits Paid |
|----------------|----------------------------------|------------------|
| 2004-05 | 16 | \$ 23,903 |
| 2003-04 | 15 | 24,452 |
| 2002-03 | 15 | 21,251 |
| 2001-02 | 15 | 20,400 |
| 2000-01 | 14 | 16,928 |
| 1999-00 | 13 | 11,212 |
| 1998-99 | 14 | 13,146 |
| 1997-98 | 19 | 18,744 |
| 1996-97 | 15 | 12,338 |
| 1995-96 | 13 | 10,222 |

Significant assumptions used in the estimate include (a) a rate of return on the investment of present and future assets of 6.0%, and (b) annual rate increases of 4.0%.

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.

Funding policy. Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate(s). In 2003 the Oregon Legislature revised OPERF operations and how benefits for existing and new

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

employees is 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 and the new plan established in 2003 called Oregon Public Service Retirement Plan (OPSRP) and the current rates are 10.39% and 8.04% respectively of annual covered payroll. The City has “picked up” employee contributions at a rate of 6%, 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 & Local Rate Pool in 2002 to minimize annual variances in employer rates.

For 2004-05, the City’s annual pension cost of \$2,227,845 was equal to the City’s required and actual contributions. This consisted of \$596,617 picked up and paid by the City on behalf of employees, and \$1,631,228 paid by the City. The required contribution was determined as part of the December 31, 2001, 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) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.25% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and services, and (c) 2% per year cost-of-living adjustments. The underlying rate of inflation is 3.5% per year.

Three-Year Trend Information for PERS

| <u>GASB Statement No. 27 Required Disclosures</u> | | | |
|---|---------------------------------|-------------------------------------|------------------------------|
| Three Year Trend Information | | | |
| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
| 06/30/2003 | 1,715,644 | 100% | - |
| 06/30/2004 | 1,668,950 | 100% | - |
| 06/30/2005 | 2,227,845 | 100% | - |

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

IV. OTHER INFORMATION (CONTINUED)

E. Subsequent Events

On July 20, 2005, the Water Fund issued \$2,560,000 in General Obligation refunding bonds to defease selected bonds from the 1997 and 2000 issues. The refunding resulted in a \$121,962 net present value savings (economic gain) to the City.

F. 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 is as follows at June 30, 2005:

| | |
|-------------------------------|----------------------------|
| Startup Costs | \$ 1,861,076 |
| Less accumulated amortization | <u>472,714</u> |
| | <u><u>\$ 1,388,362</u></u> |



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended June 30, 2005

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|-------------------|-------------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Taxes | \$ 8,069,463 | \$ 8,082,095 | \$ 8,082,095 | (12,632) |
| Fees, licenses and permits | 1,489,379 | 1,418,120 | 1,418,120 | 71,259 |
| Intergovernmental | 467,227 | 893,135 | 893,135 | (425,908) |
| Charges for services | 1,650,211 | 1,585,410 | 1,585,410 | 64,801 |
| Fines and forfeitures | 133,170 | 118,110 | 118,110 | 15,060 |
| Interest on investments | 50,929 | 16,700 | 16,700 | 34,229 |
| Miscellaneous | 34,247 | 57,499 | 57,499 | (23,252) |
| Total revenues | 11,894,626 | 12,171,069 | 12,171,069 | (276,443) |
| Expenditures: | | | | |
| General government: | | | | |
| Administrative Services | 98,208 | 109,600 | 109,600 | 11,392 |
| Finance: | | | | |
| Band | 45,996 | 57,490 | 57,490 | 11,494 |
| Social services | 107,622 | 110,000 | 110,000 | 2,378 |
| Economic development | 445,600 | 445,600 | 445,600 | - |
| Public Works: | | | | |
| Cemetery | 240,279 | 298,260 | 298,260 | 57,981 |
| Community Development: | | | | |
| Planning | 877,670 | 1,027,055 | 1,027,055 | 149,385 |
| Building | 604,693 | 699,808 | 699,808 | 95,115 |
| Senior programs | 114,638 | 115,545 | 115,545 | 907 |
| Miscellaneous | 13,633 | 25,000 | 25,000 | 11,367 |
| Total general government | <u>2,548,339</u> | <u>2,888,358</u> | <u>2,888,358</u> | <u>340,019</u> |
| Public safety: | | | | |
| Police | 4,233,855 | 4,375,830 | 4,435,830 | 201,975 |
| Municipal Court | 297,099 | 297,426 | 317,426 | 20,327 |
| Fire and Rescue | 4,230,615 | 4,788,107 | 4,788,107 | 557,492 |
| Total public safety | <u>8,761,569</u> | <u>9,461,363</u> | <u>9,541,363</u> | <u>779,794</u> |
| Contingency | - | 339,636 | 44,636 | 44,636 |
| Total expenditures | 11,309,908 | 12,689,357 | 12,474,357 | 1,164,449 |
| Excess (deficiency) of revenues over expenditures | <u>584,718</u> | <u>(518,288)</u> | <u>(303,288)</u> | <u>888,006</u> |
| Other financing sources (uses): | | | | |
| Interfund Loans | (215,000) | - | (215,000) | - |
| Transfers in | 12,360 | 43,260 | 43,260 | (30,900) |
| Transfers out | (43,833) | (43,833) | (43,833) | - |
| Total other financing sources (uses) | (246,473) | (573) | (215,573) | (30,900) |
| Net Change in Fund Balance | 338,245 | (518,861) | (518,861) | 857,106 |
| Fund balance, July 1, 2004 | 1,755,143 | 1,455,429 | 1,455,429 | 299,714 |
| Fund balance, June 30, 2005 | \$ 2,093,388 | \$ 936,568 | \$ 936,568 | \$ 1,156,820 |
| Reconciliation to Net Assets: | | | | |
| Interfund Loans | \$ 215,000 | | | |
| | <u>\$ 2,308,388</u> | | | |

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND**

For the year ended June 30, 2005

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Taxes | \$ 224,250 | \$ 245,251 | \$ 245,251 | \$ (21,001) |
| Intergovernmental | 1,491,827 | 900,000 | 900,000 | 591,827 |
| Charges for services | 1,282,977 | 1,237,864 | 1,237,864 | 45,113 |
| System Development Charges | 509,175 | 432,146 | 432,146 | 77,029 |
| Assessments | 218,368 | 200,000 | 200,000 | 18,368 |
| Interest on investments | 21,022 | 25,619 | 25,619 | (4,597) |
| Miscellaneous | 2,582 | 650 | 650 | 1,932 |
| Total revenues | 3,750,201 | 3,041,530 | 3,041,530 | 708,671 |
| Expenditures: | | | | |
| Highways and streets: | | | | |
| Operations and Maintenance | 2,340,426 | 2,351,755 | 2,631,755 | 291,329 |
| Storm Water | 567,922 | 702,380 | 747,380 | 179,458 |
| Transportation SDC's | 28,351 | 348,050 | 348,050 | 319,699 |
| Storm Water SDC's | 205,983 | 258,050 | 258,050 | 52,067 |
| Local Improvement Districts | 7,337 | 220,355 | 220,355 | 213,018 |
| Total highways and streets | 3,150,019 | 3,880,590 | 4,205,590 | 1,055,571 |
| Contingency | - | 142,000 | 87,000 | 87,000 |
| Total expenditures | 3,150,019 | 4,022,590 | 4,292,590 | 1,142,571 |
| Excess (deficiency) of revenues over expenditures | 600,182 | (981,060) | (1,251,060) | 1,851,242 |
| Other financing sources (uses): | | | | |
| Interfund loans | 270,000 | 1,000,000 | 1,270,000 | (1,000,000) |
| Total other financing sources (uses) | 270,000 | 1,000,000 | 1,270,000 | (1,000,000) |
| Net Change in Fund Balance | 870,182 | 18,940 | 18,940 | 851,242 |
| Fund balance, July 1, 2004 | 315,846 | 1,957,106 | 1,957,106 | (1,641,260) |
| Fund balance, June 30, 2005 | \$ 1,186,028 | \$ 1,976,046 | \$ 1,976,046 | \$ (790,018) |
| Reconciliation to Net Assets: | | | | |
| Interfund Loans | \$ (270,000) | | | |
| | <u>\$ 916,028</u> | | | |

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



**CITY OF ASHLAND, OREGON
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2005**

| | Governmental Fund Types | | | | Permanent Fund Type | Total Other Governmental |
|---|-------------------------|-------------------|-------------------------|---------------------------------|---------------------------|-----------------------------|
| | CDBG Fund | Airport Fund | Debt Service Fund | Capital Improvements Fund | Cemetery Trust Fund | (Compilation Only) |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 215,177 | \$ 140,677 | \$ - | \$ 853,008 | \$ 701,949 | \$ 1,910,811 |
| Receivables (net of allowance for uncollectibles) | - | 123,927 | 365,412 | 483,709 | 680 | 973,728 |
| Cash - restricted | - | - | 428,719 | - | - | 428,719 |
| Total assets | \$ 215,177 | \$ 264,604 | \$ 794,131 | \$ 1,336,717 | \$ 702,629 | \$ 3,313,258 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Accounts payable | \$ 8,792 | \$ 141,662 | \$ - | \$ 208 | \$ - | \$ 150,662 |
| Deferred revenue | - | - | 370,289 | 400,254 | - | 770,543 |
| Due to other Funds | 214,877 | - | - | - | - | 214,877 |
| Liabilities payable from restricted assets | - | - | - | 11,701 | - | 11,701 |
| Total liabilities | 223,669 | 141,662 | 370,289 | 412,163 | - | 1,147,783 |
| Fund Balances: | | | | | | |
| Reserved for: | | | | | | |
| Reserved for system development charges | - | - | - | 65,675 | - | 65,675 |
| Reserved for debt service | - | - | 423,842 | - | - | 423,842 |
| Reserved for perpetual care | - | - | - | - | 702,629 | 702,629 |
| Unreserved: | | | | | | |
| Special revenue funds | - | 122,942 | - | - | - | 122,942 |
| Capital projects funds | (8,492) | - | - | 858,879 | - | 850,387 |
| Total equity and other credits | (8,492) | 122,942 | 423,842 | 924,554 | 702,629 | 2,165,475 |
| Total liabilities and fund balances | \$ 215,177 | \$ 264,604 | \$ 794,131 | \$ 1,336,717 | \$ 702,629 | \$ 3,313,258 |

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the year ended June 30, 2005

| | Governmental Fund Types | | | | Permanent | Total Other Governmental (Compilation Only) |
|--|-------------------------|-------------------|-------------------------|---------------------------------|--|--|
| | CDBG Fund | Airport Fund | Debt Service Fund | Capital Improvements Fund | Fund Type Cemetery Nonexpendable Trust Fund | |
| Revenues: | | | | | | |
| Taxes | \$ - | \$ - | \$ 400,622 | \$ 363,533 | \$ - | \$ 764,155 |
| Intergovernmental | 349,605 | 943,845 | - | - | - | 1,293,450 |
| Special assessments | - | - | 4,040 | - | - | 4,040 |
| Charges for services | - | 129,206 | 271,060 | 308,300 | 14,734 | 723,300 |
| Interest on investments | - | 1,312 | 11,589 | 12,400 | 15,279 | 40,580 |
| Miscellaneous | - | - | 8,326 | 17,391 | - | 25,717 |
| Total revenues | <u>349,605</u> | <u>1,074,363</u> | <u>695,637</u> | <u>701,624</u> | <u>30,013</u> | <u>2,851,242</u> |
| Expenditures: | | | | | | |
| General government | 606,115 | 1,289,798 | - | 32,425 | - | 1,928,338 |
| Debt service | - | - | 846,573 | - | - | 846,573 |
| Total expenditures | <u>606,115</u> | <u>1,289,798</u> | <u>846,573</u> | <u>32,425</u> | <u>-</u> | <u>2,774,911</u> |
| Excess (deficiency) of revenues over expenditures | <u>(256,510)</u> | <u>(215,435)</u> | <u>(150,936)</u> | <u>669,199</u> | <u>30,013</u> | <u>76,331</u> |
| Other financing sources (uses): | | | | | | |
| Interfund Loans | 215,000 | 120,000 | - | - | - | 335,000 |
| Transfers in | - | - | 141,500 | - | 500 | 142,000 |
| Transfers out | - | - | - | (141,500) | (12,360) | (153,860) |
| Total other financing sources (uses) | <u>215,000</u> | <u>120,000</u> | <u>141,500</u> | <u>(141,500)</u> | <u>(11,860)</u> | <u>323,140</u> |
| Net Change in Fund Balance | (41,510) | (95,435) | (9,436) | 527,699 | 18,153 | 399,471 |
| Fund balance (deficit), July 1, 2004 | <u>33,018</u> | <u>218,377</u> | <u>433,278</u> | <u>396,855</u> | <u>684,476</u> | <u>1,766,004</u> |
| Fund balance, June 30, 2005 | <u>\$ (8,492)</u> | <u>\$ 122,942</u> | <u>\$ 423,842</u> | <u>\$ 924,554</u> | <u>\$ 702,629</u> | <u>\$ 2,165,475</u> |

Reconciliation to Net Assets:

| | |
|-----------------|---------------------|
| Interfund Loans | <u>\$ (335,000)</u> |
| | <u>\$ 1,830,475</u> |

**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, 2005**

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|--|------------|----------------|------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Intergovernmental | \$ 349,605 | \$ 521,978 | \$ 521,978 | \$ (172,373) |
| Expenditures: | | | | |
| General government: | | | | |
| Personal services | 29,271 | 31,000 | 31,000 | 1,729 |
| Materials and services | 576,844 | 490,978 | 705,978 | 129,134 |
| Total general government | 606,115 | 521,978 | 736,978 | 130,863 |
| Excess (deficiency) of revenues over expenditures | (256,510) | - | (215,000) | (41,510) |
| Other financing sources (uses): | | | | |
| Interfund Loan | 215,000 | - | 215,000 | - |
| Total other financing sources (uses) | 215,000 | - | 215,000 | - |
| Net Change in Fund Balance | (41,510) | - | - | (41,510) |
| Fund balance, July 1, 2004 | 33,018 | - | - | 33,018 |
| Fund balance, June 30, 2005 | \$ (8,492) | \$ - | \$ - | \$ (8,492) |

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AIRPORT FUND
For the year ended June 30, 2005

| | Actual | Budget Amounts | | Variance with |
|--|-------------------|------------------|------------------|--|
| | | Original | Final | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Intergovernmental | \$ 943,845 | \$ 778,650 | \$ 934,650 | \$ 9,195 |
| Charges for services | 129,206 | 110,000 | 110,000 | 19,206 |
| Interest on investments | 1,312 | 2,000 | 2,000 | (688) |
| Miscellaneous | - | 10,000 | 10,000 | (10,000) |
| Total revenues | 1,074,363 | 900,650 | 1,056,650 | 17,713 |
| Expenditures: | | | | |
| General government: | | | | |
| Materials and services | 84,459 | 95,000 | 95,000 | 10,541 |
| Total general government | 84,459 | 95,000 | 95,000 | 10,541 |
| Capital outlay | 1,170,267 | 778,650 | 1,139,650 | (30,617) |
| Debt Service | 35,072 | 35,072 | 35,072 | - |
| Contingency | - | 5,000 | - | - |
| Total expenditures | 1,289,798 | 913,722 | 1,269,722 | (20,076) |
| Excess (deficiency) of revenues over expenditures | (215,435) | (13,072) | (213,072) | (2,363) |
| Other financing sources (uses): | | | | |
| Interfund Loan | 120,000 | - | 200,000 | (80,000) |
| Total other financing sources (uses) | 120,000 | - | 200,000 | (80,000) |
| Net Change in Fund Balance | (95,435) | (13,072) | (13,072) | (82,363) |
| Fund balance, July 1, 2004 | 218,377 | 55,387 | 55,387 | 162,990 |
| Fund balance, June 30, 2005 | \$ 122,942 | \$ 42,315 | \$ 42,315 | \$ 80,627 |

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, 2005

| | Actual | Budget Amounts | | Variance with |
|--|-------------------|-------------------|-------------------|--|
| | | Original | Final | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 400,622 | \$ 374,000 | \$ 374,000 | \$ 26,622 |
| Charges for services | 271,060 | 289,926 | 289,926 | (18,866) |
| Special assessments | 4,040 | 35,634 | 35,634 | (31,594) |
| Interest on investments | 11,589 | 5,134 | 5,134 | 6,455 |
| Miscellaneous | 8,326 | 29,302 | 29,302 | (20,976) |
| Total revenues | <u>695,637</u> | <u>733,996</u> | <u>733,996</u> | <u>(38,359)</u> |
| Expenditures: | | | | |
| Debt service: | | | | |
| Bancroft | - | 200,000 | 200,000 | 200,000 |
| General Obligation | 372,906 | 372,606 | 372,606 | (300) |
| Notes and Contracts | 473,667 | 474,196 | 474,196 | 529 |
| Total expenditures | <u>846,573</u> | <u>1,046,802</u> | <u>1,046,802</u> | <u>200,229</u> |
| Excess (deficiency) of revenues over expenditures | <u>(150,936)</u> | <u>(312,806)</u> | <u>(312,806)</u> | <u>161,870</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 141,500 | 820,330 | 820,330 | (678,830) |
| Total other financing sources (uses) | <u>141,500</u> | <u>820,330</u> | <u>820,330</u> | <u>(678,830)</u> |
| Net Change in Fund Balance | (9,436) | 507,524 | 507,524 | (516,960) |
| Fund balance, July 1, 2004 | <u>433,278</u> | <u>187,960</u> | <u>187,960</u> | <u>245,318</u> |
| Fund balance, June 30, 2005 | <u>\$ 423,842</u> | <u>\$ 695,484</u> | <u>\$ 695,484</u> | <u>\$ (271,642)</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, 2005

| | Actual | Budget Amounts | | Variance with |
|---|-------------------|-------------------|-------------------|--|
| | | Original | Final | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Taxes | \$ 363,533 | \$ 342,885 | \$ 342,885 | \$ 20,648 |
| Charges for services | 154,100 | 74,490 | 74,490 | 79,610 |
| System Development Charges | 154,200 | 113,047 | 113,047 | 41,153 |
| Interest on investments | 12,400 | 1,624 | 1,624 | 10,776 |
| Miscellaneous | 17,391 | 7,250 | 7,250 | 10,141 |
| Total revenues | <u>701,624</u> | <u>539,296</u> | <u>539,296</u> | <u>162,328</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Capital outlay | <u>32,425</u> | <u>157,210</u> | <u>157,210</u> | <u>124,785</u> |
| Total expenditures | <u>32,425</u> | <u>157,210</u> | <u>157,210</u> | <u>124,785</u> |
| Excess (deficiency) of revenues revenues over expenditures | <u>669,199</u> | <u>382,086</u> | <u>382,086</u> | <u>287,113</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(141,500)</u> | <u>(351,230)</u> | <u>(351,230)</u> | <u>209,730</u> |
| Total other financing sources (uses) | <u>(141,500)</u> | <u>(351,230)</u> | <u>(351,230)</u> | <u>209,730</u> |
| Net Change in Fund Balance | 527,699 | 30,856 | 30,856 | 496,843 |
| Fund balance, July 1, 2004 | <u>396,855</u> | <u>358,983</u> | <u>358,983</u> | <u>37,872</u> |
| Fund balance, June 30, 2005 | <u>\$ 924,554</u> | <u>\$ 389,839</u> | <u>\$ 389,839</u> | <u>\$ 534,715</u> |

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, 2005

| | Actual | Budget Amounts | | Variance with |
|---|-------------------|-------------------|-------------------|--|
| | | Original | Final | Final Budget - Positive (Negative) |
| Revenues: | | | | |
| Charges for services | \$ 14,734 | \$ 5,886 | \$ 5,886 | \$ 8,848 |
| Interest on investments | 15,279 | 6,811 | 6,811 | 8,468 |
| Total revenues | <u>30,013</u> | <u>12,697</u> | <u>12,697</u> | <u>17,316</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 500 | 500 | 500 | |
| Transfers out | (12,360) | (12,360) | (12,360) | - |
| Total other financing sources (uses) | <u>(11,860)</u> | <u>(11,860)</u> | <u>(11,860)</u> | <u>-</u> |
| Net Change in Fund Balance | 18,153 | 837 | 837 | 17,316 |
| Fund balance, July 1, 2004 | <u>684,476</u> | <u>680,571</u> | <u>680,571</u> | <u>3,905</u> |
| Fund balance, June 30, 2005 | <u>\$ 702,629</u> | <u>\$ 681,408</u> | <u>\$ 681,408</u> | <u>\$ 21,221</u> |

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WATER FUND

For the year ended June 30, 2005

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|--|----------------------|---------------------|---------------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Taxes | \$ 74,551 | \$ 185,850 | \$ 185,850 | \$ (111,299) |
| Intergovernmental | 81,504 | 290,000 | 290,000 | (208,496) |
| Charges for services | 3,454,292 | 3,604,000 | 3,604,000 | (149,708) |
| System Development Charges | 662,911 | 525,000 | 525,000 | 137,911 |
| Interest on investments | 150,578 | 76,125 | 76,125 | 74,453 |
| Miscellaneous | 5,145 | - | - | 5,145 |
| Total revenues | 4,428,981 | 4,680,975 | 4,680,975 | (251,994) |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Forest Land Management | 184,509 | 396,500 | 396,500 | 211,991 |
| Public Works Water Supply | 1,297,148 | 442,530 | 1,442,530 | 145,382 |
| Public Works Water Treatment | 615,746 | 839,951 | 764,951 | 149,205 |
| Public Works Water Distribution | 1,790,251 | 2,324,465 | 2,224,465 | 434,214 |
| Public Works Supply SDC's | 404,489 | 762,500 | 462,500 | 58,011 |
| Public Works Distribution SDC's | 8,980 | 420,250 | 720,250 | 711,270 |
| Water Conservation | 150,239 | 154,430 | 154,430 | 4,191 |
| Total cost of services | 4,451,362 | 5,340,626 | 6,165,626 | 1,714,264 |
| Debt service | 677,137 | 677,651 | 677,651 | 514 |
| Contingency | - | 180,000 | 155,000 | 155,000 |
| Total expenditures | 5,128,499 | 6,198,277 | 6,998,277 | 1,869,778 |
| Excess (deficiency) of revenues over expenditures | (699,518) | (1,517,302) | (2,317,302) | 1,617,784 |
| Other financing sources (uses): | | | | |
| Interfund Loan Repayments | 2,275,000 | 2,275,000 | 2,275,000 | - |
| Transfer Out | (120,000) | - | (200,000) | 80,000 |
| Total other financing sources (uses): | 2,155,000 | 2,275,000 | 2,075,000 | 80,000 |
| Net Change in Fund Balance | 1,455,482 | 757,698 | (242,302) | 1,697,784 |
| Fund balance, July 1, 2004 | 5,002,748 | 2,767,172 | 1,767,172 | 2,235,576 |
| Fund balance, June 30, 2005 | \$ 6,458,230 | \$ 3,524,870 | \$ 1,524,870 | \$ 4,933,360 |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | \$ 20,086,892 | | | |
| Rounding | 2 | | | |
| Interfund Loans | 120,000 | | | |
| Deferred Charges | 201,469 | | | |
| GO Bonds Payable | (1,495,000) | | | |
| Revenue Bonds Payable | (4,960,000) | | | |
| | <u>\$ 20,411,593</u> | | | |

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND

For the year ended June 30, 2005

| | Budget Amounts | | | Variance with Final Budget - Positive (Negative) |
|--|----------------------|---------------------|---------------------|---|
| | Actual | Original | Final | |
| Revenues: | | | | |
| Taxes | \$ 1,454,132 | \$ 1,370,000 | \$ 1,370,000 | \$ 84,132 |
| Charges for services | 2,355,606 | 2,304,080 | 2,304,080 | 51,526 |
| System Development Charges | 513,489 | 437,750 | 437,750 | 75,739 |
| Interest on investments | 114,951 | 81,200 | 81,200 | 33,751 |
| Miscellaneous | 119 | - | - | 119 |
| Total revenues | 4,438,297 | 4,193,030 | 4,193,030 | 245,267 |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Public Works Wastewater Collection | 1,198,360 | 1,438,460 | 1,438,460 | 240,100 |
| Public Works Wastewater Treatment | 1,298,669 | 1,337,450 | 1,357,450 | 58,781 |
| Total cost of services | 2,497,029 | 2,775,910 | 2,795,910 | 298,881 |
| Construction | | | | |
| Public Works Wastewater Collection SDC's | 20,541 | 308,500 | 38,500 | 17,959 |
| Debt Service | 1,802,670 | 1,802,670 | 1,802,670 | - |
| Contingency | - | 154,000 | 134,000 | 134,000 |
| Total expenditures | 4,320,240 | 5,041,080 | 4,771,080 | 450,840 |
| Excess (deficiency) of revenues over expenditures | 118,057 | (848,050) | (578,050) | 696,107 |
| Other financing sources (uses): | | | | |
| Interfund Loan Repayments | 4,275,000 | 4,325,000 | 4,325,000 | - |
| Transfer Out | (270,000) | - | (270,000) | - |
| Total other financing sources (uses): | 4,005,000 | 4,325,000 | 4,055,000 | - |
| Net Change in Fund Balance | 4,123,057 | 3,476,950 | 3,476,950 | 696,107 |
| Fund balance, July 1, 2004 | 1,541,125 | 986,845 | 986,845 | 554,280 |
| Fund balance, June 30, 2005 | \$ 5,664,182 | \$ 4,463,795 | \$ 4,463,795 | \$ 1,250,387 |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | \$ 43,193,359 | | | |
| Accrued Interest | (48,937) | | | |
| Interfund Loans | 270,000 | | | |
| Notes Payable | (21,659,513) | | | |
| | \$ 27,419,091 | | | |

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
ELECTRIC FUND
For the year ended June 30, 2005

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Intergovernmental | \$ 42,656 | \$ 85,000 | \$ 85,000 | \$ (42,344) |
| Charges for services | 12,141,315 | 12,194,500 | 12,194,500 | (53,185) |
| Interest on investments | 32,540 | 20,000 | 20,000 | 12,540 |
| Miscellaneous | 171,691 | 55,400 | 55,400 | 116,291 |
| Total revenues | 12,388,202 | 12,354,900 | 12,354,900 | 33,302 |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Electric Supply | 6,145,597 | 6,160,715 | 6,410,715 | 265,118 |
| Electric Distribution | 4,354,336 | 4,470,973 | 4,470,973 | 116,637 |
| Electric Transmission | 700,036 | 935,443 | 935,443 | 235,407 |
| Conservation | 375,569 | 411,410 | 411,410 | 35,841 |
| Total cost of services | 11,575,538 | 11,978,541 | 12,228,541 | 653,003 |
| Contingency | - | 350,000 | 100,000 | 100,000 |
| Total expenditures | 11,575,538 | 12,328,541 | 12,328,541 | 753,003 |
| Excess (deficiency) of revenues over expenditures | 812,664 | 26,359 | 26,359 | 786,305 |
| Other financing sources (uses): | | | | |
| Transfers Out | (200,000) | - | (200,000) | - |
| Interfund loan repayment | 375,000 | 400,000 | 400,000 | (25,000) |
| Total other financing sources (uses) | 175,000 | 400,000 | 200,000 | (25,000) |
| Net Change in Fund Balance | 987,664 | 426,359 | 226,359 | 761,305 |
| Fund balance, July 1, 2004 | 1,539,766 | 1,385,735 | 1,185,735 | 354,031 |
| Fund balance, June 30, 2005 | \$ 2,527,430 | \$ 1,812,094 | \$ 1,412,094 | \$ 1,115,336 |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | \$11,349,685 | | | |
| Deferred Revenue | 115,055 | | | |
| | <u>\$13,992,170</u> | | | |

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
For the year ended June 30, 2005

| | Budget Amounts | | | Variance with Final Budget - Positive (Negative) |
|--|-----------------------|---------------------|---------------------|---|
| | Actual | Original | Final | |
| Revenues: | | | | |
| Charges for services | \$ 2,581,616 | \$ 2,771,876 | \$ 2,771,876 | \$ (190,260) |
| Interest on investments | 10,331 | 2,000 | 2,000 | 8,331 |
| Miscellaneous | 16,902 | 120,876 | 120,876 | (103,974) |
| Total revenues | <u>2,608,849</u> | <u>2,894,752</u> | <u>2,894,752</u> | <u>(285,903)</u> |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Operations: | | | | |
| Promotions | 83,617 | 222,032 | 142,032 | 58,415 |
| Operations | 2,778,398 | 2,415,165 | 2,804,801 | 26,403 |
| Total cost of services | 2,862,015 | 2,637,197 | 2,946,833 | 84,818 |
| Debt service | 14,610,720 | 14,402,000 | 14,810,720 | 200,000 |
| Contingency | - | 75,000 | 56,644 | 56,644 |
| Total expenditures | <u>17,472,735</u> | <u>17,114,197</u> | <u>17,814,197</u> | <u>341,462</u> |
| Excess (deficiency) of revenues over expenditures | <u>(14,863,886)</u> | <u>(14,219,445)</u> | <u>(14,919,445)</u> | <u>55,559</u> |
| Other financing sources: | | | | |
| Transfers in | 200,000 | - | 200,000 | - |
| Loan proceeds | 15,500,000 | 15,000,000 | 15,500,000 | - |
| Total other financing sources (uses) | <u>15,700,000</u> | <u>15,000,000</u> | <u>15,700,000</u> | <u>-</u> |
| Net Change in Fund Balance | 836,114 | 780,555 | 780,555 | 55,559 |
| Fund balance, July 1, 2004 | <u>62,636</u> | <u>174,168</u> | <u>174,168</u> | <u>(111,532)</u> |
| Fund balance, June 30, 2005 | <u>\$ 898,750</u> | <u>\$ 954,723</u> | <u>\$ 954,723</u> | <u>\$ (55,973)</u> |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | \$ 9,405,672 | | | |
| Accrued Interest | (802,021) | | | |
| Bond Issue Costs | 230,029 | | | |
| Revenue Bonds Payable | <u>(15,500,000)</u> | | | |
| | <u>\$ (5,767,570)</u> | | | |

CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2005

| | Central Services Fund | Insurance Services Fund | Equipment Fund | Totals |
|---|-----------------------------|-------------------------------|---------------------|---------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and investments | \$ 625,439 | \$ 1,484,968 | \$ 1,539,321 | \$ 3,649,728 |
| Interest and accounts receivable, net | 30,567 | (1,048) | (2,265) | 27,254 |
| Notes receivable | - | 25,888 | - | 25,888 |
| Inventories | 1,485 | - | 41,409 | 42,894 |
| Total current assets | <u>657,491</u> | <u>1,509,808</u> | <u>1,578,465</u> | <u>3,745,764</u> |
| Fixed assets | | | | |
| Accumulated depreciation | 254,376 | - | 9,213,486 | 9,467,862 |
| Capital assets, net | <u>(249,351)</u> | <u>-</u> | <u>(5,982,315)</u> | <u>(6,231,666)</u> |
| Total assets | <u>\$ 662,516</u> | <u>\$ 1,509,808</u> | <u>\$ 4,809,636</u> | <u>\$ 6,981,960</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 161,160 | \$ 17,232 | \$ 66,638 | \$ 245,030 |
| Accrued salaries, vacation and payroll taxes | 309,853 | - | 22,771 | 332,624 |
| Other liabilities | 1,340 | - | - | 1,340 |
| Accrued claims and adjustments | - | 607,225 | - | 607,225 |
| Total current liabilities | <u>472,353</u> | <u>624,457</u> | <u>89,409</u> | <u>1,186,219</u> |
| Net assets: | | | | |
| Net assets (deficit): | 5,025 | - | 3,231,171 | 3,236,196 |
| Unreserved | <u>185,138</u> | <u>885,351</u> | <u>1,489,056</u> | <u>2,559,545</u> |
| Total fund equity: | <u>190,163</u> | <u>885,351</u> | <u>4,720,227</u> | <u>5,795,741</u> |
| Total liabilities and net assets | <u>\$ 662,516</u> | <u>\$ 1,509,808</u> | <u>\$ 4,809,636</u> | <u>\$ 6,981,960</u> |

CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2005

| | Central Services Fund | Insurance Services Fund | Equipment Fund | Totals |
|--|-----------------------------|-------------------------------|---------------------|---------------------|
| Operating revenues: | | | | |
| Service charges and fees | \$ 4,567,832 | \$ 564,431 | \$ 1,253,407 | \$ 6,385,670 |
| Miscellaneous | 79,255 | 3,130 | 164,092 | 246,477 |
| Total operating revenues | <u>4,647,087</u> | <u>567,561</u> | <u>1,417,499</u> | <u>6,632,147</u> |
| Operating expenses: | | | | |
| Cost of services | 5,048,844 | 496,496 | 799,245 | 6,344,585 |
| Depreciation | 17,662 | - | 481,900 | 499,562 |
| Total operating expenses | <u>5,066,506</u> | <u>496,496</u> | <u>1,281,145</u> | <u>6,844,147</u> |
| Operating income (loss) | <u>(419,419)</u> | <u>71,065</u> | <u>136,354</u> | <u>(212,000)</u> |
| Nonoperating income (expense): | | | | |
| Interest income | 17,881 | 30,767 | 29,345 | 77,993 |
| Gain (loss) on disposal of assets | - | - | (19,800) | (19,800) |
| Total nonoperating income (expense) | <u>17,881</u> | <u>30,767</u> | <u>9,545</u> | <u>58,193</u> |
| Change in Net Assets | (401,538) | 101,832 | 145,899 | (153,807) |
| Net assets, July 1, 2004 | <u>591,701</u> | <u>783,519</u> | <u>4,574,328</u> | <u>5,949,548</u> |
| Net assets, June 30, 2005 | <u>\$ 190,163</u> | <u>\$ 885,351</u> | <u>\$ 4,720,227</u> | <u>\$ 5,795,741</u> |

CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

| | <u>Business-type Activities - Enterprise Funds</u> | | | |
|---|--|-------------------------------|-----------------------|---------------------|
| | <u>Central Services</u> | <u>Insurance Services</u> | <u>Equipment Fund</u> | <u>Total</u> |
| Cash flows from operating activities: | | | | |
| Receipts from customers and users | \$ 4,673,232 | \$ 573,844 | \$ 1,418,230 | \$ 6,665,306 |
| Payments to suppliers | (1,862,730) | (502,725) | (553,047) | (2,918,502) |
| Payments to employees | (3,282,067) | - | (216,772) | (3,498,839) |
| Net cash from operating activities | <u>(471,565)</u> | <u>71,119</u> | <u>648,411</u> | <u>247,965</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition and construction of capital assets | - | - | (382,854) | (382,854) |
| Net cash from capital and related financing activities | <u>-</u> | <u>-</u> | <u>(382,854)</u> | <u>(382,854)</u> |
| Cash flows from investing activities: | | | | |
| Interest from investments | 17,881 | 30,767 | 29,345 | 77,993 |
| Net increase (decrease) in cash and investments | <u>(453,684)</u> | <u>101,886</u> | <u>294,902</u> | <u>(56,896)</u> |
| Cash and investments, beginning of year | <u>1,079,123</u> | <u>1,383,082</u> | <u>1,244,419</u> | <u>3,706,624</u> |
| Cash and investments, end of year | <u>\$ 625,439</u> | <u>\$ 1,484,968</u> | <u>\$ 1,539,321</u> | <u>\$ 3,649,728</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income (loss) | \$ (419,419) | \$ 71,065 | \$ 136,354 | \$ (212,000) |
| Depreciation and amortization | 17,662 | | 481,900 | 499,562 |
| Change in assets and liabilities: | | | | |
| (Increase) decrease in: | | | | |
| Receivables | 26,145 | 6,283 | 731 | 33,159 |
| Inventories | (183) | - | (2,971) | (3,154) |
| Increase (decrease) in: | | | | |
| Accounts payable and accrued liabilities | (401,457) | 11,127 | 9,626 | (380,704) |
| Other liabilities | 305,687 | (17,356) | 22,771 | 311,102 |
| Net cash from operating activities | <u>\$ (471,565)</u> | <u>\$ 71,119</u> | <u>\$ 648,411</u> | <u>\$ 247,965</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, 2005

| | Budget Amounts | | | Variance with Final Budget - Positive (Negative) |
|------------------------------------|-------------------|-------------------|-------------------|---|
| | Actual | Original | Final | |
| Revenues: | | | | |
| Charges for services | \$ 4,567,832 | \$ 4,805,720 | \$ 4,805,720 | \$ (237,888) |
| Interest on investments | 17,881 | 12,000 | 12,000 | 5,881 |
| Miscellaneous | 79,255 | 95,000 | 95,000 | (15,745) |
| Total revenues | <u>4,664,968</u> | <u>4,912,720</u> | <u>4,912,720</u> | <u>(247,752)</u> |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Administration | 1,055,627 | 1,149,855 | 1,149,855 | 94,228 |
| Finance | 1,397,543 | 1,626,724 | 1,626,724 | 229,181 |
| City Recorder | 165,787 | 172,375 | 172,375 | 6,588 |
| Public Works | 1,231,153 | 1,274,200 | 1,274,200 | 43,047 |
| Facilities Maintenance | 443,541 | 491,780 | 491,780 | 48,239 |
| Computer Services | 755,193 | 772,620 | 792,620 | 37,427 |
| Contingency | - | 147,382 | 127,382 | 127,382 |
| Total expenditures | <u>5,048,844</u> | <u>5,634,936</u> | <u>5,634,936</u> | <u>586,092</u> |
| Net Change in Fund Balance | (383,876) | (722,216) | (722,216) | 338,340 |
| Fund balance, July 1, 2004 | <u>569,013</u> | <u>835,974</u> | <u>835,974</u> | <u>(266,961)</u> |
| Fund balance, June 30, 2005 | <u>\$ 185,137</u> | <u>\$ 113,758</u> | <u>\$ 113,758</u> | <u>\$ 71,379</u> |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | \$ 5,025 | | | |
| Rounding | <u>1</u> | | | |
| | <u>\$ 190,163</u> | | | |

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, 2005

| | Actual | Budget Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------|---------------------|-------------------|-------------------|---|
| | | Original | Final | |
| Revenues: | | | | |
| Charges for services | \$ 564,431 | \$ 600,000 | \$ 600,000 | \$ (35,569) |
| Interest on investments | 30,767 | 9,577 | 9,577 | 21,190 |
| Miscellaneous | 3,130 | - | - | 3,130 |
| Total revenues | <u>598,328</u> | <u>609,577</u> | <u>609,577</u> | <u>(11,249)</u> |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Materials and services | 496,496 | 646,530 | 646,530 | 150,034 |
| Total cost of services | 496,496 | 646,530 | 646,530 | 150,034 |
| Contingency | - | 100,000 | 100,000 | 100,000 |
| Total expenditures | <u>496,496</u> | <u>746,530</u> | <u>746,530</u> | <u>250,034</u> |
| Net Change in Fund Balance | 101,832 | (136,953) | (136,953) | 238,785 |
| Fund balance, July 1, 2004 | <u>934,499</u> | <u>608,491</u> | <u>608,491</u> | <u>326,008</u> |
| Fund balance, June 30, 2005 | <u>\$ 1,036,331</u> | <u>\$ 471,538</u> | <u>\$ 471,538</u> | <u>\$ 564,793</u> |
| Reconciliation to Net Assets: | | | | |
| Accrued claims and adjustments | <u>\$ (150,980)</u> | | | |
| | <u>\$ 885,351</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, 2005

| | <u>Budget Amounts</u> | | Variance with Final Budget - Positive (Negative) | |
|------------------------------------|-----------------------|-------------------|---|-------------------|
| | <u>Actual</u> | <u>Original</u> | | <u>Final</u> |
| Revenues: | | | | |
| Charges for services | \$ 1,253,407 | \$ 1,410,308 | \$ 1,410,308 | \$ (156,901) |
| Interest on investments | 29,345 | 11,882 | 11,882 | 17,463 |
| Miscellaneous | 164,092 | 55,000 | 55,000 | 109,092 |
| Total revenues | <u>1,446,844</u> | <u>1,477,190</u> | <u>1,477,190</u> | <u>(30,346)</u> |
| Expenditures: | | | | |
| Cost of services: | | | | |
| Personal services | 239,543 | 242,900 | 242,900 | 3,357 |
| Materials and services | 421,100 | 451,435 | 451,435 | 30,335 |
| Total cost of services | 660,643 | 694,335 | 694,335 | 33,692 |
| Capital outlay | 521,457 | 688,085 | 688,085 | 166,628 |
| Contingency | - | 175,000 | 175,000 | 175,000 |
| Total expenditures | <u>1,182,100</u> | <u>1,557,420</u> | <u>1,557,420</u> | <u>375,320</u> |
| Net Change in Fund Balance | 264,744 | (80,230) | (80,230) | 344,974 |
| Fund balance, July 1, 2004 | <u>1,224,311</u> | <u>1,045,791</u> | <u>1,045,791</u> | <u>178,520</u> |
| Fund balance, June 30, 2005 | <u>\$ 1,489,055</u> | <u>\$ 965,561</u> | <u>\$ 965,561</u> | <u>\$ 523,494</u> |
| Reconciliation to Net Assets: | | | | |
| Capital Assets, Net | <u>\$ 3,231,172</u> | | | |
| | <u>\$ 4,720,227</u> | | | |

CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2005

| | |
|--|-----------------------------|
| Governmental funds capital assets: | |
| Land | \$ 8,460,842 |
| Buildings and improvements | 8,529,987 |
| Improvements other than buildings | 36,729,416 |
| Machinery and equipment | 3,513,032 |
| Construction in progress | <u>9,407,416</u> |
| Total capital assets | <u><u>\$ 66,640,693</u></u> |
| | |
| Investments in governmental funds capital assets by source: | |
| General and Capital Projects Funds | \$ 17,186,147 |
| Special Revenue Funds | 35,531,261 |
| Component Unit | 6,384,431 |
| Leased to Other Agencies | <u>7,538,844</u> |
| Total investments in governmental funds capital assets | <u><u>\$ 66,640,683</u></u> |

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, 2005

| Function and Activity | Land | Buildings | Improvements Other Than Buildings | Machinery and Equipment | Construction in Progress | Total |
|--|---------------------|---------------------|---|-------------------------------|-----------------------------|----------------------|
| General Government: | | | | | | |
| Community Development | \$ 531,376 | \$ 1,120,947 | \$ - | \$ 378,138 | \$ - | \$ 2,030,461 |
| Public Buildings | 460,200 | 985,422 | - | 124,461 | 4,753,212 | 6,323,295 |
| Leased to Other Agencies | 253,000 | 2,996,340 | 3,061,435 | 1,127,069 | - | 7,437,844 |
| Other - Unclassified | 184,651 | 584,579 | 819,836 | 171,275 | - | 1,760,341 |
| Total General government | 1,429,227 | 5,687,288 | 3,881,271 | 1,800,943 | 4,753,212 | 17,551,941 |
| Public Safety: | | | | | | |
| Police | 80,000 | 614,700 | - | 463,845 | - | 1,158,545 |
| Fire | 998,440 | 108,278 | 300,000 | 879,671 | 3,160,138 | 5,446,527 |
| Total Public Safety | 1,078,440 | 722,978 | 300,000 | 1,343,516 | 3,160,138 | 6,605,072 |
| Highway and Streets: | | | | | | |
| Public Thoroughfares | 452,235 | 630,075 | 31,922,289 | 186,978 | 1,494,066 | 34,685,643 |
| Total Highways and Streets | 452,235 | 630,075 | 31,922,289 | 186,978 | 1,494,066 | 34,685,643 |
| Airports | 176,565 | 662,764 | 625,856 | - | - | 1,465,185 |
| Culture and Recreation | 5,323,770 | 779,066 | - | 230,006 | - | 6,332,842 |
| Total Governmental Funds Capital Assets | \$ 8,460,237 | \$ 8,482,171 | \$ 36,729,416 | \$ 3,561,443 | \$ 9,407,416 | \$ 66,640,683 |

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, 2005

| | Original Issue | Bond Principal Transactions | |
|--|----------------------|------------------------------|----------------------|
| | | Outstanding June 30, 2004 | Issued |
| <u>General Obligation Bonds</u> | | | |
| Water Bonds, issued December 1, 1977, interest at 5.00% to 7.00% | \$ 560,000 | \$ 110,000 | \$ - |
| Flood and Refunding Bonds, issued December 1, 1997, interest at 3.65% to 6.00% | 2,800,000 | 1,890,000 | - |
| Flood and Fire Station Bonds, issued June 1, 2000 interest various | 3,310,000 | 2,885,000 | - |
| Ashland Fiber Network Bonds, issued August 11, 2004, interest at 3.70% to 6.02% | 15,500,000 | - | 15,500,000 |
| <u>Revenue Bonds</u> | | | |
| Water, Series 2003, issued June 1, 2003, interest at 2.00% to 4.00% | 5,625,000 | 5,280,000 | - |
| | <u>\$ 27,795,000</u> | <u>\$ 10,165,000</u> | <u>\$ 15,500,000</u> |

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2005 (continued)

| Bond Principal Transactions | | | Interest Transactions | | | |
|-----------------------------|-------------------|------------------------------|------------------------------|-------------------|-------------------|------------------------------|
| Matured | Paid | Outstanding June 30, 2005 | Outstanding June 30, 2004 | Matured | Paid | Outstanding June 30, 2005 |
| \$ 25,000 | \$ 25,000 | \$ 85,000 | \$ 7,700 | \$ 4,813 | \$ 4,813 | \$ 7,700 |
| 195,000 | 195,000 | 1,695,000 | - | 79,919 | 79,919 | - |
| 120,000 | 120,000 | 2,765,000 | - | 158,482 | 158,482 | - |
| - | - | 15,500,000 | - | - | - | - |
| 320,000 | 320,000 | 4,960,000 | - | 146,856 | 146,856 | - |
| <u>\$ 660,000</u> | <u>\$ 660,000</u> | <u>\$ 25,005,000</u> | <u>\$ 7,700</u> | <u>\$ 390,070</u> | <u>\$ 390,070</u> | <u>\$ 7,700</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, 2005

| | Taxes Uncollected July 1, 2004 | Add Levy Extended by Assessor | Add (Deduct) Discounts Interest Cancellations Adjustments | Deduct Interest and Tax Collections | Taxes Uncollected June 30, 2005 |
|-------------|--------------------------------------|-------------------------------------|---|--|---------------------------------------|
| 2004-05 | \$ - | \$ 8,399,000 | \$ (343,583) | \$ 7,753,164 | \$ 302,253 |
| 2003-04 | 386,472 | - | (93,058) | 175,238 | 118,176 |
| 2002-03 | 150,134 | - | (16,417) | 65,608 | 68,109 |
| 2001-02 | 71,547 | - | (3,069) | 40,072 | 28,406 |
| 2000-01 | 38,805 | - | (4,631) | 25,260 | 8,914 |
| 1999-00 | 6,106 | - | (2,410) | (67) | 3,763 |
| 1998-99 | 3,554 | - | (921) | 642 | 1,991 |
| Prior years | 5,215 | - | (185) | 1,158 | 3,872 |
| | <u>\$ 661,833</u> | <u>\$ 8,399,000</u> | <u>\$ (464,274)</u> | <u>\$ 8,061,075</u> | <u>\$ 535,484</u> |

| Taxes receivable and tax collections classified by fund: | <u>Collections to June 30, 2005</u> | <u>Taxes Uncollected June 30, 2005</u> |
|--|---|--|
| Primary government: | | |
| General Fund | \$ 2,265,556 | \$ 150,007 |
| Debt Service Fund | 400,622 | 25,997 |
| Enterprise Funds: Water Fund | 74,551 | 9,876 |
| Component unit: | | |
| Parks and Recreation: | | |
| Parks and Recreation Fund | 3,244,201 | 214,628 |
| Ashland Youth Activities Serial Levy Fund | 2,076,145 | 134,976 |
| | <u>\$ 8,061,075</u> | <u>\$ 535,484</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, 2005

Reconciliation of tax collections by fund to tax revenues on the generally accepted accounting principles basis:

| | <u>Collections</u> | <u>Other Taxes</u> | <u>Tax Revenues GAAP Basis</u> |
|--|---------------------|---------------------|------------------------------------|
| Primary government: | | | |
| General Fund | \$ 2,265,556 | \$ 5,803,907 | \$ 8,069,463 |
| Special Revenue Funds: | | | |
| Street Fund | - | 224,250 | 224,250 |
| Debt Service Funds: | | | |
| Debt Service Fund | 400,622 | - | 400,622 |
| Capital Projects Fund: | | | |
| Capital Improvement Fund | - | 363,533 | 363,533 |
| Enterprise Funds: | | | |
| Water Fund | 74,551 | - | 74,551 |
| Wastewater Fund | - | 1,454,132 | 1,454,132 |
| Component unit: | | | |
| Parks and Recreation: | | | |
| Parks and Recreation Fund | 3,244,201 | - | 3,244,201 |
| Special Revenue Fund: | | | |
| Ashland Youth Activities Serial Levy Fund | 2,076,145 | - | 2,076,145 |
| | <u>\$ 8,061,075</u> | <u>\$ 7,845,822</u> | <u>\$ 15,906,897</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 | <u>Page</u> |
|---|-------------|
| These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective. | 94 - 103 |
| Revenue Capacity | |
| These tables contain information that may assist the reader is assessing the viability of the City's revenue sources. | 104 - 111 |
| 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. | 112 - 119 |
| Economic & Demographic Information | |
| These tables offer economic and demographic indicators that are commonly used for financial analysis and that can help the reader understand the City's present and ongoing financial status. | 120 - 121 |
| 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. | 122 - 129 |

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 three years.

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

| ASSETS | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|----------------------|----------------------|----------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 9,123,663 | \$ 6,312,364 | \$ 8,961,587 |
| Receivables (net of allowance for uncollectibles) | 2,354,558 | 2,430,662 | 2,669,101 |
| Inventories | 42,894 | 16,602 | 1,728 |
| Internal Balances | (1,378,719) | 1,222,273 | - |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Cash and cash equivalents | 428,719 | 413,078 | 260,813 |
| Capital Assets: | | | |
| Land | 8,287,911 | 8,261,273 | 8,343,858 |
| Buildings and Improvements | 30,138,810 | 29,933,056 | 7,420,827 |
| Machinery and equipment | 11,771,045 | 9,345,294 | 3,610,916 |
| Infrastructure | 15,986,209 | 15,720,372 | 9,951,054 |
| Construction in progress | 9,744,570 | 9,789,517 | 12,327,224 |
| Accumulated Depreciation | (31,952,088) | (28,220,545) | - |
| Total assets | <u>\$ 54,547,572</u> | <u>\$ 55,223,946</u> | <u>\$ 53,547,108</u> |
| Liabilities: | | | |
| Accounts payable and other current liabilities | \$ 2,652,837 | \$ 2,734,135 | \$ 2,798,840 |
| Unearned revenue | 26,392 | 94,404 | 335,303 |
| Noncurrent liabilities: | | | |
| Due within one year | 908,822 | 783,485 | 750,750 |
| Due in more than one year | 5,815,074 | 6,357,569 | 6,530,911 |
| Total liabilities | <u>9,403,125</u> | <u>9,969,593</u> | <u>10,415,804</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 37,631,383 | 37,948,847 | 34,601,570 |
| Restricted for: | | | |
| System development | 1,537,765 | 1,197,249 | 1,594,538 |
| Debt service | 423,842 | 433,278 | (47,412) |
| Perpetual care: Nonexpendable | 702,629 | 684,476 | 679,646 |
| Unrestricted | 4,848,828 | 4,990,503 | 6,302,962 |
| Total net assets | <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 | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 15,066,503 | \$ 9,286,593 | \$ 7,961,325 |
| Receivables (net of allowance for uncollectibles) | 2,057,466 | 1,883,966 | 1,893,686 |
| Inventories | 851,200 | 821,407 | 828,978 |
| Deferred charges | 1,819,860 | 1,921,810 | 2,082,204 |
| Internal Balances | 1,378,719 | (1,222,273) | |
| Restricted assets: | | | |
| Capital Assets: | | | |
| Land | 1,945,107 | 1,971,745 | 1,945,107 |
| Buildings and Improvements | 23,113,448 | 23,157,904 | 22,595,341 |
| Machinery and equipment | 675,297 | 2,833,165 | 722,977 |
| Infrastructure | 79,057,892 | 79,121,637 | 60,513,768 |
| Construction in progress | 4,472,229 | 4,563,158 | 3,428,686 |
| Accumulated Depreciation | <u>(26,616,727)</u> | <u>(25,236,582)</u> | <u>-</u> |
| Total assets | \$ 103,820,994 | \$ 99,102,530 | \$ 101,972,072 |
| Liabilities: | | | |
| Accounts payable and other current liabilities | \$ 2,343,307 | \$ 1,960,591 | \$ 1,486,328 |
| Accrued interest payable | 819,171 | 307,538 | 307,634 |
| Unearned revenue | - | 4,000 | 323,308 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,437,257 | 2,388,750 | 2,300,805 |
| Due in more than one year | <u>42,177,256</u> | <u>34,841,659</u> | <u>36,927,296</u> |
| Total liabilities | <u>46,776,991</u> | <u>39,502,538</u> | <u>41,345,371</u> |
| Net Assets | | | |
| Invested in capital assets, net of related debt | 39,032,733 | 44,754,393 | 49,967,778 |
| Restricted for: | | | |
| System development | 4,636,560 | 4,020,207 | 3,441,297 |
| Debt service | 1,913,648 | 1,281,341 | 1,913,648 |
| Unrestricted | <u>11,461,062</u> | <u>9,544,051</u> | <u>5,303,978</u> |
| Total net assets | <u>\$ 57,044,003</u> | <u>\$ 59,599,992</u> | <u>\$ 60,626,701</u> |

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

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--------------------------------------|----------------------|----------------------|----------------------|
| Program Revenues: | | | |
| General Government | | | |
| Charges for Services | \$ 4,607,246 | \$ 4,377,040 | \$ 4,667,720 |
| Operating Grants and Contributions | 358,309 | 811,075 | 132,171 |
| Capital Grants and Contributions | 948,845 | 3,859 | 156,141 |
| Capital System Development Charges | - | - | 130,486 |
| Public Safety | | | |
| Charges for Services | 1,769,625 | 1,693,838 | 1,599,037 |
| Operating Grants and Contributions | 71,245 | 101,877 | 34,536 |
| Capital Grants and Contributions | 53,443 | 79,460 | - |
| Highways and Streets | | | |
| Charges for Services | 2,102,838 | 1,868,207 | 1,146,124 |
| Operating Grants and Contributions | 1,243 | - | - |
| Capital Grants and Contributions | 463,695 | 1,075,598 | 2,849,793 |
| Capital System Development Charges | - | - | 430,806 |
| | <u>10,376,489</u> | <u>10,010,954</u> | <u>11,146,814</u> |
| Program Expenses: | | | |
| General Government | 5,202,781 | 2,982,532 | 6,543,127 |
| Public Safety | 9,235,540 | 8,454,075 | 7,914,876 |
| Highways and Streets | 4,221,022 | 4,637,272 | 3,985,835 |
| Interest on long-term debt | 311,527 | 370,491 | 339,082 |
| | <u>18,970,870</u> | <u>16,444,370</u> | <u>18,782,920</u> |
| Net (Expense) Revenue: | | | |
| General Government | 711,619 | 2,209,442 | (1,456,609) |
| Public Safety | (7,341,227) | (6,578,900) | (6,281,303) |
| Highways and Streets | (1,653,246) | (1,693,467) | 440,888 |
| Interest on long-term debt | (311,527) | (370,491) | (339,082) |
| | <u>(8,594,381)</u> | <u>(6,433,416)</u> | <u>(7,636,106)</u> |
| General Revenues: | | | |
| Property Taxes | 2,658,995 | 2,626,369 | 2,206,505 |
| Utility Users Tax | 2,277,178 | 2,102,550 | 1,929,092 |
| Users Taxes | 1,753,477 | 1,808,047 | 1,567,079 |
| State Subventions - unrestricted | 1,360,724 | 1,277,933 | 1,128,521 |
| Unrestricted Interest Earnings | 146,041 | 62,543 | 115,947 |
| Miscellaneous | 288,060 | 590,682 | 280,289 |
| Gain (loss) on Disposal of Assets | - | (868,437) | - |
| Transfers: | - | - | (200,000) |
| Total General Revenues and Transfers | <u>8,484,475</u> | <u>7,599,687</u> | <u>7,027,433</u> |
| Change in Net Assets | (109,906) | 1,166,271 | (608,673) |
| Net Assets - Beginning | 45,254,353 | 43,131,304 | 43,739,977 |
| Recognition of Prior Infrastructure | - | 956,778 | - |
| Net Assets - Ending | <u>\$ 45,144,447</u> | <u>\$ 45,254,353</u> | <u>\$ 43,131,304</u> |

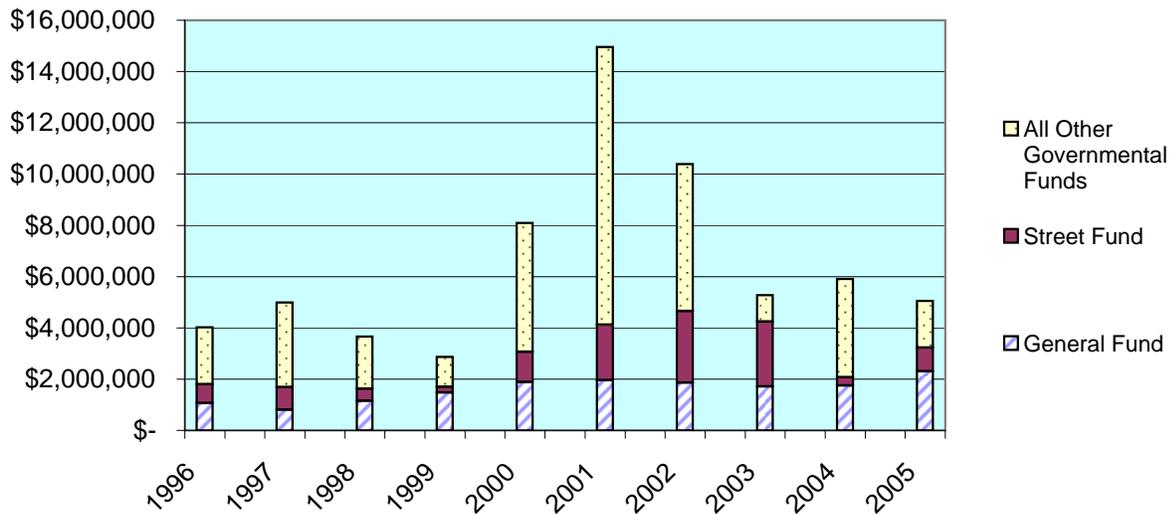
CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
For the Fiscal Year Ended June 30,

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|--------------------------------------|----------------------|----------------------|----------------------|
| Program Revenues: | | | |
| Water | | | |
| Charges for Services | \$ 4,220,261 | \$ 4,253,514 | \$ 3,075,622 |
| Capital Grants and Contributions | 81,504 | 129,721 | 110,147 |
| Capital System Development Charges | - | - | 528,553 |
| Wastewater | | | |
| Charges for Services | 2,971,722 | 2,800,510 | 2,218,249 |
| Capital System Development Charges | - | - | 408,843 |
| Electric | | | |
| Charges for Services | 12,283,303 | 11,962,925 | 10,220,661 |
| Operating Grants and Contributions | 42,656 | 7,165 | 137,483 |
| Telecommunications | | | |
| Charges for Services | 2,642,055 | 2,403,436 | 1,969,079 |
| | <u>22,241,501</u> | <u>21,557,271</u> | <u>18,668,637</u> |
| Program Expenses: | | | |
| Water | 5,910,251 | 4,177,640 | 5,331,263 |
| Wastewater | 4,524,112 | 4,615,409 | 5,665,728 |
| Electric | 12,445,069 | 11,638,094 | 11,395,422 |
| Telecommunications | 4,238,644 | 3,706,854 | 3,662,002 |
| | <u>27,118,076</u> | <u>24,137,997</u> | <u>26,054,415</u> |
| Net (Expense) Revenue | | | |
| Water | (1,608,486) | 205,595 | (1,616,941) |
| Wastewater | (1,552,390) | (1,814,899) | (3,038,636) |
| Electric | (119,110) | 331,996 | (1,037,278) |
| Telecommunications | (1,596,589) | (1,303,418) | (1,692,923) |
| | <u>(4,876,575)</u> | <u>(2,580,726)</u> | <u>(7,385,778)</u> |
| General Revenues: | | | |
| Property Taxes | 74,551 | 179,302 | 176,523 |
| Users Taxes | 1,454,132 | 1,346,863 | 1,280,190 |
| Unrestricted Interest Earnings | 352,983 | 166,529 | 300,418 |
| Miscellaneous | 438,920 | 847,330 | 499,947 |
| Gain (loss) on Disposal of Assets | | (986,004) | |
| Transfers: | | | 200,000 |
| Total General Revenues and Transfers | <u>2,320,586</u> | <u>1,554,020</u> | <u>2,457,078</u> |
| Change in Net Assets | (2,555,989) | (1,026,706) | (4,928,700) |
| Net Assets - Beginning | 59,599,992 | 60,626,698 | 65,555,401 |
| Net Assets - Ending | <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,

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|---------------------|---------------------|---------------------|----------------------|
| General Fund | | | | |
| Unreserved, reported in: | | | | |
| General Fund | \$ 2,308,388 | \$ 1,755,143 | \$ 1,715,220 | \$ 1,865,212 |
| Total General Fund | <u>2,308,388</u> | <u>1,755,143</u> | <u>1,715,220</u> | <u>1,865,212</u> |
| Street Fund | | | | |
| Reserved for: | | | | |
| Reserved for system development charges | 1,472,090 | 1,197,249 | 1,594,538 | 1,348,177 |
| Unreserved, reported in: | | | | |
| Special revenue Funds | (556,062) | (881,403) | 934,212 | 1,436,880 |
| Total Street Fund | <u>916,028</u> | <u>315,846</u> | <u>2,528,750</u> | <u>2,785,057</u> |
| All Other Governmental Funds | | | | |
| Reserved for: | | | | |
| Reserved for system development charges | 65,675 | 1,197,249 | - | 1,348,177 |
| Reserved for debt service | 423,842 | 433,278 | 282,293 | 136,978 |
| Reserved for perpetual care | 702,629 | 684,476 | 679,646 | - |
| Unreserved, reported in: | | | | |
| General Fund | - | 1,755,143 | - | - |
| Special revenue Funds | 2,942 | (663,026) | (298) | 1,423,536 |
| Capital projects funds | 635,387 | 429,873 | 67,583 | 2,833,606 |
| Total All Other Governmental Funds | <u>1,830,475</u> | <u>3,836,993</u> | <u>1,029,224</u> | <u>5,742,297</u> |
| Total Governmental Funds | <u>\$ 5,054,891</u> | <u>\$ 5,907,982</u> | <u>\$ 5,273,194</u> | <u>\$ 10,392,566</u> |

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,

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,962,295 | \$ 1,888,103 | \$ 1,480,891 | \$ 1,148,195 | \$ 809,606 | \$ 1,072,542 |
| <u>1,962,295</u> | <u>1,888,103</u> | <u>1,480,891</u> | <u>1,148,195</u> | <u>809,606</u> | <u>1,072,542</u> |
| 1,079,784 | 654,291 | 300,324 | 206,600 | 294,279 | 184,280 |
| 1,080,273 | 521,787 | (81,660) | 272,197 | 590,388 | 540,402 |
| <u>2,160,057</u> | <u>1,176,078</u> | <u>218,664</u> | <u>478,797</u> | <u>884,667</u> | <u>724,682</u> |
| 1,182,176 | 1,037,219 | 454,534 | 628,143 | 643,041 | 353,669 |
| 103,883 | 225,841 | 374,915 | 235,377 | 429,336 | 425,944 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 954,654 | 547,823 | (48,887) | 655,720 | 808,036 | 752,850 |
| 8,599,456 | 3,217,748 | 384,796 | 513,822 | 1,409,305 | 690,845 |
| <u>10,840,169</u> | <u>5,028,631</u> | <u>1,165,358</u> | <u>2,033,062</u> | <u>3,289,718</u> | <u>2,223,308</u> |
| <u>\$ 14,962,521</u> | <u>\$ 8,092,812</u> | <u>\$ 2,864,913</u> | <u>\$ 3,660,054</u> | <u>\$ 4,983,991</u> | <u>\$ 4,020,532</u> |

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

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|-------------------------|---------------------------|---------------------------|---------------------------|
| Revenues: | | | | |
| Taxes | \$ 9,057,868 | \$ 8,714,013 | \$ 7,906,257 | \$ 7,558,510 |
| Fees, licenses and permits | 1,489,379 | 1,156,285 | 1,472,877 | 1,256,617 |
| Intergovernmental | 3,252,504 | 3,349,802 | 4,190,546 | 2,183,896 |
| Special assessments | 222,408 | 170,860 | 214,606 | 193,999 |
| Charges for services | 4,165,663 | 3,717,342 | 3,665,166 | 3,613,534 |
| Fines and forfeitures | 133,170 | 120,749 | 107,607 | 188,006 |
| Interest on investments | 112,531 | 51,967 | 115,947 | 310,385 |
| Miscellaneous | 62,546 | 563,988 | 191,096 | 439,863 |
| Total revenues | <u>18,496,069</u> | <u>17,845,006</u> | <u>17,864,102</u> | <u>15,744,810</u> |
| Expenditures: | | | | |
| General government | 4,520,010 | 4,062,110 | 7,479,302 | 2,620,298 |
| Public safety | 8,761,569 | 8,482,946 | 8,262,199 | 7,513,892 |
| Highways and streets | 3,150,019 | 6,193,471 | 5,772,087 | 2,852,552 |
| Culture and recreation | - | - | - | - |
| Capital Outlay | - | - | - | 7,896,316 |
| Debt service | 846,573 | 917,680 | 779,527 | 716,070 |
| Total expenditures | <u>17,278,171</u> | <u>19,656,207</u> | <u>22,293,115</u> | <u>21,599,128</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,217,898</u> | <u>(1,811,201)</u> | <u>(4,429,013)</u> | <u>(5,854,318)</u> |
| Other financing sources (uses): | | | | |
| Proceeds from debt issuance | - | - | 1,621,875 | 900,000 |
| Interfund Loans | - | 375,000 | 600,000 | - |
| Transfers in | 154,360 | 318,393 | 361,108 | 725,771 |
| Transfers out | (154,360) | (318,393) | (561,108) | (966,408) |
| Total other financing sources (uses) | <u>-</u> | <u>375,000</u> | <u>2,021,875</u> | <u>659,363</u> |
| Net Change in Fund Balance | <u><u>1,217,898</u></u> | <u><u>(1,436,201)</u></u> | <u><u>(2,407,138)</u></u> | <u><u>(5,194,955)</u></u> |

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

| | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 6,934,972 | \$ 6,262,184 | \$ 6,212,932 | \$ 6,021,073 | \$ 5,567,827 | \$ 5,411,706 |
| | 865,019 | 780,708 | 599,202 | 497,393 | 429,301 | 378,940 |
| | 6,704,367 | 1,658,050 | 2,142,086 | 1,490,137 | 1,687,862 | 1,771,154 |
| | 164,263 | 259,002 | 327,011 | 255,836 | 339,202 | 387,363 |
| | 3,336,396 | 3,095,292 | 1,597,564 | 1,590,292 | 1,420,615 | 1,236,803 |
| | 121,919 | 163,949 | 163,872 | 209,568 | 173,258 | 186,736 |
| | 808,711 | 175,560 | 331,626 | 213,501 | 233,343 | 207,891 |
| | 155,895 | 106,732 | 116,240 | 243,058 | 348,582 | 228,350 |
| | <u>19,091,542</u> | <u>12,501,477</u> | <u>11,490,533</u> | <u>10,520,858</u> | <u>10,199,990</u> | <u>9,808,943</u> |
| | 2,462,368 | 2,214,215 | 2,497,598 | 1,891,430 | 1,757,701 | 1,766,257 |
| | 6,823,528 | 6,374,244 | 5,622,387 | 4,996,842 | 5,140,704 | 4,616,152 |
| | 1,924,020 | 1,413,591 | 1,654,203 | 1,449,866 | 1,608,097 | 1,578,893 |
| | - | - | - | 48,589 | 37,399 | 44,535 |
| | 1,261,320 | 1,110,158 | 2,324,391 | 2,196,475 | 673,856 | 1,736,511 |
| | 802,088 | 611,393 | 650,449 | 894,126 | 735,371 | 627,239 |
| | <u>13,273,324</u> | <u>11,723,601</u> | <u>12,749,028</u> | <u>11,477,328</u> | <u>9,953,128</u> | <u>10,369,587</u> |
| | 5,818,218 | 777,876 | (1,258,495) | (956,470) | 246,862 | (560,644) |
| | 25,012 | 3,140,000 | - | - | 605,000 | 545,999 |
| | - | - | - | - | (81,000) | (55,000) |
| | 341,480 | 392,929 | 1,442,666 | 464,903 | 312,112 | 286,923 |
| | <u>(298,980)</u> | <u>(367,500)</u> | <u>(719,166)</u> | <u>(426,500)</u> | <u>(279,500)</u> | <u>(238,778)</u> |
| | <u>67,512</u> | <u>3,165,429</u> | <u>723,500</u> | <u>38,403</u> | <u>556,612</u> | <u>539,144</u> |
| | <u>5,885,730</u> | <u>3,943,305</u> | <u>(534,995)</u> | <u>(918,067)</u> | <u>803,474</u> | <u>(21,500)</u> |

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

| Fund Balances | 2005 Adopted | 2004 Adopted | 2003 Adopted | 2002 Adopted |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| City Component | | | | |
| General Fund | \$ 936,568 | \$ 1,315,669 | \$ 1,238,814 | \$ 1,079,348 |
| Community Development Block Grant Fund | - | - | - | - |
| Street Fund | 1,976,046 | 1,065,590 | 1,764,790 | 1,377,392 |
| Airport Fund | 42,315 | 4,000 | 6,140 | 8,000 |
| Capital Improvements Fund | 389,839 | 429,000 | 1,150,300 | 1,782,000 |
| Debt Service Fund | 695,484 | 264,900 | 540,000 | 238,000 |
| Water Fund | 3,524,870 | 2,784,125 | 4,478,680 | 1,448,010 |
| Wastewater Fund | 4,463,795 | 1,726,251 | 754,800 | 2,004,896 |
| Electric Fund | 1,812,094 | 763,763 | 443,533 | 989,946 |
| Telecommunications Fund | 954,723 | 269,910 | 97,036 | 38,130 |
| Central Services Fund | 113,758 | 145,824 | 142,675 | 119,283 |
| Insurance Services Fund | 471,538 | 156,500 | 91,500 | 110,500 |
| Equipment Fund | 965,561 | 908,740 | 452,640 | 121,778 |
| Cemetery Trust Fund | 681,408 | 684,500 | 653,000 | 89,000 |
| Total City Component | 17,028,000 | 10,518,772 | 11,813,908 | 9,406,283 |
| Hospital Fund | | | | |
| Parks Component | | | | |
| Parks and Recreation Fund | 965,822 | 815,000 | 782,294 | 805,300 |
| Youth Activities Levy Fund | 2,166 | 2,000 | 9,000 | 9,000 |
| Parks Capital Improvements Fund | 169,965 | 234,000 | 185,000 | 148,000 |
| Total Parks Component | 1,137,953 | 1,051,000 | 976,294 | 962,300 |
| Total Budget | \$ 18,165,953 | \$ 11,569,772 | \$ 12,790,202 | \$ 10,368,583 |

| For the Fiscal Year Ended June 30, | 2005 | 2004 | 2003 | 2002 |
|---|----------------------|----------------------|----------------------|----------------------|
| Fund Balances | Actual | Actual | Actual | Actual |
| City Component | | | | |
| General Fund | \$ 2,093,388 | \$ 1,755,145 | \$ 1,715,220 | \$ 1,865,212 |
| Community Development Block Grant Fund | (8,492) | 33,018 | (32,433) | (35,904) |
| Street Fund | 1,186,028 | 315,846 | 2,528,750 | 2,785,057 |
| Airport Fund | 122,942 | 218,377 | 32,135 | 22,560 |
| Capital Improvements Fund | 924,554 | 396,855 | 67,583 | 2,833,606 |
| Debt Service Fund | 423,842 | 433,278 | 282,293 | 136,978 |
| Water Fund | 6,458,230 | 5,002,748 | 4,662,028 | 1,985,298 |
| Wastewater Fund | 5,664,182 | 1,541,125 | 2,356,054 | 9,190,945 |
| Electric Fund | 2,527,430 | 1,539,766 | 1,497,827 | 1,069,861 |
| Telecommunications Fund | 898,750 | 62,635 | 388,018 | 1,982,175 |
| Central Services Fund | 185,137 | 569,013 | 947,953 | 823,405 |
| Insurance Services Fund | 1,036,331 | 934,499 | 145,978 | 204,263 |
| Equipment Fund | 1,489,055 | 1,224,311 | 1,121,598 | 783,340 |
| Cemetery Trust Fund | 702,629 | 684,476 | 679,646 | 72,823 |
| Total City Component | 23,704,006 | 14,711,092 | 16,392,650 | 23,719,619 |
| Hospital Fund | | | | |
| Parks Component | | | | |
| Parks and Recreation Fund | 1,621,679 | 1,558,332 | 1,403,171 | 1,168,934 |
| Youth Activities Levy Fund | 103,733 | 122,588 | 36,403 | 36,341 |
| Parks Capital Improvements Fund | 207,375 | 300,331 | 367,733 | 280,337 |
| Total Parks Component | 1,932,787 | 1,981,251 | 1,807,307 | 1,485,612 |
| Total Budget | \$ 25,636,793 | \$ 16,692,343 | \$ 18,199,957 | \$ 25,205,231 |

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

| 2001 Adopted | 2000 Adopted | 1999 Adopted | 1998 Adopted | 1997 Adopted | 1996 Adopted |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 1,152,000 | \$ 679,000 | \$ 549,000 | \$ 345,000 | \$ 287,000 | \$ 306,000 |
| - | - | - | - | - | - |
| 804,322 | 378,000 | 100,000 | 250,000 | 292,000 | 124,000 |
| 23,000 | 22,000 | 15,000 | 15,000 | 20,000 | 25,700 |
| 3,611,000 | 2,588,000 | 2,255,000 | 1,081,000 | 360,000 | 100,000 |
| 293,000 | 427,000 | 399,000 | 504,000 | 559,000 | 610,000 |
| 3,032,000 | 1,804,000 | 1,619,000 | 1,851,000 | 1,555,000 | 1,499,000 |
| 3,036,000 | 2,380,000 | 7,110,000 | 6,389,000 | 5,177,000 | 3,327,000 |
| 108,000 | 1,580,000 | 1,340,000 | 1,084,000 | 879,000 | 588,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 230,000 | 242,000 | 725,000 | 529,000 | 512,000 | 658,000 |
| 72,000 | 786,000 | 814,000 | 1,357,000 | 1,690,000 | 1,572,000 |
| 685,000 | 680,000 | 664,000 | 649,000 | 632,000 | 625,000 |
| 13,046,322 | 11,566,000 | 15,590,000 | 14,054,000 | 11,963,000 | 9,434,700 |
| | | | | | 1,390,000 |
| 735,715 | 577,000 | 180,000 | 240,000 | 636,000 | 145,200 |
| | - | 34,000 | 52,000 | - | - |
| | 195,000 | 564,000 | 521,000 | 286,000 | 250,000 |
| 735,715 | 772,000 | 778,000 | 813,000 | 922,000 | 395,200 |
| \$ 13,782,037 | \$ 12,338,000 | \$ 16,368,000 | \$ 14,867,000 | \$ 12,885,000 | \$ 11,219,900 |

| 2001 Actual | 2000 Actual | 1999 Actual | 1998 Actual | 1997 Actual | 1996 Actual |
|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| \$ 1,962,295 | \$ 1,888,103 | \$ 1,480,895 | \$ 1,143,000 | \$ 1,191,000 | \$ 1,184,000 |
| (142,463) | 3,744 | 3 | - | - | - |
| 2,160,057 | 1,176,078 | 218,663 | 287,000 | 766,000 | 672,000 |
| 16,844 | 22,292 | 32,771 | 45,000 | 33,000 | 27,000 |
| 8,701,848 | 3,600,676 | 539,004 | 1,120,000 | 1,572,000 | 809,000 |
| 103,883 | 225,841 | 625,738 | 493,000 | 750,000 | 675,000 |
| 3,905,152 | 4,708,031 | 3,243,350 | 3,222,000 | 2,364,000 | 1,659,000 |
| 9,198,221 | 10,454,701 | 8,358,755 | 5,944,000 | 5,681,000 | 6,223,000 |
| 1,249,047 | 1,560,301 | 1,500,976 | 1,731,000 | 1,883,000 | 1,358,000 |
| 119,745 | 1,902,118 | | | | |
| 436,624 | 96,609 | 68,154 | 120,000 | 180,000 | 350,000 |
| 299,415 | 502,000 | 630,294 | 1,135,000 | 1,131,000 | 1,070,000 |
| 526,894 | 253,019 | 370,944 | 1,682,000 | 1,926,000 | 1,697,000 |
| 669,517 | 663,140 | 660,698 | 650,000 | 637,000 | 623,000 |
| 29,207,079 | 27,056,653 | 17,730,245 | 17,572,000 | 18,114,000 | 16,347,000 |
| | | | | | 6,760,000 |
| 1,023,774 | 1,196,511 | 1,966,643 | 1,003,000 | 1,306,000 | 987,000 |
| 125,706 | 125,191 | 133,769 | 41,000 | 43,000 | 72,000 |
| 151,955 | 295,000 | 536,494 | 570,000 | 550,000 | 353,000 |
| 1,301,435 | 1,616,702 | 2,636,906 | 1,614,000 | 1,899,000 | 1,412,000 |
| \$ 30,508,514 | \$ 28,673,355 | \$ 20,367,151 | \$ 19,186,000 | \$ 20,013,000 | \$ 24,519,000 |

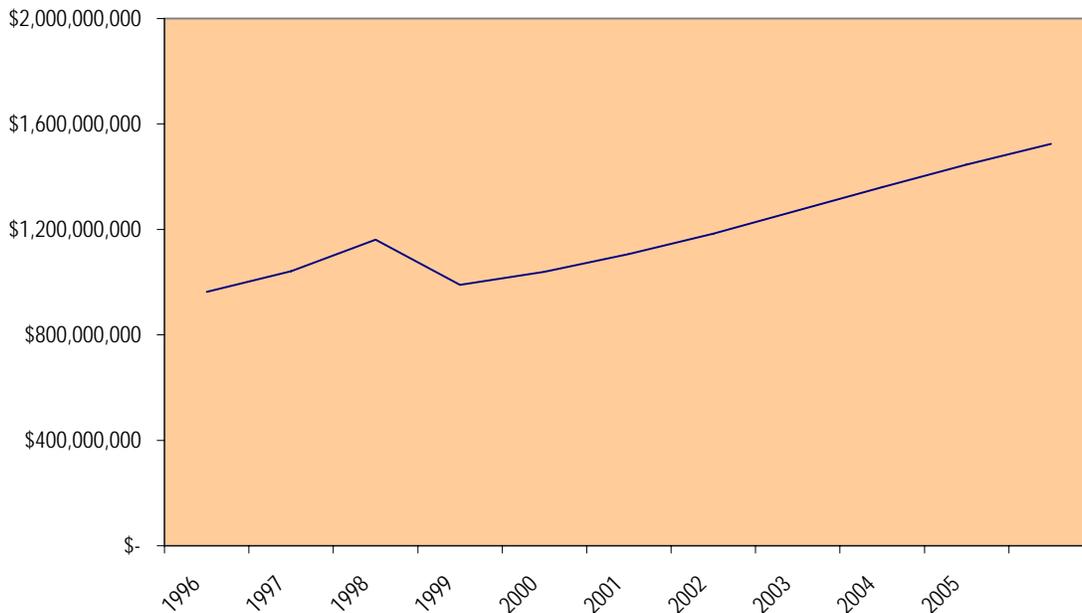
CITY OF ASHLAND, OREGON
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
for the last ten fiscal years - Unaudited

| Fiscal Year Ended June 30, | Real Property | Mobile Home | Personal* | Utilities | Total | Taxable ratio (True Cash Value to Assessed) |
|----------------------------------|------------------|--------------|---------------|---------------|------------------|--|
| 2005 | \$ 1,524,210,039 | \$ 5,108,410 | \$ 38,419,400 | \$ 27,532,841 | \$ 1,595,270,690 | 65.1% |
| 2004 | 1,446,150,336 | 5,400,552 | 37,453,000 | 22,831,681 | 1,511,835,569 | 61.7% |
| 2003 | 1,360,297,002 | 5,147,040 | 34,209,260 | 24,241,450 | 1,423,894,752 | 61.1% |
| 2002 | 1,272,205,820 | 4,983,960 | 32,044,090 | 23,806,860 | 1,333,040,730 | 68.6% |
| 2001 | 1,183,527,490 | 4,760,560 | 30,004,310 | 21,823,850 | 1,240,116,210 | 83.0% |
| 2000 | 1,106,322,240 | 4,241,270 | 26,183,680 | 20,989,320 | 1,157,736,510 | 94.0% |
| 1999 | 1,039,559,010 | 4,439,960 | 25,093,370 | 19,043,890 | 1,088,136,230 | 87.0% |
| 1998 | 989,442,520 | 4,186,640 | 24,490,630 | 17,563,860 | 1,035,683,650 | 83.0% |
| 1997 | 1,161,561,340 | 4,203,470 | 22,063,340 | 16,872,790 | 1,204,700,940 | 100.0% |
| 1996 | 1,042,057,940 | 3,969,880 | 20,485,600 | 15,750,460 | 1,082,263,880 | 100.0% |

All property is evaluated once every six years as required by State Statute.

* Includes Non-Profit Housing

**Real Property Value
Last Ten Years**



Source: County Assessor tax roll property values

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

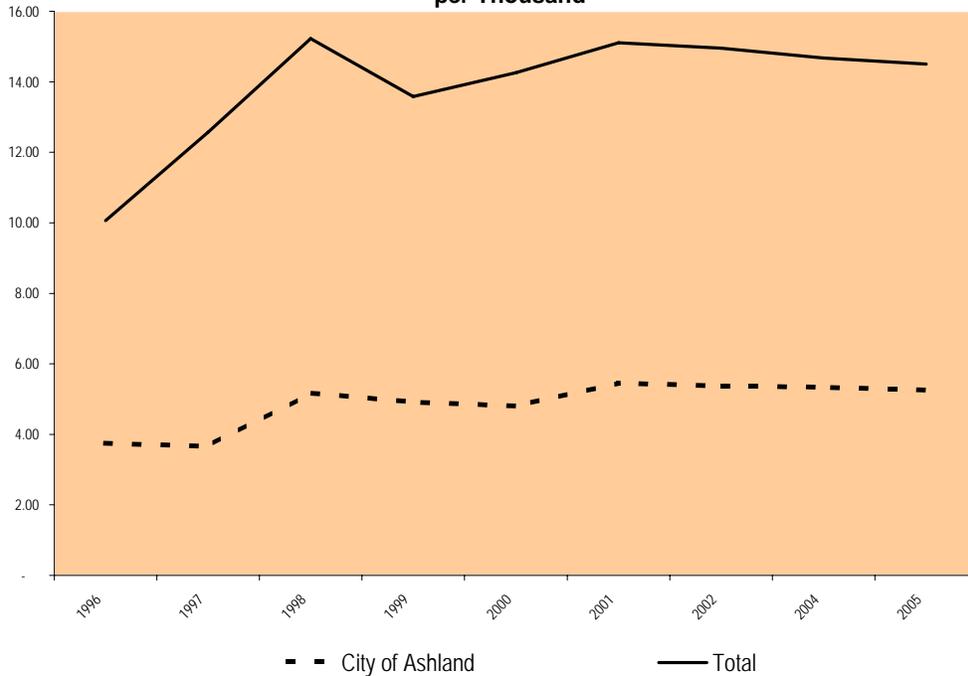
| Fiscal Year Ended June 30, | City of Ashland | Jackson County Historical Society (2) | Jackson County Vector Control | Jackson County (2) | Rogue Valley Transit District | Net General Government Tax Rate | Jackson County Education Service District | School District 5 | RCC | Ballot Measure 5 School Support Compression (1) | Net School Support Tax Rate | Total |
|----------------------------|-----------------|---------------------------------------|-------------------------------|--------------------|-------------------------------|---------------------------------|---|-------------------|------|---|-----------------------------|-------|
| 2005 | 5.26 | | 0.04 | 2.75 | 0.17 | 8.22 | 0.34 | 5.44 | 0.50 | | 6.28 | 14.50 |
| 2004 | 5.34 | | 0.04 | 2.79 | 0.17 | 8.34 | 0.34 | 5.49 | 0.50 | | 6.33 | 14.67 |
| 2003 | 5.36 | | 0.04 | 2.70 | 0.17 | 8.27 | 0.34 | 5.53 | 0.50 | | 6.37 | 14.64 |
| 2002 | 5.38 | | 0.04 | 2.66 | 0.18 | 8.26 | 0.86 | 5.83 | | | 6.69 | 14.95 |
| 2001 | 5.46 | | 0.04 | 2.56 | 0.18 | 8.24 | 1.84 | 5.03 | | | 6.87 | 15.11 |
| 2000 | 4.81 | | 0.04 | 2.25 | 0.18 | 7.28 | 1.95 | 5.03 | | | 6.98 | 14.26 |
| 1999 | 4.92 | | 0.04 | 2.01 | 0.18 | 7.15 | 0.35 | 6.08 | | | 6.43 | 13.58 |
| 1998 | 5.18 | | 0.04 | 2.00 | 0.18 | 7.40 | 0.88 | 13.93 | | (6.99) | 7.82 | 15.22 |
| 1997 | 3.66 | 0.23 | 0.04 | 1.11 | 0.18 | 5.22 | 0.88 | 13.93 | | (7.46) | 7.35 | 12.57 |
| 1996 | 3.75 | 0.22 | 0.04 | 0.64 | 0.18 | 4.83 | 0.87 | 13.15 | | (8.79) | 5.23 | 10.06 |

(1) Oregon Measure 5 limited the effective tax rates of General Government and School Support after December 7, 1990. At the present time, only school support tax rates have been compressed and limited.

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

Source: Jackson County Assessor and Tax Collector

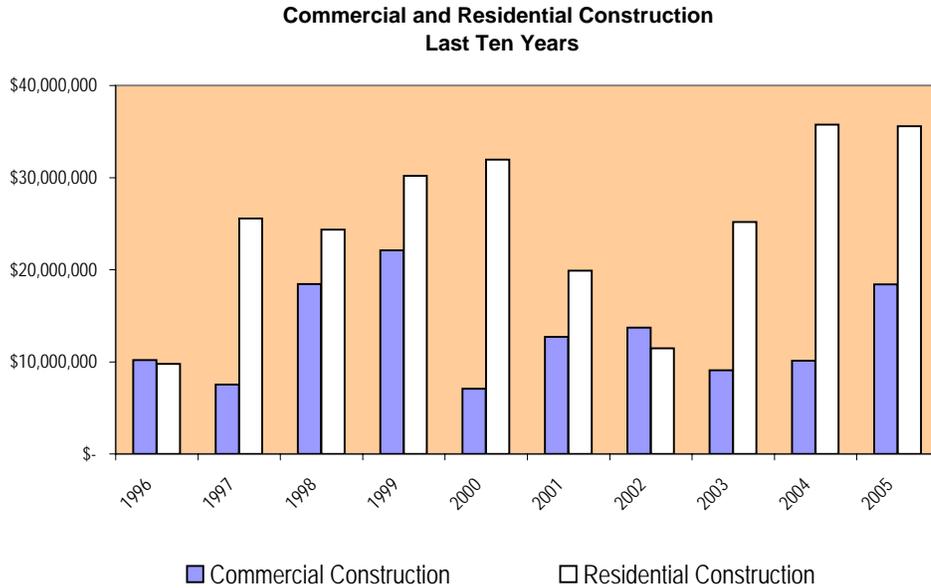
City of Ashland Property Tax Rate Compared to Total Rate per Thousand



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 |
| 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 |
| 2002 | 1,333,040,730 | 17 | 13,702,661 | 106 | 11,464,493 |
| 2001 | 1,240,116,210 | 9 | 12,715,512 | 150 | 19,907,603 |
| 2000 | 1,157,736,510 | 15 | 7,081,675 | 233 | 31,940,531 |
| 1999 | 1,088,136,230 | 17 | 22,097,963 | 169 | 30,183,930 |
| 1998 | 1,035,683,650 | 14 | 18,453,404 | 154 | 24,364,300 |
| 1997 | 1,204,700,940 | 11 | 7,531,135 | 140 | 25,559,489 |
| 1996 | 1,082,263,880 | 28 | 10,176,287 | 91 | 9,787,069 |

(1) Property value is assessed valuation



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

CITY OF ASHLAND, OREGON
FOOD AND BEVERAGE TAX REVENUES BY FUND
(Amounts Expressed in Thousands)
for the last ten fiscal years- Unaudited

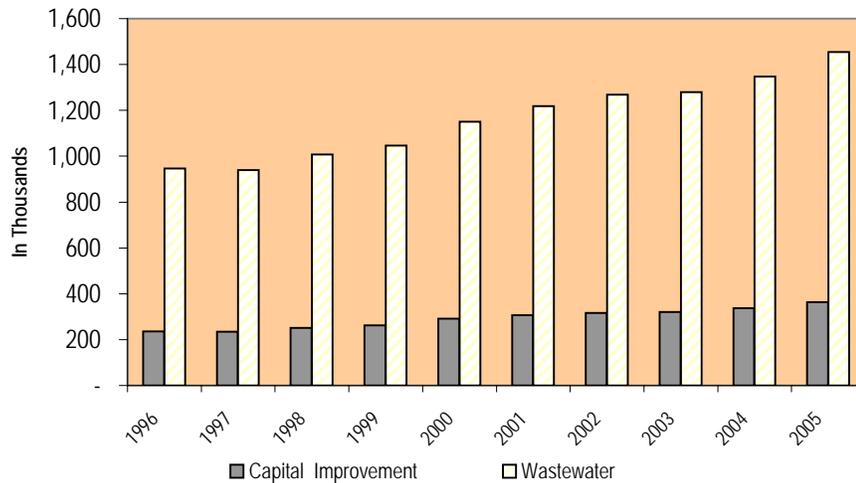
| Fiscal Year Ended June 30, | Capital Improvement (3) | Wastewater (2) | Total (1) | Cumulative |
|----------------------------------|-------------------------------|-------------------|--------------|------------|
| 2005 | \$ 364 | \$ 1,454 | \$ 1,818 | \$ 14,580 |
| 2004 | 337 | 1,347 | 1,684 | 12,762 |
| 2003 | 320 | 1,280 | 1,600 | 11,078 |
| 2002 | 317 | 1,268 | 1,585 | 9,478 |
| 2001 | 307 | 1,219 | 1,526 | 7,893 |
| 2000 | 292 | 1,151 | 1,443 | 6,367 |
| 1999 | 262 | 1,047 | 1,309 | 4,924 |
| 1998 | 251 | 1,007 | 1,258 | 3,615 |
| 1997 | 235 | 940 | 1,175 | 2,357 |
| 1996 | 236 | 946 | 1,182 | 1,182 |

(1) Tax enacted July 1, 1993

(2) Derived from wastewater enterprise operations.

(3) Dedicated to acquisition of Open Space Parkland.

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



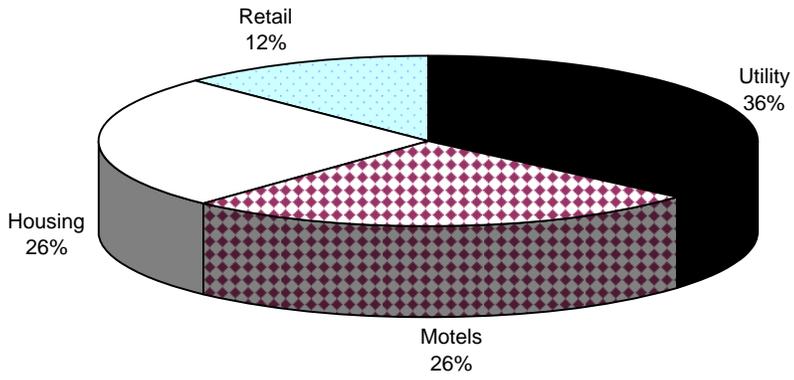
CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

| <u>Taxpayers</u> | <u>Type of Business</u> | 2005 Assessed Valuation | Percentage of Total Assessed Valuation |
|--------------------------------|-------------------------|-------------------------------|---|
| Qwest Corporation | Utility | \$ 18,347,700 | 1.15% |
| Windmill Inns of America, Inc. | Motels | 9,494,780 | 0.60% |
| Ronald L. Deluca | Housing | 7,732,200 | 0.48% |
| AVISTA Corp. | Utility | 5,979,500 | 0.37% |
| Financial Pacific, Inc. | Housing | 5,164,000 | 0.37% |
| Michael D. & Beverly Rydbom | Retail | 4,327,280 | 0.32% |
| Skylark Assisted Living | Housing | 4,268,270 | 0.27% |
| Bard's Inn Limited | Motels | 4,071,850 | 0.27% |
| Summit Investment | Retail | 3,986,320 | 0.26% |
| Windsor Inn | Motels | 3,649,510 | 0.25% |
| All other | | <u>1,528,249,280</u> | <u>95.80%</u> |
| Total | | <u>\$ 1,595,270,690</u> | <u>100.00%</u> |

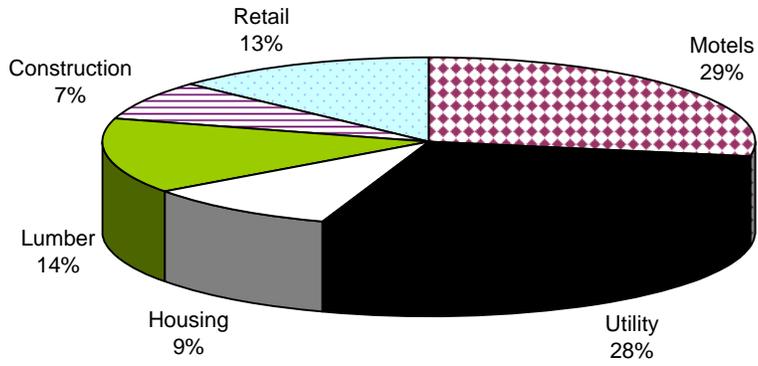
| <u>Taxpayers</u> | <u>Type of Business</u> | 1996 Assessed Valuation | Percentage of Total Assessed Valuation |
|-----------------------------------|-------------------------|-------------------------------|---|
| AHI Inc. | Motels | \$ 10,013,440 | 0.93% |
| US West Communications Inc. | Utility | 8,925,290 | 0.82% |
| Ashlander Inc. | Housing | 4,665,420 | 0.43% |
| Washington Water Power Co. | Utility | 4,625,540 | 0.43% |
| Croman Corp. | Lumber | 3,726,140 | 0.34% |
| Brodeur/Brodeur Inc. | Motels | 3,690,940 | 0.34% |
| Warren Family Limited Partnership | Construction | 3,678,790 | 0.34% |
| Summit Investment | Retail | 3,476,830 | 0.32% |
| Croman Corp. | Lumber | 3,375,580 | 0.31% |
| Rydbom Michael D/Beverly A | Retail | 3,012,140 | 0.28% |
| All other | | <u>1,033,073,770</u> | <u>95.45%</u> |
| Total | | <u>\$ 1,082,263,880</u> | <u>100.00%</u> |

Source: Jackson County Assessor

2005 Principal Property Tax Payers



1996 Principal Property Tax Payers



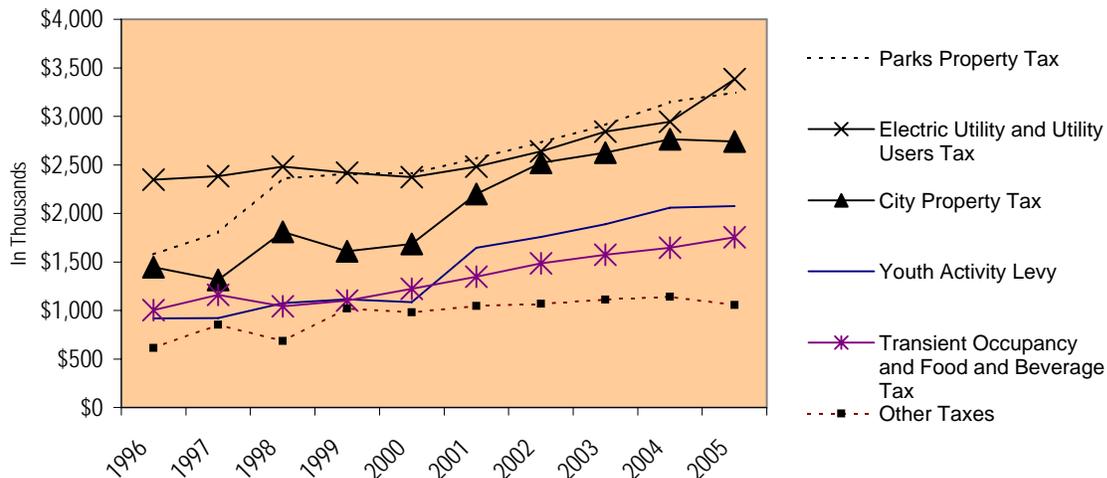
CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited

| 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 |
|----------------------------|-------------------------|--------------------------------|-----------------------|-------------------------------------|-------------------------|---------------------------|----------------------|-----------|
| 2005 | \$ 8,061 | \$ 1,106 | \$ 2,277 | \$ 902 | \$ 1,390 | \$ 364 | \$ 155 | \$ 14,255 |
| 2004 | 7,970 | 842 | 2,103 | 986 | 1,309 | 337 | 155 | 13,702 |
| 2003 | 7,426 | 914 | 1,929 | 960 | 1,255 | 320 | 153 | 12,957 |
| 2002 | 7,010 | 870 | 1,770 | 911 | 1,168 | 317 | 157 | 12,203 |
| 2001 | 6,414 | 833 | 1,648 | 906 | 1,039 | 307 | 141 | 11,288 |
| 2000 | 5,182 | 781 | 1,594 | 832 | 930 | 292 | 148 | 9,759 |
| 1999 | 5,130 | 769 | 1,651 | 881 | 840 | 262 | 140 | 9,673 |
| 1998 | 5,246 | 827 | 1,656 | 542 | 793 | 251 | 142 | 9,457 |
| 1997 | 4,039 | 804 | 1,631 | 721 | 731 | 235 | 132 | 8,293 |
| 1996 | 3,942 | 790 | 1,559 | 483 | 768 | 236 | 129 | 7,907 |

(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

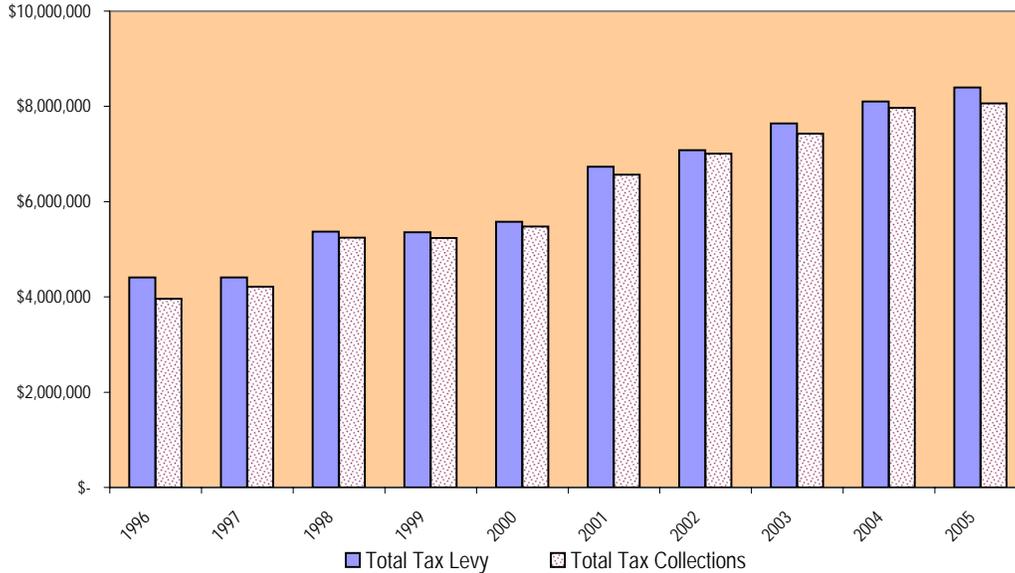
| Fiscal Year Ended June 30, | Total Tax Levy (1) | Current Tax Collections (3) | Percent of Levy Collected | Delinquent Tax Collections (2)(3) | Total Tax Collections | Percent of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes | Percent of Delinquent Taxes to Tax Levy |
|----------------------------|--------------------|-----------------------------|---------------------------|-----------------------------------|-----------------------|--|------------------------------|---|
| 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% |
| 2002 | 7,078,000 | 6,611,284 | 93.4% | 398,332 | 7,009,616 | 99.0% | 690,652 | 9.8% |
| 2001 | 6,735,000 | 6,304,073 | 93.6% | 264,836 | 6,568,909 | 97.5% | 613,710 | 9.1% |
| 2000 | 5,576,000 | 5,109,088 | 91.6% | 367,430 | 5,476,518 | 98.2% | 542,712 | 9.7% |
| 1999 | 5,359,000 | 4,701,836 | 87.7% | 535,791 | 5,237,627 | 97.7% | 487,762 | 9.1% |
| 1998 | 5,368,362 | 4,907,232 | 91.4% | 338,875 | 5,246,107 | 97.7% | 448,995 | 8.4% |
| 1997 | 4,407,560 | 3,954,755 | 89.7% | 257,885 | 4,212,640 | 95.6% | 447,854 | 10.2% |
| 1996 | 4,407,560 | 3,721,863 | 84.4% | 237,652 | 3,959,515 | 89.8% | 387,633 | 8.8% |

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

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

(3) Includes adjustments, rounding and discounts.

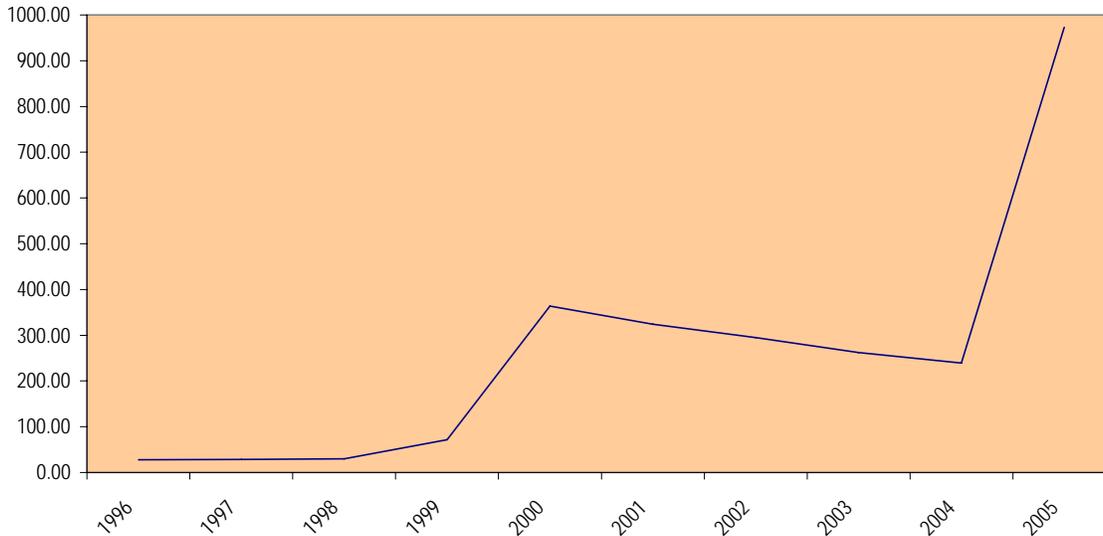
Property Tax Levies and Collections



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

| Fiscal Year Ended June 30, | Population (1) | Assessed Value (2) | Gross Bonded Debt (3) | Debt | | Debt Payable from Enterprise Revenues (4) | Net General Obligation Bonded Debt | Ratio of | |
|----------------------------------|-------------------|--------------------------|--------------------------------|--|---|---|--|---|-------------------------------------|
| | | | | Service Fund Monies Available | Enterprise Fund Monies Available | | | Net Bonded Debt to Assessed Value | Net Bonded Debt per Capita |
| 2005 | 20,590 | \$ 1,595,270,690 | \$ 48,595,783 | \$ 423,842 | \$ 1,913,648 | \$ 43,614,513 | \$ 20,045,000 | 1.26% | 973.05 |
| 2004 | 20,430 | 1,511,835,569 | 43,746,882 | 433,278 | 1,281,341 | 36,866,762 | 4,875,000 | 0.32% | 239.11 |
| 2003 | 20,130 | 1,423,894,752 | 42,804,005 | 282,293 | 1,913,648 | 38,884,073 | 5,280,000 | 0.37% | 262.30 |
| 2002 | 19,770 | 1,333,040,730 | 41,503,298 | 136,978 | 2,830,609 | 32,700,711 | 5,835,000 | 0.44% | 295.14 |
| 2001 | 19,610 | 1,240,116,210 | 34,976,385 | 132,019 | 694,697 | 27,799,669 | 6,350,000 | 0.51% | 323.81 |
| 2000 | 19,490 | 1,157,736,510 | 31,454,293 | 225,841 | 584,621 | 23,553,831 | 7,090,000 | 0.61% | 363.78 |
| 1999 | 19,220 | 1,088,136,230 | 14,715,508 | 522,083 | 333,888 | 12,484,537 | 1,375,000 | 0.13% | 71.54 |
| 1998 | 18,560 | 1,035,683,650 | 8,220,000 | 149,017 | 850,362 | 6,665,000 | 555,621 | 0.05% | 29.94 |
| 1997 | 18,360 | 1,204,700,940 | 7,777,957 | 381,623 | 694,411 | 6,183,546 | 518,377 | 0.04% | 28.23 |
| 1996 | 17,985 | 1,082,263,800 | 7,865,000 | 273,024 | 496,133 | 6,595,843 | 500,000 | 0.05% | 27.80 |

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



Source:

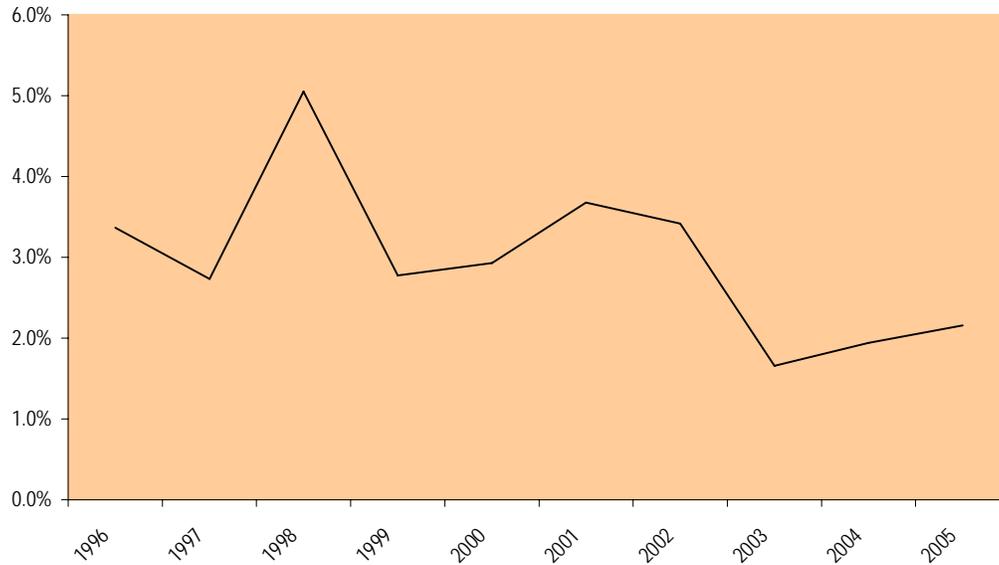
- (1) Center for Population Research and Census, Portland State University.
- (2) County Assessor Tax Roll Property Value Records.
- (3) City Financial Records - includes all long-term general obligation debt, including general obligation special assessments, general obligation bonds and general obligation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

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 |
|----------------------------------|------------|------------|---------------------------------|--|--|
| 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% |
| 2002 | 280,000 | 188,809 | 468,809 | 13,724,000 | 3.4% |
| 2001 | 210,000 | 232,044 | 442,044 | 12,021,000 | 3.7% |
| 2000 | 215,000 | 96,081 | 311,081 | 10,626,000 | 2.9% |
| 1999 | 145,000 | 144,515 | 289,515 | 10,427,000 | 2.8% |
| 1998 | 425,000 | 40,320 | 465,320 | 9,213,000 | 5.1% |
| 1997 | 155,000 | 97,560 | 252,560 | 9,245,000 | 2.7% |
| 1996 | 260,000 | 29,175 | 289,175 | 8,592,000 | 3.4% |

(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 | |
| 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 |
| 2002 | 3,634,789 | 2,020,392 | 600,000 | 1,014,397 | 150,000 | 179,888 | 329,888 | 3.07 |
| 2001 | 3,464,218 | 2,252,410 | 600,000 | 611,808 | 140,000 | 187,502 | 327,502 | 1.87 |
| 2000 | 3,241,760 | 2,358,054 | | 883,706 | 135,000 | 194,518 | 329,518 | 2.68 |
| 1999 | 2,794,002 | 1,868,660 | | 925,342 | 125,000 | 200,955 | 325,955 | 2.84 |
| 1998 | 2,477,079 | 1,621,087 | | 855,992 | 120,000 | 206,837 | 326,837 | 2.62 |
| 1997 | 2,731,576 | 1,865,895 | | 865,681 | 115,000 | 212,245 | 327,245 | 2.65 |
| 1996 | 2,904,473 | 1,706,713 | 552,019 | 645,741 | 110,000 | 217,747 | 327,747 | 1.97 |

(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.

CITY OF ASHLAND, OREGON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Three Years

| Governmental Activities | | | <u>Notes and Contracts</u> | | |
|--------------------------------|--------------------------|---------------------------|----------------------------|--------------|------------|
| Fiscal Year Ended June 30, | General Obligation Bonds | Percent of Assessed Value | Promissory Notes | OECDD Loans | Per Capita |
| 2005 | \$ 3,050,000 | 0.19% | \$ 1,215,270 | \$ 2,079,804 | \$ 308.16 |
| 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 Loan | Per Capita |
| 2005 | \$ 16,995,000 | 1.07% | \$ 4,960,000 | \$ 21,659,513 | \$ 1,292.84 |
| 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 |

¹ 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

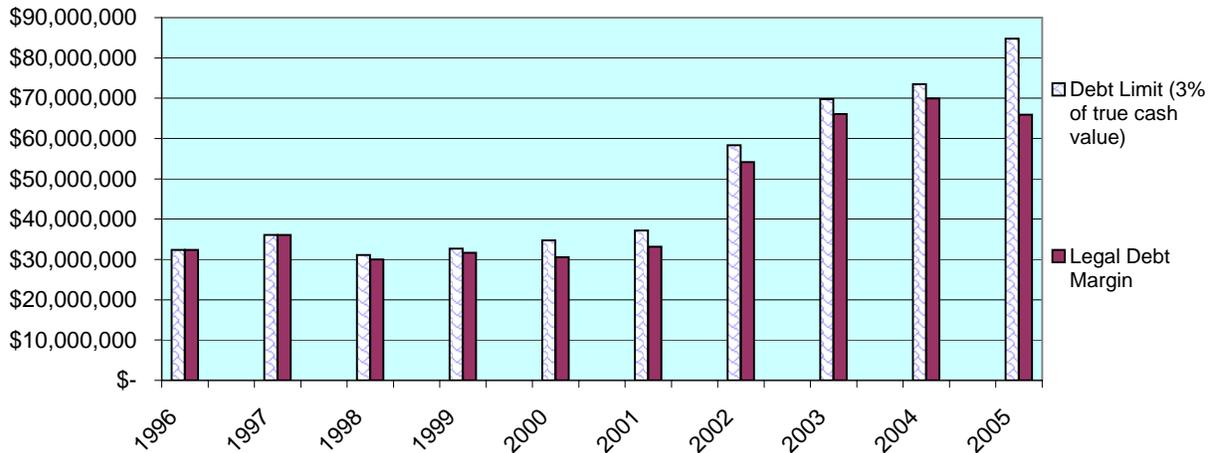
OECDD - Oregon Economic and Community Development Department

DEQ - Oregon Department of Environmental Quality

CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
Last Ten Years
For the Fiscal Year Ended June 30,

| | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| True Cash Value | <u>\$ 2,827,489,200</u> | <u>\$ 2,450,551,643</u> | <u>\$ 2,327,582,133</u> | <u>\$ 1,943,471,450</u> |
| Legal Debt Margin | | | | |
| Debt Limit (3% of true cash value) | <u>\$ 84,824,676</u> | <u>\$ 73,516,549</u> | <u>\$ 69,827,464</u> | <u>\$ 58,304,144</u> |
| Net Bonded Debt: | | | | |
| Gross bonded debt | 20,045,000 | 4,875,000 | 5,280,000 | 6,135,000 |
| Less amounts exempted: | | | | |
| Water | (75,000) | (100,000) | (125,000) | (145,000) |
| Special assessment | - | - | - | (55,000) |
| Refunding | - | - | (75,000) | (325,000) |
| Water Refunding | <u>(1,075,000)</u> | <u>(1,205,000)</u> | <u>(1,325,000)</u> | <u>(1,440,000)</u> |
| Total debt applicable to margin | <u>18,895,000</u> | <u>3,570,000</u> | <u>3,755,000</u> | <u>4,170,000</u> |
| LEGAL DEBT MARGIN | <u>\$ 65,929,676</u> | <u>\$ 69,946,549</u> | <u>\$ 66,072,464</u> | <u>\$ 54,134,144</u> |

Legal Debt Margin
Compared to Debt Limit
Last Ten Years



**CITY OF ASHLAND, OREGON
LEGAL DEBT MARGIN
Last Ten Years (continued)
For the Fiscal Year Ended June 30,**

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>\$ 1,240,116,210</u> | <u>\$ 1,157,736,510</u> | <u>\$ 1,089,529,060</u> | <u>\$ 1,035,683,650</u> | <u>\$ 1,201,600,940</u> | <u>\$ 1,079,258,840</u> |
| <u>\$ 37,203,486</u> | <u>\$ 34,732,095</u> | <u>\$ 32,685,872</u> | <u>\$ 31,070,510</u> | <u>\$ 36,048,028</u> | <u>\$ 32,377,765</u> |
| 6,530,000 | 7,090,000 | 4,255,000 | 4,760,000 | 4,295,000 | 4,175,000 |
| (165,000) | (185,000) | (205,000) | (305,000) | (2,030,000) | (2,125,000) |
| (180,000) | (255,000) | (335,000) | (475,000) | (900,000) | (500,000) |
| (550,000) | (765,000) | (980,000) | (1,180,000) | (1,365,000) | (1,550,000) |
| <u>(1,555,000)</u> | <u>(1,670,000)</u> | <u>(1,695,000)</u> | <u>(1,720,000)</u> | <u>-</u> | <u>-</u> |
| <u>4,080,000</u> | <u>4,215,000</u> | <u>1,040,000</u> | <u>1,080,000</u> | <u>-</u> | <u>-</u> |
| <u>\$ 33,123,486</u> | <u>\$ 30,517,095</u> | <u>\$ 31,645,872</u> | <u>\$ 29,990,510</u> | <u>\$ 36,048,028</u> | <u>\$ 32,377,765</u> |

CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005 - Unaudited

| | | | |
|---------------------------------|----|---------------|----------------------|
| True cash value | \$ | 2,827,489,200 | |
| 3% of the true cash value | | 0.03 | |
| | | | \$ 84,824,676 |
| NET BONDED DEBT: | | | |
| Gross bonded debt | | 20,045,000 | |
| Less amounts exempted: | | | |
| Water | | (75,000) | |
| Water Refunding | | (1,075,000) | |
| Total debt applicable to margin | | | 18,895,000 |
| LEGAL DEBT MARGIN | | | \$ 65,929,676 |

ORS 287.004 provides a debt limit of 3% of the true cash value of all taxable property within the Municipality's boundaries. According to ORS 287.004, the 3% 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

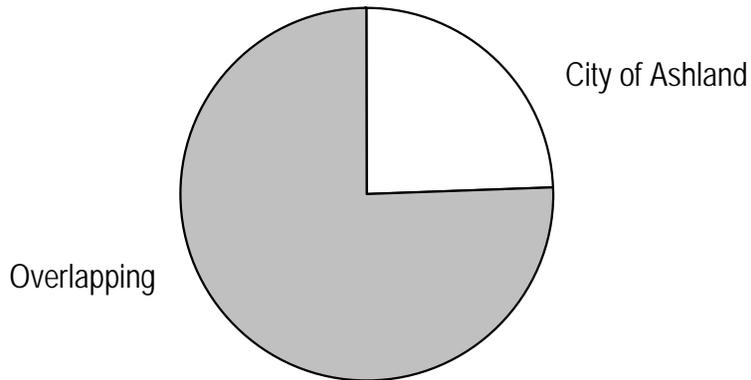
CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2005 - Unaudited

| Jurisdiction | Net General Obligation Bonded Debt Outstanding | Percentage Applicable to City | Amount Applicable to City |
|-------------------------|---|-------------------------------------|---------------------------------|
| Direct: | | | |
| City of Ashland | \$ 20,045,000 (1) | 100.00% | \$ 4,460,000 |
| Overlapping | | | |
| Jackson County | 44,910,000 (2) | 15.01% | 6,739,105 |
| School District #5 | 5,515,000 (2) | 79.74% | 4,397,512 |
| Rogue Community College | 24,000,000 (2) | 11.14% | 2,673,576 |
| | <u>\$ 94,470,000</u> | | <u>\$ 13,810,193</u> |
| | <u>\$ 94,470,000</u> | | <u>\$ 18,270,193</u> |

(1) Excluding general obligation bonds reported in the enterprise funds supported by non-tax sources.

(2) Net tax supported debt provided by Oregon State Treasury, Debt Management Division.

City of Ashland
Bonded Debt Compared to Overlapping Debt



Source: County Treasurer Statements of Bonded Indebtedness

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

| 2005 | | |
|-----------------------------|-----------|---|
| Employer | Employees | Percentage of Total City Employment |
| Southern Oregon University | 750 | 8.96% |
| Oregon Shakespeare Festival | 450 | 5.38% |
| Ashland Public Schools | 429 | 5.13% |
| Ashland Community Hospital | 425 | 5.08% |
| City of Ashland* | 215 | 2.57% |
| Professional Tool Mfg. LLC | 95 | 1.14% |
| Prestige Care (Linda Vista) | 84 | 1.00% |
| Albertsons | 71 | 0.85% |
| Ashland Springs Hotel | 65 | 0.78% |
| Windmill Inn of Ashland | 53 | 0.63% |
| Total | 2,637 | 31.51% |
| Total City Employment | 8,369 | |

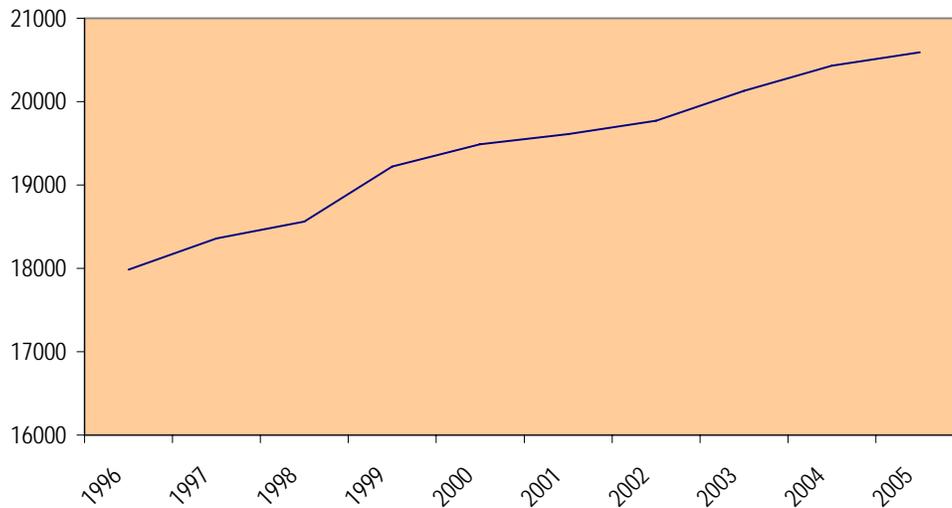
| 1996 | | |
|-------------------------------------|-----------|---|
| Employer | Employees | Percentage of Total City Employment |
| Southern Oregon State College | 746 | 12.43% |
| Public Schools | 363 | 6.05% |
| Oregon Shakespeare Festival | 350 | 5.83% |
| Ashland Community Hospital | 279 | 4.65% |
| Southern OR Training & Habilitation | 182 | 3.03% |
| City of Ashland* | 181 | 3.02% |
| Windmill's Ashland Hills Inn | 165 | 2.75% |
| Butler Ford | 127 | 2.12% |
| Parson's Pine Products | 100 | 1.67% |
| Darex Corporation | 91 | 1.52% |
| Total | 2,584 | 43.07% |
| Total City Employment | 6,000 | |

Source: Ashland Chamber of Commerce
* Excludes Ashland Parks Commission

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

| Fiscal Year Ended June 30, | Population (1) | Per Capita Income (2) | School Enrollment (3) | Unemployment Rate Jackson Co. (2) |
|----------------------------------|-------------------|--------------------------------|-----------------------------|--|
| 2005 | 20,590 | N/A | 2,920 | 7.1% |
| 2004 | 20,430 | N/A | 3,138 | 7.3% |
| 2003 | 20,130 | 26,477 | 3,321 | 6.8% |
| 2002 | 19,770 | 25,772 | 3,393 | 6.6% |
| 2001 | 19,610 | 24,917 | 3,411 | 5.9% |
| 2000 | 19,490 | 23,914 | 3,258 | 5.7% |
| 1999 | 19,220 | 22,649 | 3,309 | 6.4% |
| 1998 | 18,560 | 21,565 | 3,358 | 6.6% |
| 1997 | 18,360 | 21,410 | 3,384 | 7.3% |
| 1996 | 17,985 | 19,746 | 3,454 | 6.7% |

**Population Growth
Last Ten Years**



Source:

- (1) Center for Population and Research and Census, and Portland State University.
- (2) State of Oregon Employment Division, Department of Human Resources.
- (3) Ashland School District

CITY OF ASHLAND, OREGON
SCHEDULE OF MAJOR INSURANCE IN FORCE
June 30, 2005

| Company | Coverage | Policy Period | General Aggregate/Each Occurrence | Premium |
|--------------------------------|---|-----------------------|--|------------|
| City County Insurance Services | General Liability | | | \$ 135,187 |
| | Commercial General Liability | 07/01/2004-06/30/2005 | \$ 3,000,000 / \$ 1,000,000 | |
| | Public Officials Liability | 07/01/2004-06/30/2005 | \$ 3,000,000 / \$ 1,000,000 | |
| | Employment Practices | 07/01/2004-06/30/2005 | \$ 3,000,000 / \$ 1,000,000 | |
| | Occurrence | 07/01/2004-06/30/2005 | \$ 3,000,000 / \$ 1,000,000 | |
| | Automobile Liability | | | 25,501 |
| | Scheduled Autos | 07/01/2004-06/30/2005 | None / \$ 1,000,000 | |
| | Hired Autos | 07/01/2004-06/30/2005 | None / \$ 1,000,000 | |
| | Non-Owned Autos | 07/01/2004-06/30/2005 | None / \$ 1,000,000 | |
| | Auto Physical Damage | | | 16,204 |
| | Scheduled Autos | 07/01/2004-06/30/2005 | Per Filed Value | |
| | Hired Autos | 07/01/2004-06/30/2005 | Per Filed Value | |
| | Non-Owned Autos | 07/01/2004-06/30/2005 | Per Filed Value | |
| | Property | 07/01/2004-06/30/2005 | | 79,033 |
| | Buildings | | Per Filed Value | |
| Mobile Equipment | | Per Filed Value | | |
| | Boiler and Machinery | 07/01/2004-06/30/2005 | Replacement Cost of Contents of Wastewater Treatment Plant | 5,475 |
| The Hartford | Flood | 10/22/2004-10/22/2005 | 51,600 | 667 |
| Self-Insured | Workers' Compensation | 07/01/2004-06/30/2005 | 500,000 / \$350,000 / \$100,000 | 353,523 |
| Safety National Casualty Corp. | Excess Workers' Compensation | 07/01/2004-06/30/2005 | Statutory | 20,464 |

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

| <u>Function/Program</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---------------------------------|----------------------|----------------------|----------------------|
| Administration | 3.00 | 3.00 | 4.25 |
| Human Resources | 2.00 | 2.00 | 2.00 |
| Legal | 3.50 | 3.50 | 2.5 |
| Information Technology | 6.45 | 4.95 | 4.95 |
| Finance | 16.50 | 15.80 | 13.80 |
| Municipal Court | 3.75 | 3.00 | 3.25 |
| City Recorder/Treasurer | 2.00 | 2.00 | 2.00 |
| Police | 39.80 | 37.30 | 44.30 |
| Fire | 34.00 | 32.00 | 31.00 |
| Streets | 9.70 | 9.45 | 9.95 |
| Water | 14.80 | 13.70 | 13.30 |
| Wastewater | 11.80 | 12.55 | 12.05 |
| Public Works Administration | 8.00 | 6.75 | 5.95 |
| Engineering | 6.00 | 5.75 | 6.05 |
| Facilities Maintenance/Cemetery | 4.00 | 4.00 | 4.00 |
| Fleet Maintenance | 3.50 | 3.60 | 4.00 |
| Planning | 8.65 | 8.45 | 7.45 |
| Building | 6.55 | 6.55 | 6.55 |
| Electric | 17.15 | 14.40 | 13.90 |
| Telecommunication | 9.65 | 8.65 | 9.65 |
| Conservation | 2.80 | 3.00 | 3.25 |
| Senior Program | 1.75 | 1.75 | 1.75 |
| Subtotal | <u>215.35</u> | <u>202.15</u> | <u>205.90</u> |
| Parks | <u>45.90</u> | <u>37.40</u> | <u>42.10</u> |
| Total | <u><u>261.25</u></u> | <u><u>239.55</u></u> | <u><u>248.00</u></u> |

CITY OF ASHLAND, OREGON
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

| Function/Program | 2005 | 2004 | 2003 | 2002 |
|--|-------------|-------------|--------------------|-------------|
| Police | | | | |
| Physical Arrests, Juvenile and Adult (non traffic) | 2,004 | 2,293 | 2,412 ² | 300 |
| Traffic Violations | 4,608 | 4,405 | 5,858 | 4,358 |
| Fire | | | | |
| Fire Alarm Responses | 415 | 388 | 319 | 272 |
| Emergency Medical Responses | 2,952 | 2,428 | 2,294 | 2,404 |
| Non-emergency Public Service Responses | 100 | 90 | 127 | 78 |
| Code Enforcement Plans Review | 644 | 721 | 643 | 475 |
| Water | | | | |
| Service Connections | 7,764 | 7,609 | 7,419 | 7,214 |
| Daily Average Consumption in Millions of Gallons | 3 | 4 | 3 | 3 |
| Maximum Daily Capacity of Plant in Million Gallons | 8 | 8 | 8 ¹ | 10 |
| Sewer | | | | |
| Service Connections | 7,583 | 7,455 | 7,290 | 7,091 |
| Daily Average Treatment in Million Gallons | 2 | 2 | 2 | 2 |
| Maximum Daily Capacity in Million Gallons | 4 | 4 | 4 | 6 |
| Electric | | | | |
| Service Connections | 11,062 | 10,561 | 10,374 | 10,490 |
| Telecommunications | | | | |
| Cable TV | 3,170 | 3,100 | 2,961 | 2,499 |
| Cable Modem | 3,686 | 3,435 | 3,040 | 2,323 |
| Potential Station Capacity | 161 | 161 | 161 | 161 |

Notes: ¹ Identifies correction to capacity

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

CITY OF ASHLAND, OREGON
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years (continued)

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 287 | 287 | 363 | 338 | 1,651 | 1,611 |
| 3,283 | 3,283 | 4,150 | 3,287 | 4,018 | 3,876 |
| 313 | 313 | 225 | 225 | 202 | 202 |
| 1,964 | 1,964 | 1,600 | 1,600 | 713 | 713 |
| 78 | 78 | 84 | 84 | 86 | 86 |
| NA | NA | NA | NA | NA | NA |
| 7,200 | 6,662 | 6,662 | 6,566 | 6,433 | 6,134 |
| 4 | 3 | 3 | 3 | 3 | 3 |
| 10 | 10 | 10 | 10 | 12 | 10 |
| 7,046 | 6,546 | 6,546 | 6,089 | 6,089 | 6,000 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 10 | 6 | 6 | 6 | 9 | 9 |
| 10,441 | 10,105 | 9,884 | 9,308 | 9,308 | 9,256 |
| NA | NA | NA | NA | NA | NA |
| NA | NA | NA | NA | NA | NA |
| 161 | 161 | 161 | NA | NA | NA |

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years**

| Function/Program | 2005 | 2004 | 2003 | 2002 |
|---------------------------|-------------|-------------|-------------|-------------|
| Police | | | | |
| Stations | 1 | 1 | 1 | 1 |
| Patrol Units | 8 | 8 | 6 | 6 |
| Sworn Officers | 27 | 30 | 29 | 29 |
| Fire | | | | |
| Stations | 2 | 2 | 2 | 2 |
| Fire Fighters | 31 | 31 | 27 | 28 |
| Public Education Programs | 150 | 150 | 200 | 295 |
| Streets | | | | |
| Miles of Paved Streets | 100 | 97 | 97 | 78 |
| Miles of Gravel Streets | 14 | 17 | 19 | 20 |
| Miles of Storm Sewers | 84 | 76 | 55 | 60 |
| Water | | | | |
| Miles of Water Mains | 124 | 121 | 115 | 94 |
| Hydrants | 1,131 | 1,069 | 1,000 | 987 |
| Sewer | | | | |
| Miles of Sanitary Sewers | 108 | 106 | 106 | 86 |
| Treatment Plant | 1 | 1 | 1 | 1 |

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
|-----------------|-------------|-------------|-------------|-------------|-------------|
| 1 | 1 | 1 | 1 | 1 | 1 |
| 6 | 6 | 6 | 6 | 6 | 6 |
| 26 | 26 | 26 | 26 | 28 | 25 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 24 | 24 | 24 | 24 | 23 | 21 |
| 295 | 295 | 295 | 295 | 290 | 290 |
| 81 ₁ | 78 | 78 | 78 | 76 | 75 |
| 7 ₁ | 5 | 5 | 5 | 7 | 9 |
| 55 ₁ | 14 | 14 | 14 | 14 | 14 |
| 90 ₁ | 55 | 55 | 55 | 53 | 53 |
| 972 | 875 | 875 | 875 | 855 | 835 |
| 88 | 86 | 86 | 86 | 85 | 95 |
| 1 | 1 | 1 | 1 | 1 | 1 |

Notes: ₁ Identifies implementation of GIS system

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

| Function/Program | 2005 | 2004 | 2003 | 2002 |
|-------------------------------|-------------|-------------|-------------|-------------|
| Electric | | | | |
| Street Lights | 1,707 | 1,338 | 1,283 | 1,276 |
| Electrical Transformers | 1,943 | 1,851 | 1,815 | 2,030 |
| Poles | 3,501 | 2,511 | 2,501 | 2,501 |
| Substations | 3 | 3 | 3 | 3 |
| Telecommunications | | | | |
| Miles of Fiber | 25 | 25 | 35 | 30 |
| Miles of Coax | 117 | 117 | 117 | 120 |
| Parks and Recreation | | | | |
| Community Centers | 3 | 3 | 3 | 3 |
| Parks | 19 | 19 | 19 | 19 |
| Park Acreage | 637 | 637 | 637 | 637 |
| 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) | 29 | 29 | NA | NA |
| Health Care | | | | |
| Hospital | 1 | 1 | 1 | 1 |
| Hospital Beds | 49 | 49 | 49 | 49 |
| Education | | | | |
| Elementary Schools | 3 | 4 | 5 | 5 |
| Elementary School Instructors | 58 | 58 | 69 | 93 |
| Secondary Schools | 2 | 2 | 2 | 2 |
| Secondary School Instructors | 107 | 90 | 102 | 116 |
| State Universities | 1 | 1 | 1 | 1 |

**CITY OF ASHLAND, OREGON
CAPITAL ASSETS AND INFRASTRUCTURE
STATISTICS BY FUNCTION/PROGRAM
Last Ten Years (continued)**

| <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1,895 | 1,895 | 1,872 | 1,872 | 1,872 | 1,832 |
| 1,864 | 1,864 | 1,824 | 1,824 | 1,824 | 1,751 |
| 2,742 | 2,742 | 2,734 | 2,734 | 2,734 | 2,706 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 10 | 10 | 10 | NA | NA | NA |
| 120 | 120 | 90 | NA | NA | NA |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 19 | 17 | 17 | 17 | 17 | 16 |
| 637 | 535 | 535 | 535 | 535 | 577 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 1 | 1 | 1 | NA | NA | NA |
| 1 | NA | NA | NA | NA | NA |
| 12 | 12 | 12 | 12 | 12 | 12 |
| NA | NA | NA | NA | NA | NA |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 49 | 49 | 49 | 49 | 49 | 49 |
| 5 | 5 | 5 | 5 | 5 | 5 |
| 93 | 93 | 93 | 93 | 93 | 96 |
| 2 | 2 | 2 | 2 | 2 | 2 |
| 116 | 116 | 116 | 116 | 116 | 98 |
| 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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September 30, 2005

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES

Oregon Administrative Rules 162-10-000 through 162-16-000 the Minimum Standards for Audits of Oregon Municipal Corporations enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows:

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2005 and have issued our report thereon dated September 30, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

The management of the City of Ashland, Jackson County, Oregon, is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In planning and performing our audit of the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2005, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We have issued a report on reportable conditions dated September 30, 2005.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 2005 basic financial statements, and this report does not affect our report on the basic financial statements dated September 30, 2005.

This report is intended solely for the information and use of the council, audit committee, management, 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.

ACCOUNTING RECORDS

The City's accounting records were adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds appeared to be within authorized appropriations, except for as described in Note II B.

2004-2005 and 2005-2006 BUDGETS

The budgets adopted by the City for the current and ensuing fiscal year were examined during the audit. Based on our testing, it was determined that budget preparation and adoption procedures followed by the City were in compliance with the Oregon Local Budget Law.

STATE HIGHWAY FUNDS

The City's compliance with requirements of Article IX, Section 3a of the Oregon Constitution and ORS 294 and 373 was reviewed, and based upon our testing, were found to comply with the restrictions on the use of revenue from taxes on motor vehicle use and fuel.

COLLATERAL SECURING BANK DEPOSITS

The City's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2004-2005, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES

INVESTMENTS

The City's investments for the year ending June 30, 2005, were reviewed and, based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2004-2005.

INSURANCE AND FIDELITY BONDS

We are not aware of any failure to comply with legal requirements relating to insurance and fidelity bonds, however, we are not competent by training and experience to comment on the adequacy of insurance coverage. We recommend the City consult appropriate advisers related to these issues.

STATUTORY BONDED DEBT LIMITATION

The City's bonded debt outstanding appeared to be within the limitation established by Oregon Law.

OUTSTANDING WARRANTS

The City did not have any endorsed warrants outstanding at June 30, 2005.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state grant programs. Our reports concerning grant compliance and a schedule of expenditures of federal awards are contained in this report in the grant compliance review section.

Pauly, Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2005

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass through Grantor's Number | Program or Award Amount | Disburse- ments/ Expenditures |
|--|---------------------------|-------------------------------------|-------------------------------|-------------------------------------|
| U.S. Department of Health and Human Services Passed through Rogue Valley Council of Governments Title III B Grants 07-1-2004 to 06-30-2005 | 13.633 | | \$ 9,495 | \$ 8,704 |
| U.S. Department of Housing and Urban Development Community Development Block Grant Program 01-01-2004 to 12-31-2004 | 14.218 | B94MC410008 | 335,000 | 335,000 |
| 01-01-2005 to 12-31-2005 | 14.218 | B94MC410008 | 350,000 | 274,000 |
| U.S. Department of Energy Passed through Bonneville Power Administration 10-01-2003 to 09-30-2004 | 81.041 | | 100,000 | 7,165 |
| 10-01-2004 to 09-30-2005 | 81.041 | | 100,000 | 42,657 |
| U.S. Forest Service National Fire Plan Program 09-01-2004 to 09-01-2009 | 10.672 | 2004-DG- 11062764- 003 | 250,000 | 24,397 |
| Federal Emergency Management Agency Passed through State of Oregon Office of Emergency Management 10-01-2003 to 09-30-2004 | 83.565 | | 11,373 | 10,348 |
| 10-01-2004 to 09-30-2005 | 83.565 | | 12,370 | 12,370 |
| U.S. Department of Agriculture Passed through State of Oregon Dept of Forestry 10-01-2003 to 09-30-2004 | 15.228 | SFA-16 | 150,000 | 129,721 |
| 10-01-2004 to 09-30-2005 | 15.228 | ONFP04-004 | 250,000 | 18,303 |
| 01-01-2004 to 12-31-2005 | 15.228 | 449920-01 | 33,000 | 29,570 |
| U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Citizens Corps 10-01-2003 to 09-30-2004 | 97.053 | 04-101 | 16,900 | - |
| 10-01-2004 to 09-30-2005 | 97.053 | 05-102 | 17,600 | - |
| U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Passed through Jackson County Title III 10-01-2003 to 09-30-2004 | 97.017 | SD00051 | 40,000 | 41,073 |
| 10-01-2004 to 09-30-2005 | 97.017 | SD00052 | 40,000 | 30,000 |
| 10-01-2004 to 09-30-2005 | 97.017 | 1826 | 10,000 | - |
| U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Assistance to Firefighters 03-26-2004 to 03-26-2005 | 97.017 | EMW-2003- FP-03307 | 40,815 | 40,815 |
| U. S. Department of Justice Office of Justice Programs 07-01-2004 to 06-30-2005 | 42.304 | | 3,196 | 3,196 |
| Federal Aviation Administration Passed through Oregon Dept of Aviation 07-01-2004 to 06-30-2005 | 20.106 | 3-41-4100-10 | 943,845 | 943,845 |
| Total Federal Assistance | | | \$ 2,713,594 | \$ 1,951,164 |



CITY OF ASHLAND, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2005

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland, Oregon and is presented on the 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.

Note B - Loans Outstanding

The City of Ashland, Oregon had the following loan balances outstanding at June 30, 2004. Current year draw downs and related expenditures are included in the federal expenditures presented in this schedule.

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Outstanding</u> |
|---|------------------------------------|-------------------------------|
| EPA/DEQ State Revolving Fund Loan Program | 66.458 | <u>\$ 21,659,513</u> |

Note C - Subrecipients

Of the federal expenditures presented in the schedule, the City of Ashland, Oregon provided federal awards to subrecipients as follows:

| <u>Program Title</u> | <u>Federal CFDA Number</u> | <u>Amount Provided to Subrecipients</u> |
|-----------------------------------|------------------------------------|---|
| Community Development Block Grant | 14.218 | <u>\$ 533,395</u> |





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September 30, 2005

To the City Council
City of Ashland
Jackson County, Oregon

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING*
STANDARDS

We have audited the basic financial statements of City of Ashland, Jackson County, Oregon, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. 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.

As part of obtaining reasonable assurance about whether 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, 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 that are required to be reported under Government Auditing Standards.

In planning and performing our audit, we considered City of Ashland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Pauly, Rogers and Co., P.C.
PAULY, ROGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

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September 30, 2005

To the City Council
City of Ashland
Jackson County, Oregon

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE WITH OMB
CIRCULAR A-133**

We have audited the compliance of City of Ashland's, Jackson County, Oregon, 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, 2005. City of Ashland's major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Ashland's management. Our responsibility is to express an opinion on City of Ashland's 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 City of Ashland's 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 on City of Ashland's compliance with those requirements.

In our opinion, City of Ashland, Jackson County, Oregon, 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, 2005.

The management of City of Ashland, Jackson County, Oregon, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Ashland's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

City of Ashland
September 30, 2005
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.


PAULY, ROGERS AND CO., P.C.

CITY OF ASHLAND
SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2005

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

UNQUALIFIED OPINION

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

UNQUALIFIED OPINION

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2005:

Airport Improvement (FAA) Grant – CFDA # 20.106

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

The City qualified as a low-risk auditee under section .530. of OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland 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.