

**CITY OF
ASHLAND**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For year ended June 30, 2004

Prepared by the Finance Department
Lee Tuneberg, Finance Director

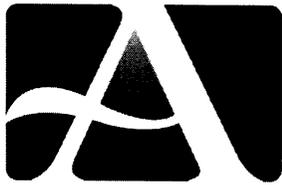


TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i-ix
Elected City Officials	x
Appointed City Officials	xi
Ashland Parks and Recreation Commission Elected Officials	xii
Organization Chart	xiii
Certificate of Achievement for Excellence in Financial Reporting	xiv
Report of Audit Committee	xv
Map of City of Ashland	xvi

FINANCIAL SECTION

Independent Auditor's Report	1-2
Management's Discussion and Analysis.....	3-13
Basic Financial Statements:	
Government - Wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18-19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Statement of Activities	23
Statement of Net Assets - Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Net Assets - Fiduciary Fund	27
 Notes to Basic Financial Statements	 31-58
Required Supplementary Information:	
General Fund: Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	61
Street Fund: Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	62
Supplementary Information:	
Combining Balance Sheet - All Non-Major Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Non-Major Funds	66

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:

- CDBG Fund 67
- Airport Fund 68
- Debt Service Fund 69
- Capital Improvements Fund 70
- Cemetery Trust Fund 71

Schedule of Revenues, Expenditures, and Changes in Net Assets - Budget and Actual:

- Water Fund 72
- Wastewater Fund 73
- Electric Fund 74
- Telecommunications Fund 75

Consolidating Balance Sheet - Internal Service Funds 76

Consolidating Statement of Revenues, Expenses, and Changes in Net Asset - Internal Service Fund 77

Combining Internal Service Fund Statement of Cash Flows - Proprietary Funds 78

Schedule of Revenues, Expenditures and Changes in Net Assets - Budget and Actual:

- Central Services Fund 79
- Insurance Services Fund 80
- Equipment Fund 81

Capital Assets Used in the Operation of Governmental Funds - By Source 82

Schedule of Assets Used in the Operation of Governmental Funds - By Function and Activity 83

Schedule of Bond Principal and Interest Transactions 84-85

Schedule of Property Tax Transactions and Outstanding Balances 86-87

STATISTICAL SECTION (Unaudited) - Total Reporting Entity

Table #

- 1 General Governmental Expenditures By Function - Last Ten Fiscal Years 91
- 2 General Governmental Revenues By Source - Last Ten Fiscal Years 92
- 3 General Governmental Tax Revenues By Source - Last Ten Fiscal Years 93
- 4 Prepared Food and Beverage Tax Revenues By Fund - Last Ten Fiscal Years 94
- 5 Property Tax Levies and Collections - Last Ten Fiscal Years 95
- 6 Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years 96

Table #

7	Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	97
8	Principal Property Taxpayers - June 30, 2004	98
9	Special Assessment Collections - Last Ten Fiscal Years	99
10	Computation of Legal Debt Margin - June 30, 2004	100
11	Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita - Last Ten Fiscal Years	101
12	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures - Last Ten Fiscal Years	102
13	Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds - June 30, 2004	103
14	Revenue Bond Coverage - Water Fund - Last Ten Fiscal Years	104
15	Demographic Statistics - Last Ten Fiscal Years	105
16	Property Value, Construction and Bank Deposits - Last Ten Fiscal Years	106
17	Schedule of Major Insurance in Force - June 30, 2004	107
18	Miscellaneous Statistics - June 30, 2004	108-109

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Minimum Standards for Audits of Oregon Municipal Corporations	113
Report of Independent Auditors	114-116

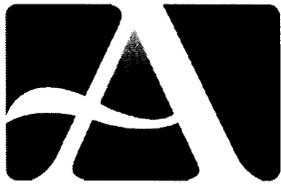
GOVERNMENT AUDITING STANDARDS COMPLIANCE REPORTS

Schedule of Expenditures of Federal Awards	119
Notes to Schedule of Expenditures of Federal Awards	121

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	123
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Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	124
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Schedule of Prior and Current Year Audit Findings, Questioned Costs and and Notes Relative to Federal Awards	126
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INTRODUCTORY SECTION





CITY OF ASHLAND

November 16, 2004

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, 2004, 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 second 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). These statements are significantly different from the financial statements prepared by the City for previous fiscal years. GASBS 34 establishes 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.
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, 2004 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 20,430. 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, Finance Director, and Electric 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 2003-2004 business license data, Ashland has an employed private sector work force of approximately 7,317 within the City limits. When governments and non-profits beyond the scope of licensing (approximately 22% of the employment base) are included, the total work force is an estimated 9,000. The City of Ashland's Transient Occupancy Tax and Food and Beverage Tax revenue (for all business activities as presented in Tables 3 and 4 in the Statistical section) reflect increases of 4.3% and 5.3% respectively over the previous year.

In 2003-2004 the City issued forty-six million dollars in building permits, which is an increase of twelve million over the previous year and is nine million more than the average amount of permits issued during the previous five years. Active

residential electric customers rose from 8,895 in 2003 to 9,049 in June 30, 2004. This single-year increase of 1.7% is higher than Ashland's steady growth in population of 1.5%. Non-residential accounts grew at 1.5 %.

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 eleven plays over a season from February 20 through October 31 to an estimated attendance of 400,000. OSFA employs 5% 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 2003-2004 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 2003-2004 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.

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. **A committee has been formed and review is in process.**

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.

- Continue update of economic development Comprehensive Plan element. **Ongoing.**
- 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.

- Update and improve Council Chambers in respect to seating, sound and web access. **Incorporated within the space needs study below.**
- Evaluate space needs (for Municipal Court, Police, City Council, and others at the Civic Center) in Civic Center. **Ongoing.**
- Continue with efforts to improve the viability of AFN. **Consultant hired and pro forma updated with marketing strategies during 2004-2005.**

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.**
- Continue and expand RVTD free busing program. **Free busing program in place throughout Ashland.**

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, 2004, 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 2003-2004 budget was prepared on a fund basis with line item detail.

Fiduciary Funds. The City has one active fiduciary fund in 2003-2004. This is the Mt. Ashland Ski Area Agency Fund with assets totaling \$492,891.

Debt Administration. On June 30, 2004, the City had a number of debt issues outstanding. These issues included \$4,885,000 of general obligation bonds, \$5,280,000 in water revenue bonds, \$22,584,762 in loans from the State of Oregon DEQ, and \$4,832,000 in loans from US Bank National Association and \$2,520,000 loaned from Key Bank. The City was well received in the market for recent issuances and maintains an "A" rating from Moody's Investors' Service.

Under current state statutes, only \$3,570,000 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 2003-2004 local government tax rate in the City of

Ashland was \$5.38390, 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 \$3.5644 of this amount in 2003-2004. 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, 2003. 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 2003-2004 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 Accounting Supervisor Joan Baker and her staff including Patrick Caldwell and Scott Whitman, Project Coordinator Cindy Hanks, and Administrative Secretary Bryn Morrison who play key roles in the accounting system, audit preparation and report writing.

Sincerely,

Lee Tuneberg
Finance Director

**CITY OF ASHLAND
ELECTED CITY OFFICIALS
June 30, 2004**

<u>Name</u>	<u>Position</u>
Alan DeBoer 2260 Morada Ashland, OR 97520	Mayor
Alex Amarotico 101 Oak Street Ashland, OR 97520	Council Member
Cate Hartzell 881 East Main Street Ashland, OR 97520	Council Member
Chris Hearn 350 Wimer Street Ashland, Oregon 97520	Council Member
Kate Jackson 359 Kearney Street Ashland, OR 97520	Council Member
Don Laws 968 Hillview Drive Ashland, OR 97520	Council Member
John Morrison 249 Wimer Street #40 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, 2004**

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, 2004

Name

Position

Mike Gardiner
349 Orange Avenue
Ashland, OR 97520

Commissioner Chair

JoAnne Eggers
221 Granite Street
Ashland, OR 97520

Commissioner Vice Chair

Diane Amarotico
101 Oak Street
Ashland, OR 97520

Commissioner

Jim Lewis
640 A Street
Ashland, OR 97520

Commissioner

Rich Rosenthal
1228 Rose Lane
Ashland, OR 97520

Commissioner

APPOINTED OFFICIAL

Don Robertson
458 Williamson Way
Ashland, OR 97520

Parks Director

City of Ashland

239.55 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, 2003

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. Emer

Executive Director

November 16, 2004

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.

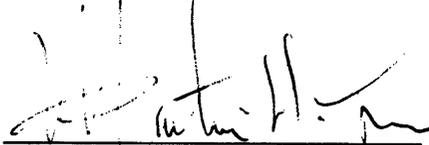
The Committee also discusses with the City's auditors the City's financial accounting and reporting processes, including the preparation of the financial statements. In addition, the Committee discusses including the safeguarding of the City's assets and other resources against unauthorized acquisition, 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 2003-2004 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, Chairman


Guy Nutter, Member

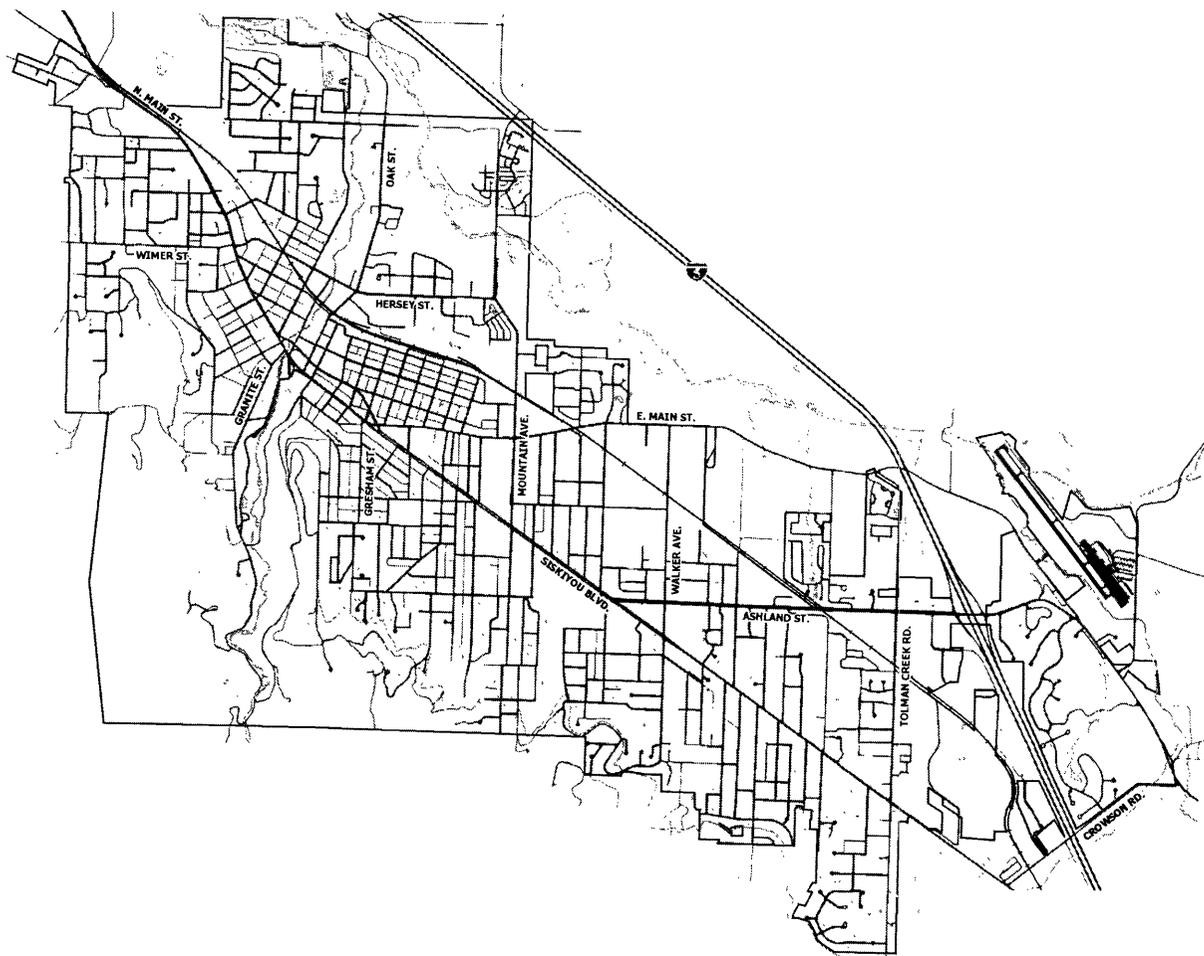
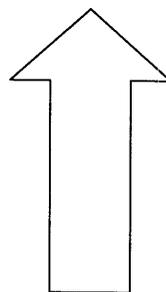

Barbara Christensen, City Recorder/
Treasurer Ex-Officio Member


Alan Case, CPA, Member

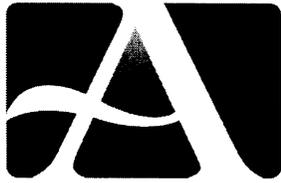


CITY OF ASHLAND

Vicinity Map 2004



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 15, 2004

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, 2004, 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, 2004 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 15, 2004, 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, 2004. 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

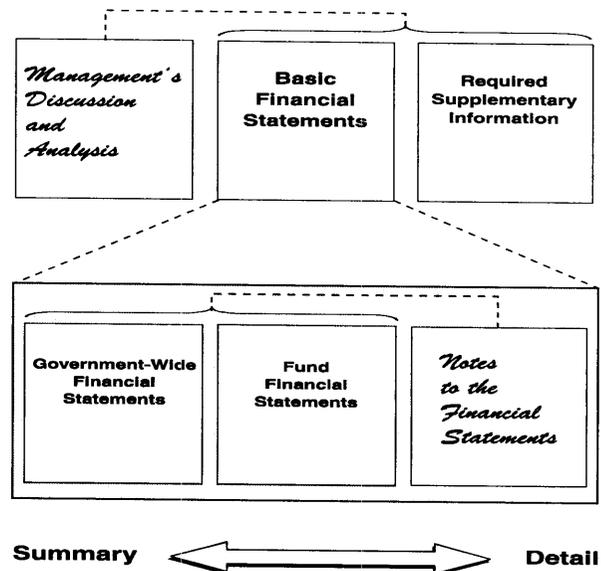
- The total net assets of the City of Ashland (total assets less total liabilities) at the fiscal year end of June 30, 2004 is \$104,854,345.
- The City's total net assets increased this year by \$1,096,343 or 1.1%.
- The City's governmental funds reported combined ending fund balances totaling \$3,836,993, a decrease of \$1,436,201 for the year. Proprietary funds combined ending fund balances decreased \$1,026,709 to \$59,599,992.
- The unreserved fund balance for the General Fund was \$1,755,143 or 15.6 percent of total General Fund expenditures.
- The City of Ashland borrowed \$375,000 for construction during the year.

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 \$104,854,345 at June 30, 2004. (See Table A).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2003
	2004	2003	2004	2003	2004	2003	
Current Assets:							
Cash and cash equivalents	\$ 6,725	\$ 9,222	\$ 9,287	\$ 7,961	\$ 16,012	\$ 17,183	-6.8%
Due from other governments				1,894	-	1,894	n/a
Other receivables	3,652	2,669	662		4,314	2,669	61.6%
Deferred charges			1,922	2,082	1,922	2,082	-7.7%
Inventories - supplies and materials	17	2	821	829	838	831	0.8%
Total current assets:	10,394	11,893	12,692	12,766	23,086	24,659	-6.4%
Noncurrent assets:							
Capital assets	73,049	54,834	111,648	111,448	184,697	166,282	11.1%
Less accumulated depreciation	(28,220)	(13,180)	(25,237)	(22,242)	(53,457)	(35,422)	50.9%
Total noncurrent assets	44,829	41,654	86,411	89,206	131,240	130,860	0.3%
Total Assets	55,223	53,547	99,103	101,972	154,326	155,519	-0.8%
Current liabilities:							
Accounts payable and accrued liabilities	2,734	2,799	2,269	1,784	5,003	4,583	9.2%
Deferred revenue	94	335	4	323	98	658	-85.1%
Total current liabilities	2,828	3,134	2,273	2,107	5,101	5,241	-2.7%
Long-term liabilities:							
Claims payable	7,141	7,282	37,230	39,238	44,371	46,520	-4.6%
Total Liabilities	9,969	10,416	39,503	41,345	49,472	51,761	-4.4%
Net Assets:							
Invested in capital assets	37,949	34,601	44,754	49,968	82,703	84,569	-2.2%
Restricted	2,315	2,227	5,302	5,355	7,617	7,582	0.5%
Unrestricted	4,990	6,303	9,544	5,304	14,534	11,607	25.2%
Total Net Assets	\$ 45,254	\$ 43,131	\$ 59,600	\$ 60,627	\$ 104,854	\$ 103,758	1.1%

At June 30, 2004, approximately 68.5% (\$5.2 million) of the City's restricted net assets represent proceeds from systems development charges as compared to \$5.0 million or 66.4% the prior year. These proceeds, when spent, are restricted for capital assets or related debt. The \$14.5 million of unrestricted net asset at June 30, 2004, is 25.2% 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 \$3.3 million (8.3%) to \$42.6 million during the year: \$3.1 million was in Business-type Activities. Of the total, 63.7% or \$27.1 million is from Charges for services and \$4.8 million is from grants, interest earnings and other non-tax sources. Only 25.0% or \$9.8 million comes from the various sources of taxes. (See Table B.)

The total cost of all programs and services was \$40.6 million which is 9.5% less than 2003's \$44.8 million; \$24.1 million (52.5%) are for utilities and the remainder is for General Government, Public Safety, Streets and Highways and Interest.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2003
	2004	2003	2004	2003	2004	2003	
Program revenues:							
Charges for services	\$ 5,719	\$ 5,624	\$ 21,420	\$ 18,421	\$ 27,139	\$ 24,045	12.9%
Operating grants & contributions	1,829	976	7	138	1,836	1,114	64.8%
Capital grants & contributions	1,159	3,006	130	110	1,289	3,116	-58.6%
General revenues:							
Property taxes	2,626	2,207	179	177	2,805	2,384	17.7%
Other taxes	6,492	6,165	1,347	1,280	7,839	7,445	5.3%
Interest	63	116	167	300	230	416	-44.7%
Other	591	280	847	500	1,438	780	84.4%
Total revenues	<u>18,479</u>	<u>18,374</u>	<u>24,097</u>	<u>20,926</u>	<u>42,576</u>	<u>39,300</u>	8.3%
Program expenses:							
General government	2,983	6,543			2,983	6,543	-54.4%
Public safety	8,454	7,915			8,454	7,915	6.8%
Highways and streets	4,637	3,986			4,637	3,986	16.3%
Interest on long-term debt	370	339			370	339	9.1%
Water			4,178	5,331	4,178	5,331	-21.6%
Wastewater			4,615	5,666	4,615	5,666	-18.5%
Electric			11,638	11,395	11,638	11,395	2.1%
Telecommunications			3,707	3,662	3,707	3,662	1.2%
Total expenses	<u>16,444</u>	<u>18,783</u>	<u>24,138</u>	<u>26,054</u>	<u>40,582</u>	<u>44,837</u>	-9.5%
Increase (Decrease) in net assets before transfers and disposals	2,035	(409)	(41)	(5,128)	1,994	(5,537)	-136.0%
Loss on sale of fixed assets	(869)		(986)		(1,855)		n/a
Transfers		(200)		200	-		n/a
Increase (Decrease) in net assets	<u>1,166</u>	<u>(609)</u>	<u>(1,027)</u>	<u>(4,928)</u>	<u>139</u>	<u>(5,537)</u>	-102.5%
Net Assets - 6/30/2003	43,131	43,740	60,627	65,555	103,758	109,295	-5.1%
Recognition of prior infrastructure	957				957		
Net Assets - 6/30/2004	<u>\$ 45,254</u>	<u>\$ 43,131</u>	<u>\$ 59,600</u>	<u>\$ 60,627</u>	<u>\$ 104,854</u>	<u>\$ 103,758</u>	1.1%

The overall increase in Net Assets during the year is \$1.1 million or 1.1%, indicating stability in the City's financial position. In the prior year the City experienced a \$5.5 million reduction in net assets primarily from:

1. Constructing capital projects (the Library, Community Development/Engineering Services building and Fire Station #1 remodel) and
2. Funding operational programs (General Government including grants and Public Safety which includes Police and Fire) at elevated levels without consistent increases in resources through taxes or fees.

In FY 2003-04 the net asset increase was due to some revenues increasing or others not decreasing as projected as compared to expenses that were limited or less because of fewer projects and containment in spending related to anticipated lower than projected revenue streams and their relationship to total revenues.

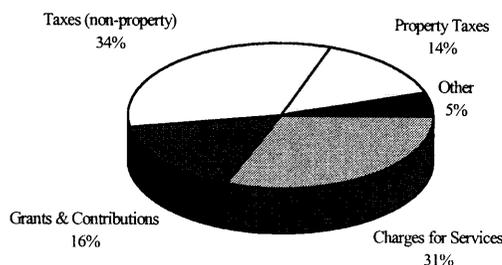
Governmental Activities

- The cost of all *governmental* activities in FY 2003-04 was \$16.4 million or 17.8% less than the prior year's \$18.8 million.
- The amount that citizens paid for these activities through property taxes was \$2,626,369 or \$419,864 more than the prior year primarily due to new construction and allowable growth in property valuation.
- Those who directly benefited from the programs paid \$656,348 (13.0%) more than the prior year's \$5,062,881 which equates to 34.8% of cost for FY 2003-04.
- Grants and contributions revenues dropped 26.1% between years from \$4.2 million to \$3.1 million but were still 15.4% of costs in FY 2003-04.

Property tax rates remained consistent between years but increased property values resulted in an increase of tax revenues of \$419,864 (5.9%). Figure 3 shows the mix of the different sources of revenue.

Net Assets for Governmental Activities as identified in Table B increased \$2,123,049 (4.9%) to \$45,254,353. This was accomplished through increased revenues and controlled costs plus the recognition of \$956,778 in fixed assets in the way of infrastructure as part of the City's implementation of GASBS 34.

Figure 3 City of Ashland
Sources of Revenue for Fiscal Year 2004



Reducing reserves had been a goal of prior 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 2004-05 and beyond is to balance annual and short-term revenues and expenses, maintaining approved reserve levels to assure long-term financial stability.

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 General Government, Public Safety and Highways and Streets had “positive” net costs that required funding through General Revenues like taxes and fund balance in FY 2003-04. In the prior year Highways and Streets had a “negative” net cost indicating that for FY 2003 revenues exceeded costs by \$1.25 million. This change between years was caused by less in capital project expenses for FY 2004.

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

	Total Cost of Services			% Change	Net Cost of Services		
	<u>2004</u>	<u>2003</u>			<u>2004</u>	<u>2003</u>	% Change
General Government	\$ 2,983	\$ 6,543	-54.4%	\$ 10	\$ 3,807	-99.7%	
Public Safety	8,454	7,915	6.8%	6,579	6,281	4.7%	
Highways and Streets	4,637	3,986	16.3%	777	(1,250)	-162.2%	

Business-type Activities

Program revenues of the City’s Business-type Activities totaled \$21,557,271 or 89.3% of related expenses for FY 2003-04 as compared to \$18,668,637 or 71.7% 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 \$136,886 in the current year as compared to \$247,630 in FY 2002-03. Total General revenues relating to business-type activities were \$1,554,020 or 6.4% of total expenses resulting in a decrease in net assets of \$1,026,706 for FY 2003-04.

Of the four activities presented in Table D, both the Water and Electric utilities program revenues exceeded expenses resulting in “negative” net costs (not bracketed) in FY 2003-04. In the prior year all business activities relied on general revenues like taxes and interest earnings to cover their net costs. The Wastewater and Telecommunications (Ashland Fiber Network) activities had high proportionate Net Cost after charges with \$1.8 million (39.3% of Total Cost) and \$1.3 million (35.2% of Total Cost) remaining. These shortfalls from program revenues compared to total program expenses were

funded by tax revenues for debt service in the Wastewater Fund and reserves from other activities on a loan basis for Telecommunications.

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>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>	
Water	\$ 4,148	\$ 5,331	-22.2%	\$ 206	\$ (1,617)	-112.7%
Wastewater	4,615	5,666	-18.5%	(1,815)	(3,039)	-40.3%
Electric	11,638	11,395	2.1%	332	(1,037)	-132.0%
Telecommunications	3,707	3,662	1.2%	(1,303)	(1,693)	-23.0%

FINANCIAL ANALYSIS OF THE CITY OF ASHLAND'S FUNDS

Revenues from governmental fund types totaled \$17.8 million, the same as the preceding year. Primary changes were Taxes and Miscellaneous revenues increasing by \$500,000 and \$370,000 respectively offsetting reductions such as Intergovernmental revenues decreasing \$800,000. Total costs for the same activities decreased approximately 12% or \$2.6 million to \$19.7 million during FY 2003-04 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 seven times by transfer of appropriation or supplemental budget. With these adjustments, actual expenditures were 10% or \$1,222,802 below final budget amounts as compared to FY 2002-03's 7% or \$805,233 unspent. The Police Department spent 91.6% of their adopted budget leaving \$381,580 for carry forward. Another significant positive variance is Community Development's Planning and Building divisions' 11.6% and 7.8% under expending budget resulting in a total of \$171,210 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, resources exceeded budget estimates only in Charges for services and Fines and forfeitures, both by less than 5.0%. All other revenues were below budget with total General Fund revenues ending 5.5% or \$654,641 less than budget but \$531,599 or 5.0% greater than FY 2002-03.

The net effect of revenue shortfalls being less than under-expenditures for the year is a Fund balance increase of \$39,923 as opposed to a budgeted decrease of \$482,131

after Transfers. This amount is \$137,131 more than the unspent Contingency. The prior year the City's Fund balance reduced \$149,992 as compared to a budgeted \$586,186 reduction, including \$328,000 of unspent Contingency. Significant changes in revenue areas are:

- Property tax collections were less than expected because of a smaller percentage growth in values than projected.
- Intergovernmental revenues like state subventions were less than the prior amounts with the State reserving some funds for state-wide use.
- Interest earnings continued to be at a record low due to smaller amounts to invest and reduced interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the City had invested \$131,239,994 (\$82,703,240 net of related debt) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table E). The Total at historical cost amount represents a net increase (including additions and deductions) of \$18.4 million or 11.1 percent over last year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2003
	2004	2003	2004	2003	2004	2003	
Land	\$ 8,261	\$ 8,416	\$ 1,972	\$ 1,972	\$ 10,233	\$ 10,388	-1.5%
Buildings and improvements	9,065	9,541	23,158	23,546	32,223	33,087	-2.6%
Equipment	9,345	11,041	2,833	3,495	12,178	14,536	-16.2%
Other	46,378	25,836	83,685	82,435	130,063	108,271	20.1%
Totals at historical cost	<u>73,049</u>	<u>54,834</u>	<u>111,648</u>	<u>111,448</u>	<u>184,697</u>	<u>166,282</u>	11.1%
Total accumulated depreciation	<u>28,220</u>	<u>13,180</u>	<u>25,237</u>	<u>22,242</u>	<u>53,457</u>	<u>35,422</u>	50.9%
Net capital assets	<u>\$ 44,829</u>	<u>\$ 41,654</u>	<u>\$ 86,411</u>	<u>\$ 89,206</u>	<u>\$ 131,240</u>	<u>\$ 130,860</u>	0.3%

The City's fiscal year 2005 capital budget projects spending \$5,615,650 on capital projects, principally for the construction of new water system infrastructure, street improvements, the Central Ashland Bikeway and airport runway upgrades. We will use bond proceeds from the bonds issued the prior year for most of the water system improvements. The Equipment Fund will be used to purchase 13 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 \$375,000 in FY 2003-04 to construct hangers at the airport. Rental revenue will be used to pay the debt over the life of the loan.

At year-end the City had \$44.4 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.

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".

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2004-2003
	2004	2003	2004	2003	2004	2003	
Bonds payable	\$ 3,235	\$ 3,420	\$ 6,930	\$ 7,485	\$ 10,165	\$ 10,905	-6.79%
Other liabilities	3,906	3,862	30,300	31,743	34,206	35,605	-3.93%
Less deferred amount							
On refundings				(176)		(176)	-100.00%
Total bonds & notes	<u>\$ 7,141</u>	<u>\$ 7,282</u>	<u>\$ 37,230</u>	<u>\$ 39,052</u>	<u>\$ 44,371</u>	<u>\$ 46,334</u>	-4.24%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Assessed value used for the 2005 budget preparation is within \$220,000 of the actual of \$1,512 million reported by Jackson County for June 30, 2004.
- Projections for new construction for 2005 is up \$30.0 million or 2%.
- General fund budgeted spending for 2005 increases over 2004's actual of \$11.1 million by \$1.2 million to \$12.3 (excluding transfers and contingency). This is a 10.8% increase.

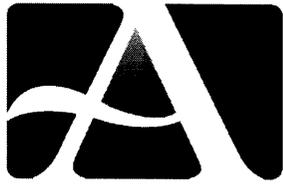
These indicators were taken into account when adopting the general fund budget for 2004. Amounts available for appropriation in the general fund budget are \$13.7 million, an increase of 5.4 percent over the final 2003 budget of \$13.0 million. Property taxes will increase due to the increasing values and growth even with no rate increase. The City will use these increases in revenues to finance programs we currently offer.

Expenditures are budgeted to rise nearly 10.5 percent to \$11.8 million. The largest increments are increased benefit and retirement costs for staffing, new positions in Fire related to plans review and Community Development – Planning for affordable housing and larger allocations of funds for social and economic grants. The City has added no major new programs or initiatives to the 2004 budget.

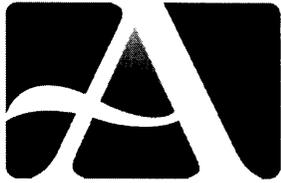
If these estimates are realized, the City's budgetary general fund fund balance is not expected to change appreciably by the close of 2004.

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 Finance Department at 20 East Main, Ashland, Oregon, 97520, (541) 488-5300.



BASIC FINANCIAL STATEMENTS



CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
Assets:				
Cash and cash equivalents	\$ 6,312,364	\$ 9,286,593	\$ 15,598,957	\$ 2,092,630
Receivables (net of allowance for uncollectibles)	2,430,662	1,883,966	4,314,628	550,705
Inventories	16,602	821,407	838,009	
Deferred charges		1,921,810	1,921,810	
Internal Balances	1,222,273	(1,222,273)		
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	413,078		413,078	
Capital Assets:				
Land	8,261,273	1,971,745	10,233,018	
Buildings and Improvements	29,933,056	23,157,904	53,090,960	11,676,925
Machinery and equipment	9,345,294	2,833,165	12,178,459	1,346,060
Infrastructure	15,720,372	79,121,637	94,842,009	536,322
Construction in progress	9,789,517	4,563,158	14,352,675	
Accumulated Depreciation	(28,220,545)	(25,236,582)	(53,457,127)	(3,970,253)
Total assets	\$ 55,223,946	\$ 99,102,530	\$ 154,326,476	\$ 12,232,389
Liabilities:				
Accounts payable and other current liabilities	\$ 2,734,135	\$ 1,960,591	\$ 4,694,726	\$ 355,584
Accrued interest payable		307,538	307,538	
Unearned revenue	94,404	4,000	98,404	
Noncurrent liabilities:				
Due within one year	783,485	2,388,750	3,172,235	15,192
Due in more than one year	6,357,569	34,841,659	41,199,228	2,813
Total liabilities	9,969,593	39,502,538	49,472,131	373,589
Net Assets				
Invested in capital assets, net of related debt	37,948,847	44,754,393	82,703,240	9,571,049
Restricted for:				
System development	1,197,249	4,020,207	5,217,456	
Debt service	433,278	1,281,341	1,714,619	
Perpetual care: Nonexpendable	684,476	-	684,476	
Unrestricted	4,990,503	9,544,051	14,534,554	2,287,751
Total net assets	\$ 45,254,353	\$ 59,599,992	\$ 104,854,345	\$ 11,858,800

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, 2004

<u>Functions\Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,982,532	\$ 2,157,184	\$ 811,075	\$ 3,859
Public Safety	8,454,075	1,693,838	101,877	79,460
Highways and Streets	4,637,272	1,868,207	916,554	1,075,598
Interest on long-term debt	370,491			
Total governmental activities	16,444,370	5,719,229	1,829,506	1,158,917
Business-type Activities:				
Water	4,177,640	4,253,514		129,721
Wastewater	4,615,409	2,800,510		
Electric	11,638,094	11,962,925	7,165	
Telecommunications	3,706,854	2,403,436		
Total business-type activities	24,137,997	21,420,385	7,165	129,721
Total primary government	<u>\$ 40,582,367</u>	<u>\$ 27,139,614</u>	<u>\$ 1,836,671</u>	<u>\$ 1,288,638</u>
Component Unit:				
Ashland Parks and Recreation	<u>\$ 5,913,887</u>	<u>\$ 812,020</u>	<u>\$ 17,382</u>	

General Revenues:
Property taxes
Utility users tax
Users Taxes
Franchise taxes
State subventions
Unrestricted interest earnings
Miscellaneous
Gain (loss) on Disposal of Assets
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Recognition of Prior Infrastructure
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
\$ (10,414)	\$	\$ (10,414)	\$ (5,084,485)
(6,578,900)		(6,578,900)	
(776,913)		(776,913)	
(370,491)		(370,491)	
<u>(7,736,718)</u>		<u>(7,736,718)</u>	
	205,595	205,595	
	(1,814,899)	(1,814,899)	
	331,996	331,996	
	<u>(1,303,418)</u>	<u>(1,303,418)</u>	
	<u>(2,580,726)</u>	<u>(2,580,726)</u>	
<u>(7,736,718)</u>	<u>(2,580,726)</u>	<u>(10,317,444)</u>	
			<u>(5,084,485)</u>
2,626,369	179,302	2,805,671	5,135,720
2,102,550		2,102,550	
1,808,047	1,346,863	3,154,910	
2,219,856		2,219,856	
361,379		361,379	
62,543	166,529	229,072	29,383
590,682	847,330	1,438,012	144,331
(868,437)	(986,004)	(1,854,441)	
<u>8,902,989</u>	<u>1,554,020</u>	<u>10,457,009</u>	<u>5,309,434</u>
1,166,271	(1,026,706)	139,565	224,949
43,131,304	60,626,698	103,758,002	11,343,434
956,778		956,778	290,417
<u>\$ 45,254,353</u>	<u>\$ 59,599,992</u>	<u>\$ 104,854,345</u>	<u>\$ 11,858,800</u>

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

**CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

	General	Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,054,385	\$ 1,339,218	\$ 1,370,228	\$ 4,763,831
Receivables (net of allowance for uncollectibles)	1,152,906	342,311	899,391	2,394,608
Cash - restricted			413,078	413,078
Total assets	\$ 3,207,291	\$ 1,681,529	\$ 2,682,697	\$ 7,571,517
 LIABILITIES, AND EQUITY				
Liabilities:				
Accounts payable	\$ 945,044	\$ 1,195,114	\$ 112,508	\$ 2,252,666
Deferred revenue	387,916	162,556	792,484	1,342,956
Due to Other Agencies	45,779			45,779
Liabilities payable from restricted assets	73,409	8,013	11,701	93,123
Total liabilities	1,452,148	1,365,683	916,693	3,734,524
 Fund Balances:				
Reserved for:				
Reserved for system development charges		1,197,249		1,197,249
Reserved for debt service			433,278	433,278
Reserved for perpetual care			684,476	684,476
Unreserved, reported in:				
General Fund	1,755,143			1,755,143
Special revenue Funds		(881,403)	218,377	(663,026)
Capital projects funds			429,873	429,873
Total fund balances	1,755,143	315,846	1,766,004	3,836,993
Total liabilities and fund balances	\$ 3,207,291	\$ 1,681,529	\$ 2,682,697	\$ 7,571,517

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, 2004

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

Fund Balances	\$	3,836,993
---------------	----	-----------

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		42,254,673
--------------------	--	------------

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		(6,880,120)
-----------------------	--	-------------

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		(78,852)
---------------------------------	--	----------

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

Deferred Revenue		1,248,552
------------------	--	-----------

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>4,873,107</u>
----------------------------------	--	------------------

Total Net Assets	\$	<u><u>45,254,353</u></u>
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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, 2004

	General	Street	Other Governmental Funds	Total Primary Government
Revenues:				
Taxes	\$ 7,729,273	\$ 234,496	\$ 750,244	\$ 8,714,013
Fees, licenses and permits	1,156,285			1,156,285
Intergovernmental	552,211	1,992,152	805,439	3,349,802
Special assessments		148,082	22,778	170,860
Charges for services	1,590,162	1,584,479	542,701	3,717,342
Fines and forfeitures	120,749			120,749
Interest on investments	18,655	20,959	12,353	51,967
Miscellaneous	87,417	399	476,172	563,988
Total revenues	<u>11,254,752</u>	<u>3,980,567</u>	<u>2,609,687</u>	<u>17,845,006</u>
Expenditures:				
General government	2,738,276		1,323,834	4,062,110
Public safety	8,482,946			8,482,946
Highways and streets		6,193,471		6,193,471
Debt service			917,680	917,680
Total expenditures	<u>11,221,222</u>	<u>6,193,471</u>	<u>2,241,514</u>	<u>19,656,207</u>
Excess (deficiency) of revenues over expenditures	<u>33,530</u>	<u>(2,212,904)</u>	<u>368,173</u>	<u>(1,811,201)</u>
Other financing sources (uses):				
Issuance of debt			375,000	375,000
Transfers in	6,893		311,500	318,393
Transfers out	(500)		(317,893)	(318,393)
Total other financing sources (uses)	<u>6,393</u>		<u>368,607</u>	<u>375,000</u>
Net Change in Fund Balance	39,923	(2,212,904)	736,780	(1,436,201)
Fund balances, July 1, 2003	<u>1,715,220</u>	<u>2,528,750</u>	<u>1,029,224</u>	<u>5,273,194</u>
Fund balances, June 30, 2004	<u>\$ 1,755,143</u>	<u>\$ 315,846</u>	<u>\$ 1,766,004</u>	<u>\$ 3,836,993</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, 2004

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	\$ (1,436,201)
--------------------------------------	----------------

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	5,264,921
Gain (loss) on Disposal of Assets	(1,190,121)
Depreciation Expense	(2,066,982)

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	(4,777)
General Obligation Bonds & Notes Payable	172,188

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

Property Taxes	42,807
Special Assessments	50,264
Other	115,427

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	218,745
Change in Net Assets	\$ 1,166,271

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

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

ASSETS	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
Current assets:						
Cash and investments	\$ 4,935,570	\$ 1,159,713	\$ 1,026,371	\$ 6,848	\$ 7,128,502	\$ 3,706,624
Interest and accounts receivable, net	187,701	556,302	867,774	217,942	1,829,719	55,068
Notes and contracts receivable			4,000		4,000	31,233
Interfund receivable	2,275,000	4,275,000	375,000		6,925,000	
Inventories	226,113	3,988	568,168		798,269	39,740
Deferred charges	423,479				423,479	
Total current assets	<u>8,047,863</u>	<u>5,995,003</u>	<u>2,841,313</u>	<u>224,790</u>	<u>17,108,969</u>	<u>3,832,665</u>
Fixed assets						
	30,400,403	49,757,671	19,899,649	9,108,697	109,166,420	9,199,979
Accumulated depreciation	(9,436,491)	(5,500,360)	(7,914,121)	(702,831)	(23,553,803)	(5,827,275)
Fixed assets, net	<u>20,963,912</u>	<u>44,257,311</u>	<u>11,985,528</u>	<u>8,405,866</u>	<u>85,612,617</u>	<u>3,372,704</u>
Other assets						
Deferred costs (net of amortization)				1,498,331	1,498,331	
Total assets	<u>\$ 29,011,775</u>	<u>\$ 50,252,314</u>	<u>\$ 14,826,841</u>	<u>\$ 10,128,987</u>	<u>\$ 104,219,917</u>	<u>\$ 7,205,369</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 219,975	\$ 109,103	\$ 554,384	\$ 118,850	\$ 1,002,312	\$ 312,916
Accrued salaries, vacation and payroll taxes	103,731	69,775	150,092	43,304	366,902	312,818
Accrued interest payable	28,517	152,151	98	126,772	307,538	
Interfund payable				6,925,000	6,925,000	
Other liabilities	5,780		218,071		223,851	630,087
Notes/bonds payable, current portion	470,000	906,103		644,000	2,020,103	
Deferred revenue			4,000		4,000	
Total current liabilities	<u>828,003</u>	<u>1,237,132</u>	<u>926,645</u>	<u>7,857,926</u>	<u>10,849,706</u>	<u>1,255,821</u>
Long-term liabilities:						
Notes payable		21,678,659			21,678,659	
Revenue bonds payable, net	4,960,000			6,708,000	11,668,000	
General obligation bonds payable, net	1,500,000				1,500,000	
Total long-term liabilities	<u>6,460,000</u>	<u>21,678,659</u>	<u></u>	<u>6,708,000</u>	<u>34,846,659</u>	<u></u>
Total liabilities	<u>7,288,003</u>	<u>22,915,791</u>	<u>926,645</u>	<u>14,565,926</u>	<u>45,696,365</u>	<u>1,255,821</u>
Net Assets:						
Net assets (deficit):						
Invested in capital assets, net of related debt	16,169,040	21,672,549	11,985,528	(5,871,134)	43,955,983	3,372,704
Restricted for system development	2,887,344	1,132,863			4,020,207	
Restricted for debt service	208,000	1,073,341			1,281,341	
Unrestricted	2,459,388	3,457,770	1,914,668	1,434,195	9,266,021	2,576,844
Total net assets	<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 liabilities and net assets	<u>\$ 29,011,775</u>	<u>\$ 50,252,314</u>	<u>\$ 14,826,841</u>	<u>\$ 10,128,987</u>	<u>\$ 104,219,917</u>	<u>\$ 7,205,369</u>
Total net assets					\$ 58,523,552	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,076,440	
Net assets of business-type activities					<u>\$ 59,599,992</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, 2004

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for services	\$ 4,094,708	\$ 2,637,682	\$ 11,739,245	\$ 2,296,165	\$ 20,767,800	\$ 6,811,107
Miscellaneous	278,346	4,978	69,001	54,530	406,855	756,537
Total operating revenues	<u>4,373,054</u>	<u>2,642,660</u>	<u>11,808,246</u>	<u>2,350,695</u>	<u>21,174,655</u>	<u>7,567,644</u>
Operating expenses:						
Cost of sales and services	2,530,085	2,049,077	9,548,327	2,515,301	16,642,790	6,330,878
Depreciation and amortization	1,191,946	1,355,646	795,710	486,257	3,829,559	624,452
Total operating expenses	<u>3,722,031</u>	<u>3,404,723</u>	<u>10,344,037</u>	<u>3,001,558</u>	<u>20,472,349</u>	<u>6,955,330</u>
Operating income (loss)	<u>651,023</u>	<u>(762,063)</u>	<u>1,464,209</u>	<u>(650,863)</u>	<u>702,306</u>	<u>612,314</u>
Nonoperating income (expenses):						
Taxes	179,302	1,346,863			1,526,165	
Intergovernmental	129,721		7,165		136,886	
Interest income	67,546	75,570	6,502	2,173	151,791	25,314
Tax equivalents	(167,090)	(113,996)	(1,041,008)	(139,307)	(1,461,401)	
Gain (loss) on disposal of assets	(344,021)	(189,362)	(386,229)		(919,612)	(114,032)
Interest expense	(109,279)	(912,910)	(587)	(444,915)	(1,467,691)	
Total nonoperating income (expenses)	<u>(243,821)</u>	<u>206,165</u>	<u>(1,414,157)</u>	<u>(582,049)</u>	<u>(2,033,862)</u>	<u>(88,718)</u>
Change in net assets	407,202	(555,898)	50,052	(1,232,912)	(1,331,556)	523,596
Total net assets - beginning	21,316,570	27,892,421	13,850,144	(3,204,027)	59,855,108	5,425,952
Total net assets - ending	<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>
Change in net assets					\$ (1,331,556)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					<u>304,850</u>	
Change in net assets of business-type activities - Statement of Activities					<u>\$ (1,026,706)</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, 2004

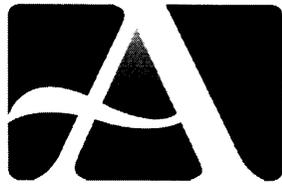
	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund		
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,501,528	\$ 2,602,523	\$ 11,860,724	\$ 2,429,737	\$ 21,394,512	\$ 7,605,749
Payments to suppliers	(1,320,256)	(1,231,130)	(7,799,909)	(1,930,018)	\$ (12,281,313)	(2,585,252)
Payments to employees	(1,161,034)	(773,117)	(1,706,053)	(666,435)	\$ (4,306,639)	(3,992,892)
Net cash from operating activities	<u>2,020,238</u>	<u>598,276</u>	<u>2,354,762</u>	<u>(166,716)</u>	<u>\$ 4,806,560</u>	<u>1,027,605</u>
Cash flows from noncapital financing activities:						
Proceeds from (payment of) interfund loan	(325,000)	(325,000)	(375,000)	1,025,000		
Taxes collected	179,302	1,346,863			1,526,165	
Net cash from noncapital financing activities	<u>(145,698)</u>	<u>1,021,863</u>	<u>(375,000)</u>	<u>1,025,000</u>	<u>1,526,165</u>	
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(838,483)	(397,587)	(779,061)	(129,100)	(2,144,231)	(759,067)
Proceeds from issuance of debt	46,750				46,750	
Proceeds from intergovernmental income	129,721		7,165		136,886	
Principal paid on bonds, contracts and notes	(590,000)	(894,311)	(21,750)	(568,000)	(2,074,061)	
Interest paid on debt	(109,279)	(912,910)	(587)	(444,915)	(1,467,691)	
Tax Equivalents	(167,090)	(113,996)	(1,041,008)	(139,307)	(1,461,401)	
Net cash from capital and related financing activities	<u>(1,528,381)</u>	<u>(2,318,804)</u>	<u>(1,835,241)</u>	<u>(1,281,322)</u>	<u>(6,963,748)</u>	<u>(759,067)</u>
Cash flows from investing activities:						
Interest from investments	67,546	75,570	6,502	2,173	151,791	25,314
Net increase (decrease) in cash and investments	<u>413,705</u>	<u>(623,095)</u>	<u>151,023</u>	<u>(420,865)</u>	<u>(479,232)</u>	<u>293,852</u>
Cash and investments, beginning of year	<u>4,521,865</u>	<u>1,782,808</u>	<u>875,348</u>	<u>427,713</u>	<u>7,607,734</u>	<u>3,412,772</u>
Cash and investments, end 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>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 651,023	\$ (762,063)	\$ 1,464,209	\$ (650,863)	\$ 702,306	\$ 612,314
Depreciation and amortization	1,191,946	1,355,646	795,710	486,257	3,829,559	624,452
Change in assets and liabilities:						
(Increase) decrease in:						
Receivables	82,631	(40,137)	52,478	(35,509)	59,463	38,105
Inventories	(53,562)	3,122	18,742	38,765	7,067	(14,370)
Deferred charges	45,843			114,551	160,394	
Increase (decrease) in:						
Accounts payable and accrued liabilities	128,192	52,020	82,694	(119,678)	143,228	75,447
Other liabilities	(25,835)	(10,312)	(59,071)	(239)	(95,457)	(308,343)
Net cash from operating activities	<u>\$ 2,020,238</u>	<u>\$ 598,276</u>	<u>\$ 2,354,762</u>	<u>\$ (166,716)</u>	<u>\$ 4,806,560</u>	<u>\$ 1,027,605</u>

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

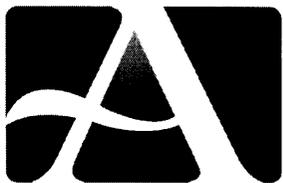
CITY OF ASHLAND, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2004

	Agency Fund
	Mt. Ashland
	Ski Area
	Agency Fund
 ASSETS	
Cash and investments	\$ 492,891
Total assets	492,891
 LIABILITIES	
Due to Mt. Ashland Association	492,891
Total liabilities	492,891
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, 2004

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, 2004

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 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, 2004

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 judgements, 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, 2004

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, 2004

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, 2004

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, 2004.

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, 2004

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, 2004

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, 2004

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, operating transfers, and contingency for those funds with only one department or function. The

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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 2003-2004, the City made three appropriation transfers, as well as four supplemental budgets by adoption of resolutions.

B. Excess of Expenditures Over Appropriations

During 2003-2004 one over-expenditure occurred at the level of control established by appropriation resolutions. In the Telecommunications Fund, Operations Division, the City expended \$5,540 more than the \$2,541,600 appropriation. However, no fund's total appropriations were exceeded.

C. Deficit Fund Equity

The Telecommunications Fund enterprise fund has a deficit balance of \$4,436,939 as of June 30, 2004. 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was \$1,132,158 and the bank balance was \$979,382. Of the bank balance, \$101,957 was covered by federal depository insurance or by collateral held by the government's agent in the government's name. Of the remaining balance, \$219,356 is collateralized with securities held by the pledging financial institution's acting as agents for the City in the City's name, and the remaining is uninsured and uncollateralized.

	Total Primary Government	Component Unit <hr/> Parks and Recreation	Total
Petty Cash	\$ 1,910		\$ 1,910
Deposits with financial institutions	1,132,158		1,132,158
Deposit with registered or billing agent	63,431		63,431
Investments	15,307,427	\$ 2,092,630	17,400,057
	<u>\$ 16,504,926</u>	<u>\$ 2,092,630</u>	<u>\$ 18,597,556</u>
Governmental - unrestricted	\$ 15,598,957		
Governmental - restricted	413,078		
Fiduciary	492,891		
	<u>\$ 16,504,926</u>		

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the government or its agent in the government's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

The City's investments at June 30, 2004, are, in part, amounts with the State Treasurer's Local Government Investment Pool (LGIP). Investments in the State Treasurer's LGIP cannot be classified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

The State Treasurer's LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify types and maturities of investments.

At year end, the government's investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Securities	\$	\$	\$ 2,476,737	\$ 2,476,737
USBank Municipal Investment Account			2,103,272	2,103,272
			<u>\$ 4,580,009</u>	<u>4,580,009</u>
Investments not subject to categorization:				
State Treasurer's Investment Pool				10,727,418
				<u>\$ 15,307,427</u>

At year end, the Parks and Recreation's investment balances were as follows:

	Component Unit			Reported Amount/ Fair Value
	Category			
	1	2	3	
U.S. Government securities	\$	\$	\$	\$
Investments not subject to categorization:				
State Treasurer's Investment Pool				2,092,630
				<u>\$ 2,092,630</u>

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:

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (continued)

	General	Street	Water	Waste- water	Electric	Telecom- munications	Other Funds	Total
Receivables:								
Interest	\$ (4,577)	\$ (2,144)	\$ (9,079)	\$ (2,220)	\$ (2,006)	\$ (18)	\$ (3,192)	\$ (23,236)
Taxes	187,534	-	16,654	-	-	-	31,719	235,907
Accounts								
Utility	91,517	88,882	154,962	235,171	856,026	196,321	-	1,622,879
Ambulance	181,716	-	-	-	-	-	-	181,716
Other Accounts	696,716	93,017	25,164	323,351	13,754	21,639	412,044	1,585,685
Installment Notes	-	-	-	-	4,000	-	447,378	451,378
Special Assessments	-	162,556	-	-	-	-	11,442	173,998
Net total receivables	<u>\$ 1,152,906</u>	<u>\$ 342,311</u>	<u>\$ 187,701</u>	<u>\$ 556,302</u>	<u>\$ 871,774</u>	<u>\$ 217,942</u>	<u>\$ 899,391</u>	<u>\$ 4,228,327</u>

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	\$ 133,124	\$
Debt Service Fund	23,597	
Installment notes receivable	757,445	
Ambulance billing	160,388	
Fire-Med insurance premiums		8,322
2003-2004 Business License receipts		76,520
Cemetery Services		9,562
Special Assessments not yet due:		
Unbonded-Street Fund	162,556	
Bond-Other Non-major Funds	11,442	
	<u>\$ 1,248,552</u>	<u>\$ 94,404</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance <u>June 30, 2003</u>	Additions	Retirements	Balance <u>June 30, 2004</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 8,415,990	\$ 63,740	\$ 218,457	\$ 8,261,273
Construction in progress	<u>12,574,345</u>	<u>474,941</u>	<u>3,259,769</u>	<u>9,789,517</u>
Total capital assets, not being depreciated	20,990,335	538,681	3,478,226	18,050,790
Buildings	9,540,678	-	475,633	\$ 9,065,045
Improvements other than buildings	13,262,351	8,102,261	496,601	20,868,011
Infrastructure	-	15,720,372	-	15,720,372
Machinery and equipment	<u>11,040,779</u>	<u>437,201</u>	<u>2,132,686</u>	<u>9,345,294</u>
Total capital assets, being depreciated	33,843,808	24,259,834	3,104,920	54,998,722
Less accumulated depreciation	13,180,264	17,091,456	2,051,175	28,220,545
Total capital assets being depreciated, net	<u>20,663,544</u>	<u>7,168,378</u>	<u>1,053,745</u>	<u>26,778,177</u>
Governmental activities capital assets, net	<u><u>\$ 41,653,879</u></u>	<u><u>\$ 7,707,059</u></u>	<u><u>\$ 4,531,971</u></u>	<u><u>\$ 44,828,967</u></u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,971,746	\$ -	\$ -	\$ 1,971,746
Construction in progress	3,519,945	1,043,544	331	4,563,158
	<u>5,491,691</u>	<u>1,043,544</u>	<u>331</u>	<u>6,534,904</u>
Total capital assets, not being depreciated				
Buildings	23,545,845	-	387,941	23,157,904
Machinery and equipment	3,494,631	243,290	904,757	2,833,164
Improvements other than buildings	78,915,507	947,562	741,433	79,121,636
	<u>105,955,983</u>	<u>1,190,852</u>	<u>2,034,131</u>	<u>105,112,704</u>
Total capital assets, being depreciated				
Less accumulated depreciation:	22,241,795	4,078,580	1,083,794	25,236,581
	<u>83,714,188</u>	<u>(2,887,728)</u>	<u>950,337</u>	<u>79,876,123</u>
Total capital assets being depreciated, net				
Business-type activities capital assets, net	<u>\$89,205,879</u>	<u>\$ (1,844,184)</u>	<u>\$ 950,668</u>	<u>\$ 86,411,027</u>

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

Governmental activities:	
General government	\$ 692,852
Public Safety	241,424
Highways and Streets	<u>1,132,706</u>
	<u>\$ 2,066,982</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2004. The projects include construction of various infrastructure improvements and additions to the transportation, storm water, water, wastewater and telecommunications systems.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Residential Street Construction:		
Strawberry Project	\$ 936,607	\$ 5,393
Tolman Creek Road Project	676,312	19,468

D. Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2004, is as follows:

	<u>Transfer in to:</u>			
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Business-type Activities</u>	
<u>Transfer Out from:</u>				
General Fund	\$	\$ 500	\$ -	\$ 500
Nonmajor Governmental	6,893	311,000		317,893
Total Transfers Out	\$ 6,893	\$ 311,500	\$ -	\$ 318,393

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Telecommunications Fund	\$ 2,275,000
Wastewater Fund	Telecommunications Fund	4,275,000
Electric Fund	Telecommunications Fund	375,000
		\$ 6,925,000

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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:

Purpose	Interest Rates	Amount
Government activities	5.5-8.5%	\$ 753,330
Government activities	10.00%	16,301
Government activities	8.00%	261,954
Government activities	4.40%	1,367,817
Government activities	5.00%	863,260
Government activities	4.68%	375,000
Business-type activities	5.00%	2,520,000
Business-type activities	5.00%	4,832,000
Business-type activities	4.20%	22,584,762
		<u>\$ 33,574,424</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

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
2005	\$ 330,093	\$ 179,552	\$ 1,550,103	\$ 1,301,752
2006	330,475	163,296	1,642,448	1,259,567
2007	332,316	145,100	1,728,878	1,214,745
2008	310,579	127,966	1,816,431	1,166,883
2009	584,432	112,903	1,954,081	1,129,914
2010-2014	1,096,326	308,403	9,275,992	3,778,689
2015-2019	216,278	154,374	6,826,473	1,662,830
2020-2024	244,810	93,286	5,142,356	327,809
2025-2028	192,363	20,994	-	-
	<u>\$3,637,672</u>	<u>\$1,305,874</u>	<u>\$29,936,762</u>	<u>\$11,842,189</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 \$8,710,010.

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%	\$ 2,885,000
Governmental Activities	3.75-4.65%	350,000
Business-type Activities	5.0-7.0%	100,000
Business-type Activities-refunding	3.75-4.65%	1,550,000
		<u>\$ 4,885,000</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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, 2004, are as follows:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 185,000	\$ 178,601	\$ 155,000	\$ 55,608
2006	195,000	169,026	160,000	48,567
2007	205,000	158,940	165,000	41,246
2008	220,000	378,940	170,000	33,635
2009	235,000	147,920	150,000	26,458
2010-2014	1,155,000	556,990	505,000	35,674
2015-2019	1,115,000	271,215	-	-
2020	260,000	14,948	-	-
	<u>\$ 3,570,000</u>	<u>\$ 1,876,580</u>	<u>\$ 1,305,000</u>	<u>\$ 241,188</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>\$ 5,280,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest
2005	320,000	146,856
2006	320,000	140,456
2007	325,000	134,006
2008	335,000	127,406
2009	335,000	120,288
2010-2014	1,835,000	458,491
2015-2019	1,055,000	219,487
2020-2023	755,000	60,097
	<u>\$ 5,280,000</u>	<u>\$ 1,407,087</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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 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.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

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, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation	\$ 3,420,000	\$ -	\$ 185,000	\$ 3,235,000	\$ 185,000
Total bonds payable	<u>3,420,000</u>	<u>-</u>	<u>185,000</u>	<u>3,235,000</u>	<u>185,000</u>
Notes on Contracts	3,592,870	375,000	330,208	3,637,662	330,093
Special assessments payable	39,439		31,981	7,458	7,458
Claims and judgements	229,352	31,582	-	260,934	260,934
Government activities Long-term liabilities	<u>\$ 7,281,661</u>	<u>\$ 406,582</u>	<u>\$ 547,189</u>	<u>\$ 7,141,054</u>	<u>\$ 783,485</u>
Business-type Activities:					
Bonds Payable:					
General obligation	\$ 1,860,000	\$ -	\$ 210,000	\$ 1,650,000	\$ 155,000
Revenue	5,625,000		345,000	5,280,000	320,000
Total bonds payable	<u>7,485,000</u>	<u>-</u>	<u>555,000</u>	<u>6,930,000</u>	<u>475,000</u>
Notes and Contracts	31,399,073		1,462,311	29,936,762	1,550,103
Claims and judgements	344,028	19,619		363,647	363,647
Business-type Activities Long-term liabilities	<u>\$ 39,228,101</u>	<u>\$ 19,619</u>	<u>\$ 2,017,311</u>	<u>\$ 37,230,409</u>	<u>\$ 2,388,750</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 \$148,300 of internal service fund compensated absences, and \$624,580 of internal service fund claims and judgements are included in the above amounts.

The government-wide statement of activities includes \$2,025,103 of long-term liabilities due within one year for business-type displayed as "noncurrent liabilities, due within one year" on that same statement.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

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:

	<u>General Government</u>	<u>Business-type Activities</u>
Unused System Development Charges:		
Street Fund	\$ 1,197,249	\$ -
Capital Improvements Fund	65,675	-
Water Fund	-	2,887,344
Wastewater Fund	-	1,132,863
	<u>\$ 1,262,924</u>	<u>\$ 4,020,207</u>

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:	\$ 219,501	\$ 18,725	\$ 250	\$ 237,976
Business-Type Activities:	202,001	4,446	9,201	197,245
Total Compensated Absences Payable	<u>\$ 421,502</u>	<u>\$ 23,170</u>	<u>\$ 9,451</u>	<u>\$ 435,221</u>

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; workers' compensation; and post retirement benefits for which the government is self-insured to defined levels. The government has established limited risk management programs for liability and workers compensation. The government purchases re-insurance above defined loss levels in each program. Premiums are paid into the Insurance Services internal service fund by all other funds, component units, and potential component units, and are available to pay claims, claim reserves, and administrative costs of the programs. 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. These interfund and agency premiums are used to offset the amount of claims expenditures reported. As of June 30, 2004, such premiums did not exceed paid claims and reserves.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

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 June 30, 2003	Year ended June 30, 2004
Unpaid claims, beginning of fiscal year	\$ 564,238	\$ 573,380
Incurred claims (including IBNRs)	359,869	596,637
Removal of ACH		(376,506)
Claim Payments	(350,727)	(450,730)
Unpaid claims, end of fiscal year	\$ 573,380	\$ 342,781

B. Contingent Liabilities

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

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

B Contingent Liabilities (continued)

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 \$295,000 at June 30, 2004, 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 retired City employees who complete 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 2004, costs advanced funded total \$279,800, 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 retirees. At present, the entire estimated liability is fully funded, and the City expects to fully fund future increases in this liability.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (continued)

Fiscal Year	Number of Retirees Covered	Benefits Paid
2003-04	15	\$ 24,452
2002-03	15	56,751
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
1994-95	11	9,227

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

Plan description. The government participates in the Oregon public employees retirement fund (OPERF), an agent administered multiple employer, defined benefit pension plan, administered by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under ORS Chapter 238 by the Public Employees Retirement Board. The Board has the authority to establish and amend the benefit provisions of the plans that participate in the PERS to the respective employer entities. The Oregon Public Employee Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, 1-888-320-7377.

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 employees is calculated and funded. Accordingly, employers may now have two rates to use in calculating the amount owed to fund the liabilities

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

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 200 and the State & Local Rate Pool in 2002 to minimize annual variances in employer rates.

For 2003-04, the City's annual pension cost of \$1,668,950 was equal to the City's required and actual contributions. This consisted of \$610,276 picked up and paid by the City on behalf of employees, and \$1,058,674 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

Three-Year Trend Information for PERS

GASB Statement No. 27 Required Disclosures			
Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2002	1,598,574	100%	-
06/30/2003	1,715,644	100%	-
06/30/2004	1,668,950	100%	-

Schedule of Funding Progress						
Valuation Date	AVA	AAL	UAAL	Funded Percent	Covered Payroll	UAAL/ Payroll
12/31/1997	\$44,901,894	\$ 44,602,703	\$ (299,191)	101%	\$ 8,206,218	-4%
12/31/1999	81,889,943	82,254,860	364,917	100%	9,681,380	4%
12/31/2001	Pooled	Pooled	(5,223,862)	Pooled	10,379,104	-50%

AVA: Actual Value of Assets
AAL: Actuarial Accrued Liability
UAAL: Unfunded Actuarial Accrued Liability

E. Subsequent Events

On July 30, 2004 the Community Block Grant Fund was required to repay prior period grant disbursements used in the construction of a building (The Grove) in the amount of \$214,877.

On August 10, 2004 the Telecommunications Fund issued \$15,000,000 in full faith Revenue Bonds. Defeating the existing \$7,352,000 in Notes secured solely by the proceeds of the Electric and Telecommunications Funds.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

IV. OTHER INFORMATION (CONTINUED)

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.

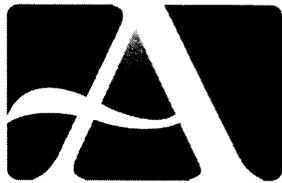
The balance is as follows at June 30, 2004:

Startup Costs	\$ 1,861,076
Less accumulated amortization	<u>362,745</u>
	<u><u>\$ 1,498,331</u></u>

G. Prior Period Adjustments

Prior period adjustments were made to the Governmental Funds of the City to recognize the net value of prior infrastructure as part of the GASBS 34 phase in for category 2 agencies. Governmental Net Assets were increased by \$956,778.

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, 2004

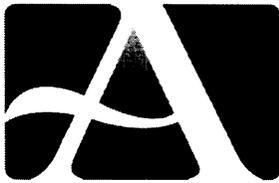
	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 7,729,273	\$ 7,832,733	\$ 7,832,733	(103,460)
Fees, licenses and permits	1,156,285	1,505,000	1,505,000	(348,715)
Intergovernmental	552,211	703,600	815,000	(262,789)
Charges for services	1,590,162	1,523,000	1,523,000	67,162
Fines and forfeitures	120,749	115,000	115,000	5,749
Interest on investments	18,655	31,000	31,000	(12,345)
Miscellaneous	87,417	66,000	87,660	(243)
Total revenues	<u>11,254,752</u>	<u>11,776,333</u>	<u>11,909,393</u>	<u>(654,641)</u>
Expenditures:				
General government:				
Administrative Services	93,781	97,000	97,000	3,219
Finance:				
Band	43,418	56,750	56,750	13,332
Social services	118,669	132,400	132,400	13,731
Economic development	406,800	436,900	436,900	30,100
Public Works:				
Cemetery	273,479	296,890	296,890	23,411
Community Development:				
Planning	862,872	976,040	976,040	113,168
Building	686,333	744,375	744,375	58,042
Senior programs	116,178	117,135	119,135	2,957
Miscellaneous	3,746	6,000	25,660	21,914
Total general government	<u>2,605,276</u>	<u>2,863,490</u>	<u>2,885,150</u>	<u>279,874</u>
Public safety:				
Police	4,078,476	4,179,470	4,284,470	205,994
Municipal Court	285,646	296,000	296,000	10,354
Fire and Rescue	4,118,824	4,489,004	4,500,404	381,580
Total public safety	<u>8,482,946</u>	<u>8,964,474</u>	<u>9,080,874</u>	<u>597,928</u>
Contingency		350,000	345,000	345,000
Total expenditures	<u>11,088,222</u>	<u>12,177,964</u>	<u>12,311,024</u>	<u>1,222,802</u>
Excess (deficiency) of revenues over expenditures	166,530	(401,631)	(401,631)	568,161
Other financing sources (uses):				
Transfers in	6,893	53,000	53,000	(46,107)
Transfers out	(133,500)	(133,500)	(133,500)	-
Total other financing sources (uses)	<u>(126,607)</u>	<u>(80,500)</u>	<u>(80,500)</u>	<u>(46,107)</u>
Net Change in Fund Balance	39,923	(482,131)	(482,131)	522,054
Fund balance, July 1, 2003	1,715,220	1,797,800	1,797,800	(82,580)
Fund balance, June 30, 2004	<u>\$ 1,755,143</u>	<u>\$ 1,315,669</u>	<u>\$ 1,315,669</u>	<u>\$ 439,474</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, 2004

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 234,496	\$ 245,000	\$ 245,000	\$ (10,504)
Intergovernmental	1,992,152	1,451,000	1,801,000	191,152
Charges for services	1,207,528	1,121,000	1,121,000	86,528
System Development Charges	376,951	360,000	360,000	16,951
Assessments	148,082	150,000	150,000	(1,918)
Interest on investments	20,959	58,000	58,000	(37,041)
Miscellaneous	399	1,000	1,000	(601)
Total revenues	3,980,567	3,386,000	3,736,000	244,567
Expenditures:				
Highways and streets:				
Operations and Maintenance	3,869,696	3,399,560	3,874,560	4,864
Storm Water	784,260	786,250	786,250	1,990
Transportation SDC's	610,883	92,400	617,400	6,517
Storm Water SDC's	181,375	481,400	181,400	25
Local Improvement Districts	747,257	730,700	747,700	443
Total highways and streets	6,193,471	5,490,310	6,207,310	13,839
Contingency		142,000		
Total expenditures	6,193,471	5,632,310	6,207,310	13,839
Other financing sources (uses):				
Interfund loans			225,000	(225,000)
Proceeds from issuance of debt		386,900	386,900	(386,900)
Total other financing sources (uses)		386,900	611,900	
Net Change in Fund Balance	(2,212,904)	(1,859,410)	(1,859,410)	(353,494)
Fund balance, July 1, 2003	2,528,750	2,925,000	2,925,000	(396,250)
Fund balance, June 30, 2004	\$ 315,846	\$ 1,065,590	\$ 1,065,590	\$ (749,744)

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, 2004**

	Governmental Fund Types				Permanent	Total Other Governmental (Compilation Only)
	CDBG Fund	Airport Fund	Debt Service Fund	Capital Improvements Fund	Cemetery Trust Fund	
ASSETS						
Cash and cash equivalents	\$ 36,507	\$ 315,977		\$ 332,020	\$ 685,724	\$ 1,370,228
Receivables (net of allowance for uncollectibles)		10,157	\$428,492	461,990	(1,248)	899,391
Cash - restricted			413,078			413,078
Intergovernmental receivable - restricted						
Total assets	<u>\$ 36,507</u>	<u>\$ 326,134</u>	<u>\$841,570</u>	<u>\$ 794,010</u>	<u>\$ 684,476</u>	<u>\$ 2,682,697</u>
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 3,489	\$ 107,757		\$ 1,262		\$ 112,508
Deferred revenue			\$408,292	384,192		792,484
Liabilities payable from restricted assets				11,701		11,701
Total liabilities	<u>3,489</u>	<u>107,757</u>	<u>408,292</u>	<u>397,155</u>		<u>916,693</u>
Fund Balances:						
Reserved for:						
Reserved for debt service			433,278			433,278
Reserved for perpetual care					684,476	684,476
Unreserved:						
Special revenue funds		218,377				218,377
Capital projects funds	33,018			396,855		429,873
Total equity and other credits	<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>
Total liabilities and fund balances	<u>\$ 36,507</u>	<u>\$ 326,134</u>	<u>\$841,570</u>	<u>\$ 794,010</u>	<u>\$ 684,476</u>	<u>\$ 2,682,697</u>

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the year ended June 30, 2004

	Governmental Fund Types			Permanent	Total Other
	CDBG Fund	Airport Fund	Debt Service Fund	Capital Improvements Fund	
Revenues:					
Taxes			\$ 413,529	\$ 336,715	\$ 750,244
Intergovernmental	\$ 801,580	\$ 3,859			805,439
Special assessments			22,778		22,778
Charges for services		79,657	287,489	169,987	\$ 5,568 542,701
Interest on investments		167	4,567	1,964	5,655 12,353
Miscellaneous		17,744	29,302	429,126	476,172
Total revenues	<u>801,580</u>	<u>101,427</u>	<u>757,665</u>	<u>937,792</u>	<u>11,223</u> <u>2,609,687</u>
Expenditures:					
General government	736,129	290,185		297,520	1,323,834
Debt service			917,680		917,680
Total expenditures	<u>736,129</u>	<u>290,185</u>	<u>917,680</u>	<u>297,520</u>	<u>2,241,514</u>
Excess (deficiency) of revenues over expenditures	<u>65,451</u>	<u>(188,758)</u>	<u>(160,015)</u>	<u>640,272</u>	<u>11,223</u> <u>368,173</u>
Other financing sources (uses):					
Proceeds from debt issuance		375,000			375,000
Transfers in			311,000		500 311,500
Transfers out				(311,000)	(6,893) (317,893)
Total other financing sources (uses)		<u>375,000</u>	<u>311,000</u>	<u>(311,000)</u>	<u>(6,393)</u> <u>368,607</u>
Net Change in Fund Balance	65,451	186,242	150,985	329,272	4,830 736,780
Fund balance (deficit), July 1, 2003	<u>(32,433)</u>	<u>32,135</u>	<u>282,293</u>	<u>67,583</u>	<u>679,646</u> <u>1,029,224</u>
Fund balance, June 30, 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>

**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, 2004**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 801,580	\$ 656,815	\$ 856,815	\$ (55,235)
Expenditures:				
General government:				
Personal services	45,151	45,300	45,300	149
Materials and services	690,978	611,515	811,515	120,537
Total general government	736,129	656,815	856,815	120,686
Net Change in Fund Balance	65,451			65,451
Fund balance (deficit), July 1, 2003	<u>(32,433)</u>			<u>(32,433)</u>
Fund balance, June 30, 2004	<u>\$ 33,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,018</u>

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

For the year ended June 30, 2004

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Intergovernmental	\$ 3,859	\$ 370,000	\$ 370,000	\$ (366,141)
Charges for services	79,657	81,400	81,400	(1,743)
Interest on investments	167	200	200	(33)
Miscellaneous	17,744	4,000	4,000	13,744
Total revenues	<u>101,427</u>	<u>455,600</u>	<u>455,600</u>	<u>(354,173)</u>
Expenditures:				
General government:				
Materials and services	97,911	89,550	114,550	16,639
Total general government	97,911	89,550	114,550	16,639
Capital outlay	192,274	370,000	720,000	527,726
Contingency		5,000	5,000	5,000
Total expenditures	<u>290,185</u>	<u>464,550</u>	<u>839,550</u>	<u>549,365</u>
Excess (deficiency) of revenues over expenditures	<u>(188,758)</u>	<u>(8,950)</u>	<u>(383,950)</u>	<u>195,192</u>
Other financing sources (uses):				
Proceeds from issuance of debt	375,000		375,000	
Net Change in Fund Balance	186,242	(8,950)	(8,950)	195,192
Fund balance, July 1, 2003	<u>32,135</u>	<u>12,950</u>	<u>12,950</u>	<u>19,185</u>
Fund balance, June 30, 2004	<u>\$ 218,377</u>	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 214,377</u>

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

For the year ended June 30, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 413,529	\$ 403,000	\$ 403,000	\$ 10,529
Charges for services	287,489	289,600	289,600	(2,111)
Special assessments	22,778	60,000	60,000	(37,222)
Interest on investments	4,567	6,000	6,000	(1,433)
Miscellaneous	29,302	29,300	29,300	2
Total revenues	<u>757,665</u>	<u>787,900</u>	<u>787,900</u>	<u>(30,235)</u>
Expenditures:				
Debt service:				
Bancroft		200,000	200,000	200,000
General Obligation	381,144	382,000	382,000	856
Notes and Contracts	536,536	596,000	596,000	59,464
Total expenditures	<u>917,680</u>	<u>1,178,000</u>	<u>1,178,000</u>	<u>260,320</u>
Excess (deficiency) of revenues over expenditures	<u>(160,015)</u>	<u>(390,100)</u>	<u>(390,100)</u>	<u>230,085</u>
Other financing sources (uses):				
Transfers in	311,000	311,000	311,000	
Total other financing sources (uses)	<u>311,000</u>	<u>311,000</u>	<u>311,000</u>	
Net Change in Fund Balance	150,985	(79,100)	(79,100)	230,085
Fund balance, July 1, 2003	<u>282,293</u>	<u>344,000</u>	<u>344,000</u>	<u>(61,707)</u>
Fund balance, June 30, 2004	<u>\$ 433,278</u>	<u>\$ 264,900</u>	<u>\$ 264,900</u>	<u>\$ 168,378</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, 2004

	Actual	Budget Amounts		Variance with
		Original	Final	Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 336,715	\$ 340,000	\$ 340,000	\$ (3,285)
Charges for services	62,300	150,000	150,000	(87,700)
System Development Charges	107,687	190,000	190,000	(82,313)
Interest on investments	1,964	8,000	8,000	(6,036)
Miscellaneous	429,126	17,300	386,600	42,526
Total revenues	<u>937,792</u>	<u>705,300</u>	<u>1,074,600</u>	<u>(136,808)</u>
Expenditures:				
General government:				
Materials and services	48,667	18,300	58,300	9,633
Total general government	48,667	18,300	58,300	9,633
Capital outlay	248,853	500,000	829,300	580,447
Total expenditures	<u>297,520</u>	<u>518,300</u>	<u>887,600</u>	<u>590,080</u>
Excess (deficiency) of revenues revenues over expenditures	<u>640,272</u>	<u>187,000</u>	<u>187,000</u>	<u>453,272</u>
Other financing sources (uses):				
Proceeds from issuance of debt		200,000	200,000	
Transfers out	(311,000)	(341,000)	(341,000)	30,000
Total other financing sources (uses)	<u>(311,000)</u>	<u>(141,000)</u>	<u>(141,000)</u>	<u>30,000</u>
Net Change in Fund Balance	329,272	46,000	46,000	283,272
Fund balance, July 1, 2003	<u>67,583</u>	<u>383,000</u>	<u>383,000</u>	<u>(315,417)</u>
Fund balance, June 30, 2004	<u>\$ 396,855</u>	<u>\$ 429,000</u>	<u>\$ 429,000</u>	<u>\$ (32,145)</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, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 5,568	\$ 6,000	\$ 6,000	\$ (432)
Interest on investments	5,655	23,000	23,000	(17,345)
Total revenues	<u>11,223</u>	<u>29,000</u>	<u>29,000</u>	<u>(17,777)</u>
Other financing sources (uses):				
Transfers in	500	500	500	
Transfers out	(6,893)	(23,000)	(23,000)	16,107
Total other financing sources (uses)	<u>(6,393)</u>	<u>(22,500)</u>	<u>(22,500)</u>	<u>16,107</u>
Net Change in Fund Balance	4,830	6,500	6,500	(1,670)
Fund balance, July 1, 2003	<u>679,646</u>	<u>678,000</u>	<u>678,000</u>	<u>1,646</u>
Fund balance, June 30, 2004	<u>\$ 684,476</u>	<u>\$ 684,500</u>	<u>\$ 684,500</u>	<u>\$ (24)</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, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 179,302	\$ 177,000	\$ 177,000	\$ 2,302
Intergovernmental	129,721	150,000	228,800	(99,079)
Charges for services	3,520,168	3,813,000	3,813,000	(292,832)
System Development Charges	574,540	417,000	417,000	157,540
Interest on investments	67,546	97,000	97,000	(29,454)
Miscellaneous	278,346		263,000	15,346
Total revenues	4,749,623	4,654,000	4,995,800	(246,177)
Expenditures:				
Cost of services:				
Forest Land Management	485,524	428,700	770,500	284,976
Public Works Water Supply	295,533	423,600	423,600	128,067
Public Works Water Treatment	611,902	725,350	725,350	113,448
Public Works Water Distribution	1,733,275	2,834,510	2,834,510	1,101,235
Public Works Supply SDC's	45,323	112,500	112,500	67,177
Public Works Treatment SDC's	82,518	142,000	142,000	59,482
Public Works Distribution SDC's	61,593	469,100	469,100	407,507
Water Conservation	161,549	169,015	169,015	7,466
Total cost of services	3,477,217	5,304,775	5,646,575	2,169,358
Debt service	606,686	517,100	662,100	55,414
Contingency	0	180,000	180,000	180,000
Total expenditures	4,083,903	6,001,875	6,488,675	2,404,772
Excess (deficiency) of revenues over expenditures	665,720	(1,347,875)	(1,492,875)	2,158,595
Other financing sources (uses):				
Interfund Loan Repayments	1,950,000	1,950,000	1,950,000	
Interfund Loans	(2,275,000)	(2,275,000)	(2,275,000)	
Total other financing sources (uses)	(325,000)	(325,000)	(325,000)	
Net Change in Fund Balance	340,720	(1,672,875)	(1,817,875)	2,158,595
Fund balance, July 1, 2003	4,662,028	4,457,000	4,602,000	205,028
Fund balance, June 30, 2004	\$ 5,002,748	\$ 2,784,125	\$ 2,784,125	\$ 2,218,623
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 20,963,912			
Accrued Interest	(11,367)			
Interfund Loans	2,275,000			
Deferred Charges	423,479			
GO Bonds Payable	(1,500,000)			
Revenue Bonds Payable	(4,960,000)			
	\$ 22,193,772			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND
For the year ended June 30, 2004

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues:				
Taxes	\$ 1,346,863	\$ 1,362,000	\$ 1,362,000	\$ (15,137)
Charges for services	2,205,409	2,359,000	2,359,000	(153,591)
System Development Charges	432,273	332,000	557,000	(124,727)
Interest on investments	75,570	61,000	61,000	14,570
Miscellaneous	4,978			4,978
Total revenues	<u>4,065,093</u>	<u>4,114,000</u>	<u>4,339,000</u>	<u>(273,907)</u>
Expenditures:				
Cost of services:				
Public Works Wastewater Collection	1,360,470	1,366,580	1,366,580	6,110
Public Works Wastewater Treatment	1,318,319	1,319,450	1,319,450	1,131
Total cost of services	2,678,789	2,686,030	2,686,030	7,241
Construction				
Public Works Wastewater Collection SDC's	69,014	324,500	324,500	255,486
Public Works Wastewater Treatment SDC's		265,000	265,000	265,000
Debt Service	1,807,219	1,807,219	1,807,219	
Contingency		154,000	154,000	154,000
Total expenditures	<u>4,555,022</u>	<u>5,236,749</u>	<u>5,236,749</u>	<u>681,727</u>
Excess (deficiency) of revenues over expenditures	<u>(489,929)</u>	<u>(1,122,749)</u>	<u>(897,749)</u>	<u>407,820</u>
Other financing sources (uses):				
Interfund Loan Repayments	3,950,000	3,950,000	3,950,000	
Interfund Loans	(4,275,000)	(4,275,000)	(4,500,000)	225,000
Total other financing sources (uses):	<u>(325,000)</u>	<u>(325,000)</u>	<u>(550,000)</u>	<u>225,000</u>
Net Change in Fund Balance	(814,929)	(1,447,749)	(1,447,749)	632,820
Fund balance, July 1, 2003	<u>2,356,054</u>	<u>3,174,000</u>	<u>3,174,000</u>	<u>(817,946)</u>
Fund balance, June 30, 2004	<u>\$ 1,541,125</u>	<u>\$ 1,726,251</u>	<u>\$ 1,726,251</u>	<u>\$ (185,126)</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 44,257,311			
Accrued Interest	(152,151)			
Interfund Loans	4,275,000			
Notes Payable	<u>(21,678,659)</u>			
	<u>\$ 28,242,626</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
ELECTRIC FUND
For the year ended June 30, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 7,165	\$ 100,000	\$ 102,500	\$ (95,335)
Charges for services	11,739,245	11,568,900	11,568,900	170,345
Interest on investments	6,502	32,000	32,000	(25,498)
Miscellaneous	69,001	65,000	65,000	4,001
Total revenues	11,821,913	11,765,900	11,768,400	53,513
Expenditures:				
Cost of services:				
Electric Supply	5,762,422	6,071,300	6,096,300	333,878
Electric Distribution	4,397,983	4,259,413	4,409,413	11,430
Electric Transmission	947,473	1,031,324	1,031,324	83,851
Conservation	274,759	453,000	455,500	180,741
Total cost of services	11,382,637	11,815,037	11,992,537	609,900
Debt service	22,337	26,100	26,100	3,763
Contingency		350,000	75,000	75,000
Total expenditures	11,404,974	12,191,137	12,093,637	688,663
Excess (deficiency) of revenues over expenditures	416,939	(425,237)	(325,237)	742,176
Other financing sources (uses):				
Interfund loan	(375,000)	(400,000)	(500,000)	125,000
Total other financing sources (uses)	(375,000)	(400,000)	(500,000)	125,000
Net Change in Fund Balance	41,939	(825,237)	(825,237)	867,176
Fund balance, July 1, 2003	1,497,827	1,589,000	1,589,000	(91,173)
Fund balance, June 30, 2004	\$ 1,539,766	\$ 763,763	\$ 763,763	\$ 776,003
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 11,985,528			
Accrued Interest	(98)			
Interfund Loans	375,000			
	<u>\$ 13,900,196</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, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 2,296,165	\$ 2,270,000	\$ 2,270,000	\$ 26,165
Interest on investments	2,173	5,000	5,000	(2,827)
Miscellaneous	54,530		50,000	4,530
Total revenues	<u>2,352,868</u>	<u>2,275,000</u>	<u>2,325,000</u>	<u>27,868</u>
Expenditures:				
Cost of services:				
Operations:				
Promotions	143,195	147,490	147,490	4,295
Operations	2,547,140	2,391,600	2,541,600	(5,540)
Total cost of services	2,690,335	2,539,090	2,689,090	(1,245)
Debt service	6,912,915	7,202,000	7,202,000	289,085
Contingency		75,000	75,000	75,000
Total expenditures	<u>9,603,250</u>	<u>9,816,090</u>	<u>9,966,090</u>	<u>362,840</u>
Excess (deficiency) of revenues over expenditures	<u>(7,250,382)</u>	<u>(7,541,090)</u>	<u>(7,641,090)</u>	<u>390,708</u>
Other financing sources:				
Loan proceeds	6,925,000	6,950,000	7,050,000	(125,000)
Net Change in Fund Balance	(325,382)	(591,090)	(591,090)	265,708
Fund balance, July 1, 2003	<u>388,018</u>	<u>891,000</u>	<u>861,000</u>	<u>(472,982)</u>
Fund balance, June 30, 2004	<u>\$ 62,636</u>	<u>\$ 299,910</u>	<u>\$ 269,910</u>	<u>\$ (207,274)</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 9,904,197			
Accrued Interest	(126,772)			
Interfund Loans	(6,925,000)			
Revenue Bonds Payable	(7,352,000)			
	<u>\$ (4,436,939)</u>			

CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2004

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 1,079,123	\$ 1,383,082	\$ 1,244,419	\$ 3,706,624
Interest and accounts receivable, net	56,712	(110)	(1,534)	55,068
Notes receivable	-	31,233		31,233
Inventories	1,302		38,438	39,740
Total current assets	<u>1,137,137</u>	<u>1,414,205</u>	<u>1,281,323</u>	<u>3,832,665</u>
Fixed assets	254,376		8,945,603	9,199,979
Accumulated depreciation	<u>(231,689)</u>		<u>(5,595,586)</u>	<u>(5,827,275)</u>
Fixed assets, net	<u>22,687</u>		<u>3,350,017</u>	<u>3,372,704</u>
Total assets	<u>\$ 1,159,824</u>	<u>\$ 1,414,205</u>	<u>\$ 4,631,340</u>	<u>\$ 7,205,369</u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 269,019	\$ 6,105	\$ 37,792	\$ 312,916
Accrued salaries, vacation and payroll taxes	293,598		19,220	312,818
Other liabilities	5,506			5,506
Accrued claims and adjustments		624,581		624,581
Total current liabilities	<u>568,123</u>	<u>630,686</u>	<u>57,012</u>	<u>1,255,821</u>
Net assets:				
Net assets (deficit):				
Unreserved	<u>591,701</u>	<u>783,519</u>	<u>4,574,328</u>	<u>5,949,548</u>
Total fund equity:	<u>591,701</u>	<u>783,519</u>	<u>4,574,328</u>	<u>5,949,548</u>
Total liabilities and net assets	<u>\$ 1,159,824</u>	<u>\$ 1,414,205</u>	<u>\$ 4,631,340</u>	<u>\$ 7,205,369</u>

CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2004

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
Operating revenues:				
Service charges and fees	\$ 4,486,621	\$ 1,052,529	\$ 1,271,957	\$ 6,811,107
Miscellaneous	109,094	529,137	118,306	756,537
Total operating revenues	<u>4,595,715</u>	<u>1,581,666</u>	<u>1,390,263</u>	<u>7,567,644</u>
Operating expenses:				
Cost of services	4,985,221	798,117	547,540	6,330,878
Depreciation	22,077	-	602,375	624,452
Total operating expenses	<u>5,007,298</u>	<u>798,117</u>	<u>1,149,915</u>	<u>6,955,330</u>
Operating income (loss)	(411,583)	783,549	240,348	612,314
Nonoperating income (expense):				
Interest income	10,566	4,972	9,776	25,314
Gain (loss) on disposal of assets	(12,961)		(101,071)	(114,032)
Total nonoperating income (expense)	<u>(2,395)</u>	<u>4,972</u>	<u>(91,295)</u>	<u>(88,718)</u>
Change in Net Assets	(413,978)	788,521	149,053	523,596
Net assets, July 1, 2003	<u>1,005,679</u>	<u>(5,002)</u>	<u>4,425,275</u>	<u>5,425,952</u>
Net assets, June 30, 2004	<u>\$ 591,701</u>	<u>\$ 783,519</u>	<u>\$ 4,574,328</u>	<u>\$ 5,949,548</u>

CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2004

	Business-type Activities - Enterprise Funds			
	Central Services	Insurance Services	Equipment Fund Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 4,584,607	\$ 1,628,841	\$ 1,392,301	\$ 7,605,749
Payments to suppliers	(1,348,805)	(822,972)	(413,475)	(2,585,252)
Payments to employees	(3,438,580)	(309,399)	(244,913)	(3,992,892)
Net cash from operating activities	<u>(202,778)</u>	<u>496,470</u>	<u>733,913</u>	<u>1,027,605</u>
Cash flows from noncapital financing activities:				
Proceeds from (payment of) interfund loan				
Operating transfers in				
Taxes collected				
Net cash from noncapital financing activities				
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1)		(759,066)	(759,067)
Proceeds from issuance of debt				
Proceeds from intergovernmental income				
Principal paid on bonds, contracts and notes				
Interest paid on debt				
Tax Equivalents				
Net cash from capital and related financing activities	<u>(1)</u>		<u>(759,066)</u>	<u>(759,067)</u>
Cash flows from investing activities:				
Interest from investments	10,566	4,972	9,776	25,314
Net increase (decrease) in cash and investments	<u>(192,213)</u>	<u>501,442</u>	<u>(15,377)</u>	<u>293,852</u>
Cash and investments, beginning of year	1,271,336	881,640	1,259,796	3,412,772
Cash and investments, end of year	<u>\$ 1,079,123</u>	<u>\$ 1,383,082</u>	<u>\$ 1,244,419</u>	<u>\$ 3,706,624</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (411,583)	\$ 783,549	\$ 240,348	\$ 612,314
Depreciation and amortization	22,077		602,375	624,452
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	(11,108)	47,175	2,038	38,105
Inventories	426		(14,796)	(14,370)
Deferred charges				
Increase (decrease) in:				
Accounts payable and accrued liabilities	196,354	(24,855)	(96,052)	75,447
Other liabilities	1,056	(309,399)		(308,343)
Net cash from operating activities	<u>\$ (202,778)</u>	<u>\$ 496,470</u>	<u>\$ 733,913</u>	<u>\$ 1,027,605</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, 2004

	<u>Budget Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
Revenues:				
Charges for services	\$ 4,486,621	\$ 4,945,600	\$ 4,945,600	\$ (458,979)
Interest on investments	10,566	15,000	15,000	(4,434)
Miscellaneous	109,094	75,000	75,000	34,094
Total revenues	<u>4,606,281</u>	<u>5,035,600</u>	<u>5,035,600</u>	<u>(429,319)</u>
Expenditures:				
Cost of services:				
Administration	1,080,487	1,131,131	1,131,131	50,644
Finance	1,379,652	1,541,355	1,541,355	161,703
City Recorder	159,246	159,735	169,735	10,489
Public Works	1,176,615	1,220,700	1,220,700	44,085
Facilities Maintenance	440,085	460,850	460,850	20,765
Computer Services	749,136	773,005	773,005	23,869
Contingency		140,000	130,000	130,000
Total expenditures	<u>4,985,221</u>	<u>5,426,776</u>	<u>5,426,776</u>	<u>441,555</u>
Net Change in Fund Balance	(378,940)	(391,176)	(391,176)	12,236
Fund balance, July 1, 2003	<u>947,953</u>	<u>537,000</u>	<u>537,000</u>	<u>410,953</u>
Fund balance, June 30, 2004	<u>\$ 569,013</u>	<u>\$ 145,824</u>	<u>\$ 145,824</u>	<u>\$ 423,189</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 22,687			
Rounding	<u>1</u>			
	<u>\$ 591,701</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, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 1,052,529	\$ 758,000	\$ 758,000	\$ 294,529
Interest on investments	4,972	13,000	13,000	(8,028)
Miscellaneous	529,137			529,137
Total revenues	<u>1,586,638</u>	<u>771,000</u>	<u>771,000</u>	<u>815,638</u>
Expenditures:				
Cost of services:				
Personal services		1,000	1,000	1,000
Materials and services	798,117	743,500	843,500	45,383
Total cost of services	<u>798,117</u>	<u>744,500</u>	<u>844,500</u>	<u>46,383</u>
Contingency		112,000	12,000	12,000
Total expenditures	<u>798,117</u>	<u>856,500</u>	<u>856,500</u>	<u>58,383</u>
Net Change in Fund Balance	788,521	(85,500)	(85,500)	874,021
Fund balance, July 1, 2003	<u>145,978</u>	<u>242,000</u>	<u>242,000</u>	<u>(96,022)</u>
Fund balance, June 30, 2004	<u>\$ 934,499</u>	<u>\$ 156,500</u>	<u>\$ 156,500</u>	<u>\$ 777,999</u>
Reconciliation to Net Assets:				
Accrued claims and adjustments	<u>\$ (150,980)</u>			
	<u>\$ 783,519</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, 2004

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 1,271,957	\$ 1,493,200	\$ 1,493,200	\$ (221,243)
Interest on investments	9,776	22,000	22,000	(12,224)
Miscellaneous	118,306	30,000	30,000	88,306
Total revenues	1,400,039	1,545,200	1,545,200	(145,161)
Expenditures:				
Cost of services:				
Personal services	244,913	244,900	259,900	14,987
Materials and services	423,413	500,560	500,560	77,147
Total cost of services	668,326	745,460	760,460	92,134
Capital outlay	629,000	796,000	796,000	167,000
Contingency		175,000	160,000	160,000
Total expenditures	1,297,326	1,716,460	1,716,460	419,134
Net Change in Fund Balance	102,713	(171,260)	(171,260)	273,973
Fund balance, July 1, 2003	1,121,598	1,080,000	1,080,000	41,598
Fund balance, June 30, 2004	\$ 1,224,311	\$ 908,740	\$ 908,740	\$ 315,571
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 3,350,017			
	<u>\$ 4,574,328</u>			

CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2004

Governmental funds capital assets:

Land	\$ 8,189,141
Buildings and improvements	8,944,659
Improvements other than buildings	36,151,608
Machinery and equipment	3,502,023
Construction in progress	9,543,291
	9,543,291

Total capital assets	\$ 66,330,722
	66,330,722

Investments in governmental funds capital assets by source:

General and Capital Projects Funds	\$ 17,408,075
Special Revenue Funds	36,778,820
Component Unit	5,456,277
Leased to Other Agencies	6,687,550
	6,687,550

Total investments in governmental funds capital assets	\$ 66,330,722
	66,330,722

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, 2004

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
General Government:						
Community Development	\$ 259,675	\$ 1,830,945		\$ 378,138		\$ 2,468,758
Public Buildings	460,200	989,822		124,461	\$ 4,753,212	6,327,695
Leased to Other Agencies	253,605	2,145,441	\$ 3,161,435	1,127,069		6,687,550
Other - Unclassified	184,651	584,379	819,836	171,275		1,760,141
Total General government	1,158,131	5,550,587	3,981,271	1,800,943	4,753,212	17,244,144
Public Safety:						
Police	80,000	683,000		629,924		1,392,924
Fire	998,440	120,308	300,000	879,671	3,160,138	5,458,557
Total Public Safety	1,078,440	803,308	300,000	1,509,595	3,160,138	6,851,481
Highway and Streets:						
Public Thoroughfares	452,235	1,800,000	31,244,481	186,978	1,629,941	35,313,635
Total Highways and Streets	452,235	1,800,000	31,244,481	186,978	1,629,941	35,313,635
Airports	176,565	662,764	625,856			1,465,185
Culture and Recreation	5,323,770	128,000		4,507		5,456,277
Total Governmental Funds						
Capital Assets	<u>\$ 8,189,141</u>	<u>\$ 8,944,659</u>	<u>\$ 36,151,608</u>	<u>\$ 3,502,023</u>	<u>\$ 9,543,291</u>	<u>\$ 66,330,722</u>

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, 2004

	Original Issue	Bond Principal Transactions	
		Outstanding June 30, 2003	Issued
<u>General Obligation Bonds</u>			
Water Bonds, issued December 1, 1977, interest at 5.00% to 7.00%	\$ 560,000	\$ 125,000	
Advance Refunding Bond, issued November 4, 1992, interest at 2.85% to 5.40%	2,040,000	75,000	
Flood and Refunding Bonds, issued December 1, 1997, interest at 3.65% to 6.00%	2,800,000	2,075,000	
Flood and Fire Station Bonds, issued June 1, 2000 interest various	3,310,000	3,005,000	
<u>Revenue Bonds</u>			
Water, Series 2003, issued June 1, 2003, interest at 2.00% to 4.00%	5,625,000	5,625,000	
	<u>\$ 14,335,000</u>	<u>\$ 10,905,000</u>	<u>\$ -</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2004 (continued)

Bond Principal Transactions			Interest Transactions			
Matured	Paid	Outstanding June 30, 2004	Outstanding June 30, 2003	Matured	Paid	Outstanding June 30, 2004
\$ 25,000	\$ 25,000	\$ 100,000	\$ 7,425	\$ 6,187	\$ 5,912	\$ 7,700
75,000	75,000			2,025	2,025	
185,000	185,000	1,890,000		87,948	87,948	
120,000	120,000	2,885,000		164,483	164,483	
345,000	345,000	5,280,000		127,347	127,347	
<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 10,155,000</u>	<u>\$ 7,425</u>	<u>\$ 387,990</u>	<u>\$ 387,715</u>	<u>\$ 7,700</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
TOTAL REPORTING ENTITY
For the year ended June 30, 2004

	Taxes Uncollected July 1, 2003	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2004
2003-04	\$ -	\$ 8,103,092	\$ (97,779)	\$ 7,618,841	\$ 386,472
2002-03	443,827		(88,452)	205,241	150,134
2001-02	153,085		(9,979)	71,559	71,547
2000-01	76,027		16,512	53,734	38,805
1999-00	31,341		(8,817)	16,418	6,106
1998-99	5,949		(302)	2,093	3,554
1997-98	3,088		316	1,483	1,921
Prior years	3,786		615	1,107	3,294
	<u>\$ 717,103</u>	<u>\$ 8,103,092</u>	<u>\$ (187,886)</u>	<u>\$ 7,970,476</u>	<u>\$ 661,833</u>

	Collections to June 30, 2004	Taxes Uncollected June 30, 2004
Taxes receivable and tax collections classified by fund:		
Primary government:		
General Fund	\$ 2,170,078	\$ 187,534
Debt Service Funds:		
Debt Service Fund	413,529	31,719
Enterprise Funds:		
Water Fund	179,302	16,654
Component unit:		
Parks and Recreation:		
Parks and Recreation Fund	3,148,886	261,534
Ashland Youth Activities Serial Levy Fund	2,058,681	164,392
	<u>\$ 7,970,476</u>	<u>\$ 661,833</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES
TOTAL REPORTING ENTITY
For the year ended June 30, 2004

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	\$ 2,170,078	\$ 5,559,195	\$ 7,729,273
Special Revenue Funds:			
Street Fund		234,496	234,496
Debt Service Funds:			
Debt Service Fund	413,529		413,529
Capital Projects Fund:			
Capital Improvement Fund		336,715	336,715
Enterprise Funds:			
Water Fund	179,302		179,302
Wastewater Fund		1,346,863	1,346,863
Component unit:			
Parks and Recreation:			
Parks and Recreation Fund	3,148,886		3,148,886
Special Revenue Fund:			
Ashland Youth Activities Serial Levy Fund	<u>2,058,681</u>		<u>2,058,681</u>
	<u>\$ 7,970,476</u>	<u>\$ 7,477,269</u>	<u>\$ 15,447,745</u>



STATISTICAL SECTION

Total Reporting Entity
(Unaudited)

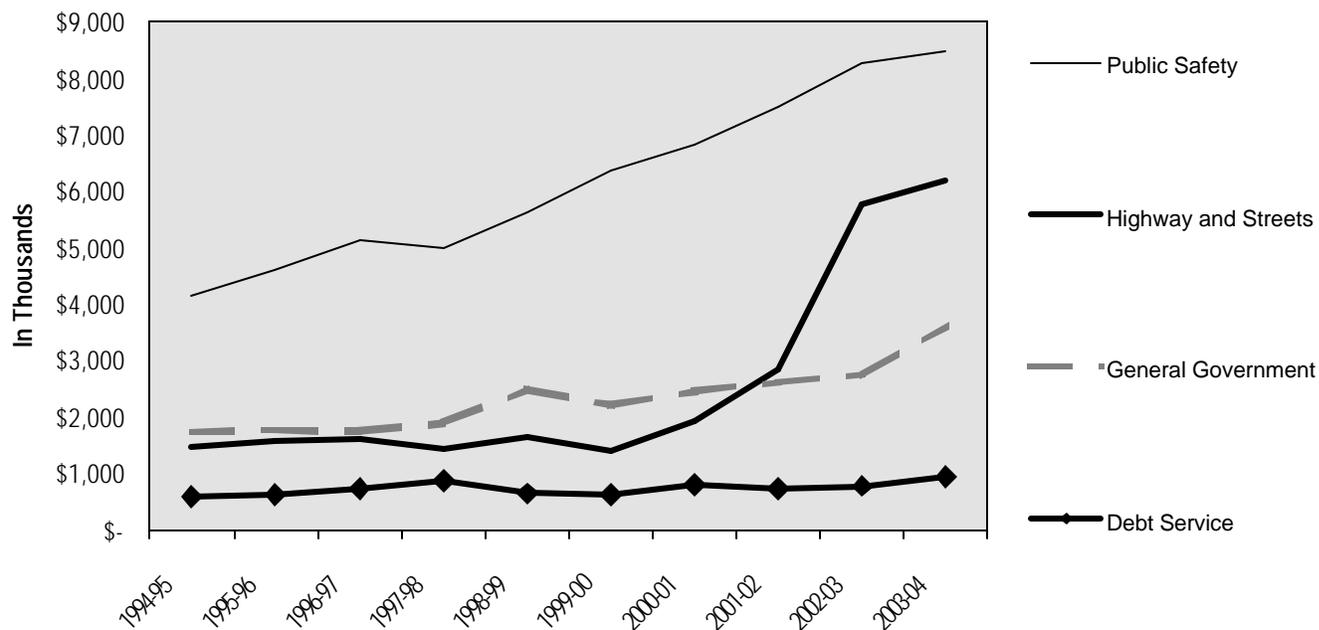


TABLE 1

**CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highway and Streets</u>	<u>Debt Service</u>	<u>Total</u>
2003-04	\$ 4,062	\$ 8,483	\$ 6,193	\$ 918	\$ 19,656
2002-03	7,479	8,262	5,772	780	22,293
2001-02	2,620	7,514	2,852	738	13,724
2000-01	2,462	6,824	1,924	811	12,021
1999-00	2,214	6,374	1,414	624	10,626
1998-99	2,498	5,622	1,654	653	10,427
1997-98	1,892	4,997	1,450	874	9,213
1996-97	1,757	5,141	1,608	739	9,245
1995-96	1,767	4,616	1,579	630	8,592
1994-95	1,734	4,167	1,472	598	7,971

General Government Expenditures by Function



Source: City of Ashland Financial Statements and Records

TABLE 2

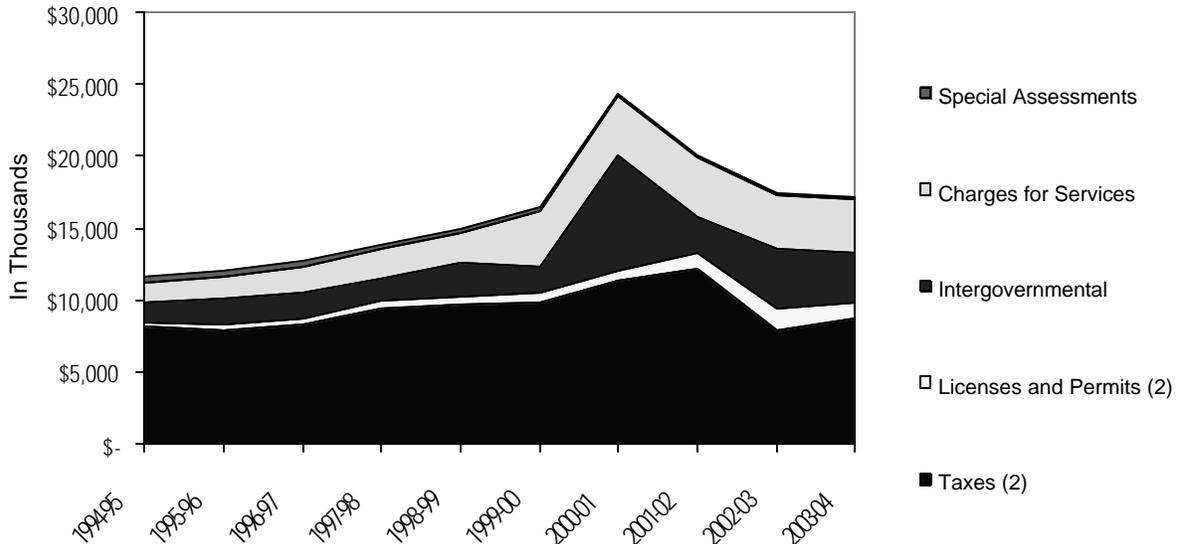
**CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL REVENUES BY SOURCE
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited**

<u>Fiscal Year</u>	<u>Taxes (2)</u>	<u>Licenses and Permits (2)</u>	<u>Inter- governmental</u>	<u>Special Assess- ments</u>	<u>Charges for Services</u>	<u>Fines</u>	<u>Interest</u>	<u>Miscell- aneous</u>	<u>Total</u>
2003-04	\$ 8,714	\$ 1,156	\$ 3,350	\$ 171	\$ 3,717	\$ 121	\$ 52	\$ 564	\$ 17,845
2002-03	7,906	1,473	4,191	215	3,665	108	116	191	17,865
2001-02	12,203	1,100	2,433	194	4,180	188	357	499	21,154
2000-01	11,288	725	7,977	164	4,156	122	913	373	25,718
1999-00	9,759	781	1,797	259	3,835	164	341	151	17,087
1998-99	9,703	599	2,274	327	2,098	164	463	174	15,802
1997-98	9,457	497	1,519	256	2,099	210	412	357	14,807
1996-97	8,293	429	1,742	339	1,880	173	344	500	13,700
1995-96	7,907	379	1,771	387	1,548	187	307	314	12,800
1994-95	8,180	315	1,360	357	1,359	164	157	265	12,157

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

(2) Basic financial statements reflect business license as Licenses and Permits.

General Governmental Revenues by Source



Source: City of Ashland Financial Statements and Records

TABLE 3

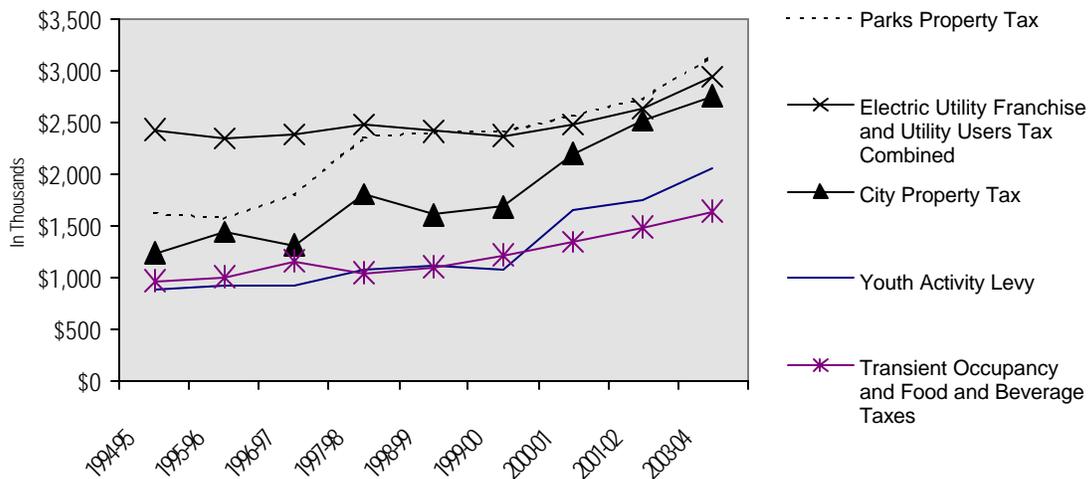
**CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited**

Fiscal Year	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
2003-04	\$ 7,970	\$ 842	\$ 2,103	\$ 986	\$ 1,309	\$ 337	\$ 155	\$ 13,702
2002-03	7,426	914	1,929	1,575	1,255	320	153	13,572
2001-02	7,010	870	1,770	911	1,168	317	157	12,203
2000-01	6,414	833	1,648	906	1,039	307	141	11,288
1999-00	5,182	781	1,594	832	930	292	148	9,759
1998-99	5,130	769	1,651	881	840	262	140	9,673
1997-98	5,246	827	1,656	542	793	251	142	9,457
1996-97	4,039	804	1,631	721	731	235	132	8,293
1995-96	3,942	790	1,559	483	768	236	129	7,907
1994-95	3,747	700	1,684	758	885	277	129	8,180

(1) Derived from city-owned electric utility operations.

(2) Tax enacted July 1, 1993.

General Governmental Tax Revenues by Source



Source: City of Ashland Financial Statements and Records

TABLE 4

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

<u>Fiscal Year</u>	<u>Capital Improvement (3)</u>	<u>Wastewater (2)</u>	<u>Total (1)</u>	<u>Cumulative</u>
2003-04	\$ 337	\$ 1,347	\$ 1,684	\$ 14,152
2002-03	320	1,280	1,600	12,468
2001-02	317	1,268	1,585	10,868
2000-01	307	1,219	1,526	9,283
1999-00	292	1,151	1,443	7,757
1998-99	262	1,047	1,309	6,314
1997-98	251	1,007	1,258	5,005
1996-97	235	940	1,175	3,747
1995-96	236	946	1,182	2,572
1994-95	277	1,113	1,390	1,390

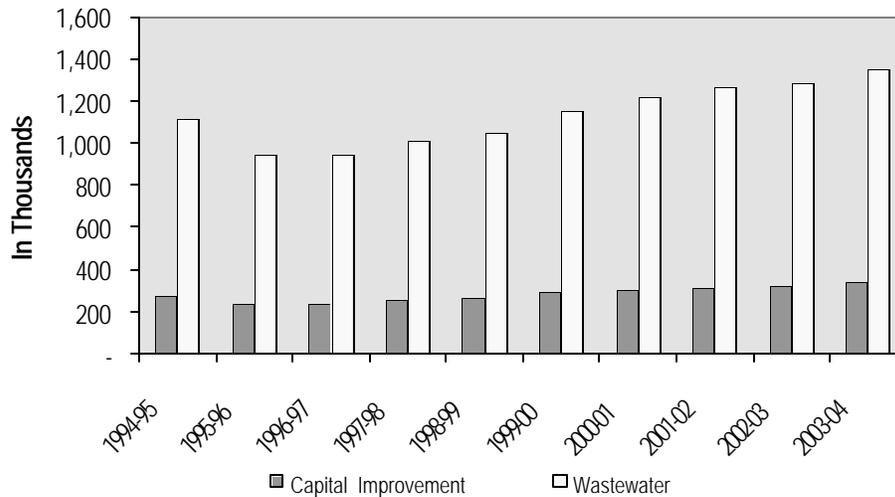
(1) Tax enacted July 1, 1993

(2) Derived from wastewater enterprise operations.

(3) Dedicated to acquisition of Open Space Parkland.

(4) A change in accounting methods increased the amount recorded for taxpayer assessed revenues in fiscal year 1994-1995.

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



Source: City of Ashland Financial Statements and Records

TABLE 5

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

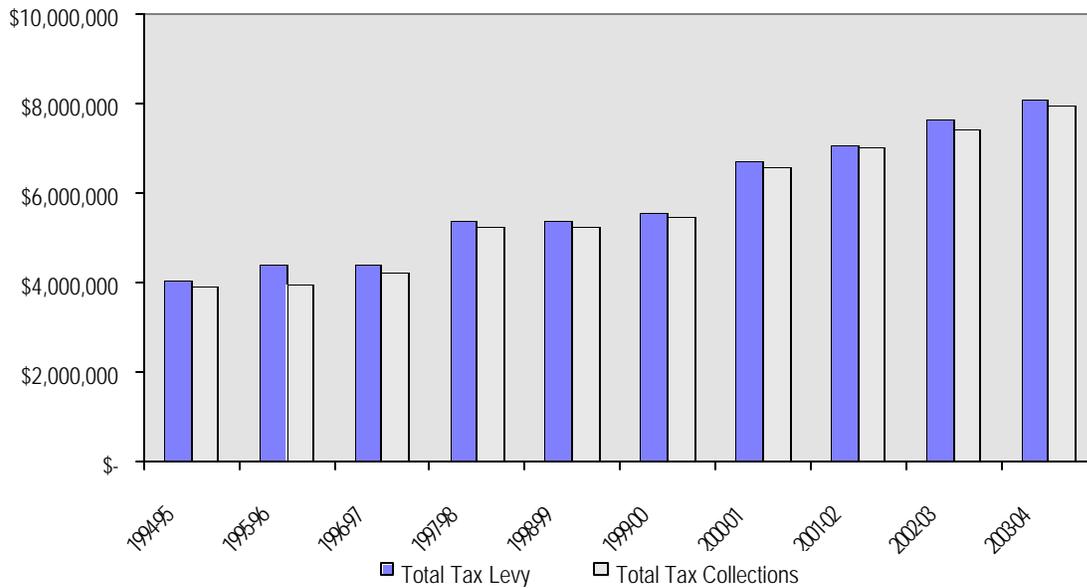
Fiscal Year	Total Tax Levy (1)	Current Tax Collections (3)	Percent of Levy Collected	Delinquent Tax Collections (2)(3)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2003-04	\$ 8,103,092	\$ 7,618,841	94.0%	\$ 351,635	\$ 7,970,476	98.4%	\$ 661,833	8.2%
2002-03	7,643,588	7,100,832	92.9%	325,084	7,425,916	97.2%	717,103	9.4%
2001-02	7,078,000	6,611,284	93.4%	398,332	7,009,616	99.0%	690,652	9.8%
2000-01	6,735,000	6,304,073	93.6%	264,836	6,568,909	97.5%	613,710	9.1%
1999-00	5,576,000	5,109,088	91.6%	367,430	5,476,518	98.2%	542,712	9.7%
1998-99	5,359,000	4,701,836	87.7%	535,791	5,237,627	97.7%	487,762	9.1%
1997-98	5,368,362	4,907,232	91.4%	338,875	5,246,107	97.7%	448,995	8.4%
1996-97	4,407,560	3,954,755	89.7%	257,885	4,212,640	95.6%	447,854	10.2%
1995-96	4,407,560	3,721,863	84.4%	237,652	3,959,515	89.8%	387,633	8.8%
1994-95	4,065,500	3,696,917	90.9%	195,955	3,892,872	95.8%	341,362	8.4%

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

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

(3) Includes adjustments, rounding and discounts.

Property Tax Levies and Collections



Source: City of Ashland Financial Statements and Records

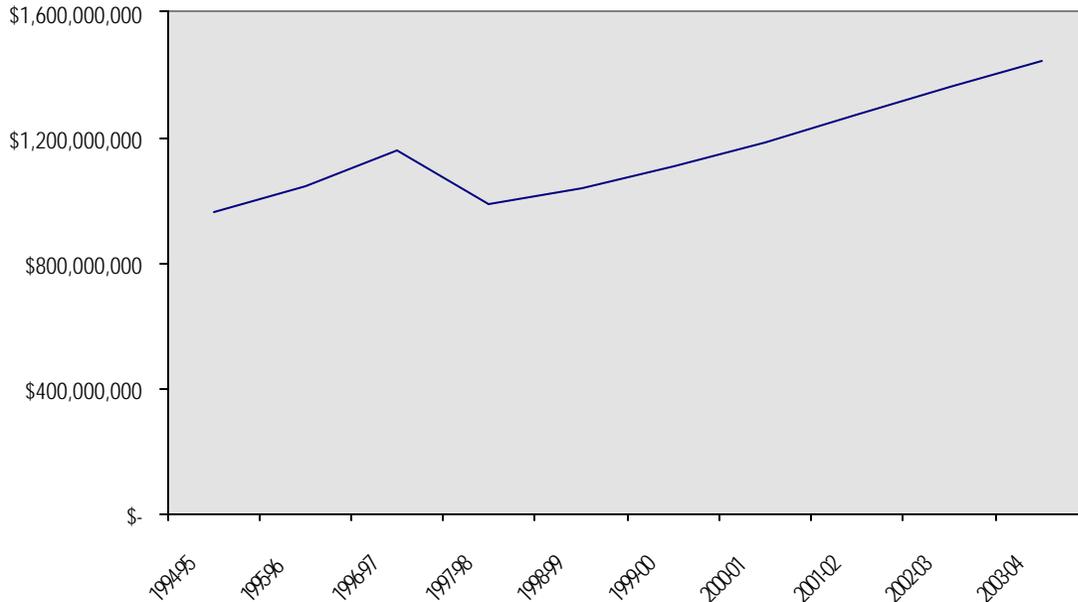
TABLE 6

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

Fiscal Year	Real Property	Mobile Home	Personal	Utilities	Total	Taxable ratio (True Cash Value to Assessed)
2003-04	\$ 1,446,150,336	\$ 5,400,552	\$ 37,453,000	\$ 22,831,681	\$ 1,511,835,569	61.7%
2002-03	1,360,297,002	5,147,040	34,209,260	24,241,450	1,423,894,752	61.1%
2001-02	1,272,205,820	4,983,960	32,044,090	23,806,860	1,333,040,730	68.6%
2000-01	1,183,527,490	4,760,560	30,004,310	21,823,850	1,240,116,210	83.0%
1999-00	1,106,322,240	4,241,270	26,183,680	20,989,320	1,157,736,510	94.0%
1998-99	1,039,559,010	4,439,960	25,093,370	19,043,890	1,088,136,230	87.0%
1997-98	989,442,520	4,186,640	24,490,630	17,563,860	1,035,683,650	83.0%
1996-97	1,161,561,340	4,203,470	22,063,340	16,872,790	1,204,700,940	100.0%
1995-96	1,042,057,940	3,969,880	20,485,600	15,750,460	1,082,263,880	100.0%
1994-95	962,758,380	4,070,480	18,371,638	16,600,420	1,001,800,918	100.0%

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

**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	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
2003-04	5.34		0.04	2.79	0.17	8.34	0.34	5.49	0.50		6.33	14.67
2002-03	5.36		0.04	2.70	0.17	8.27	0.34	5.53	0.50		6.37	14.64
2001-02	5.38		0.04	2.66	0.18	8.26	0.86	5.83			6.69	14.95
2000-01	5.46		0.04	2.56	0.18	8.24	1.84	5.03			6.87	15.11
1999-00	4.81		0.04	2.25	0.18	7.28	1.95	5.03			6.98	14.26
1998-99	4.92		0.04	2.01	0.18	7.15	0.35	6.08			6.43	13.58
1997-98	5.18		0.04	2.00	0.18	7.40	0.88	13.93		(6.99)	7.82	15.22
1996-97	3.66	0.23	0.04	1.11	0.18	5.22	0.88	13.93		(7.46)	7.35	12.57
1995-96	3.75	0.22	0.04	0.64	0.18	4.83	0.87	13.15		(8.79)	5.23	10.06
1994-95	4.06	0.22	0.05	0.19	0.19	4.71	0.90	13.29		(5.83)	8.36	13.07

(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

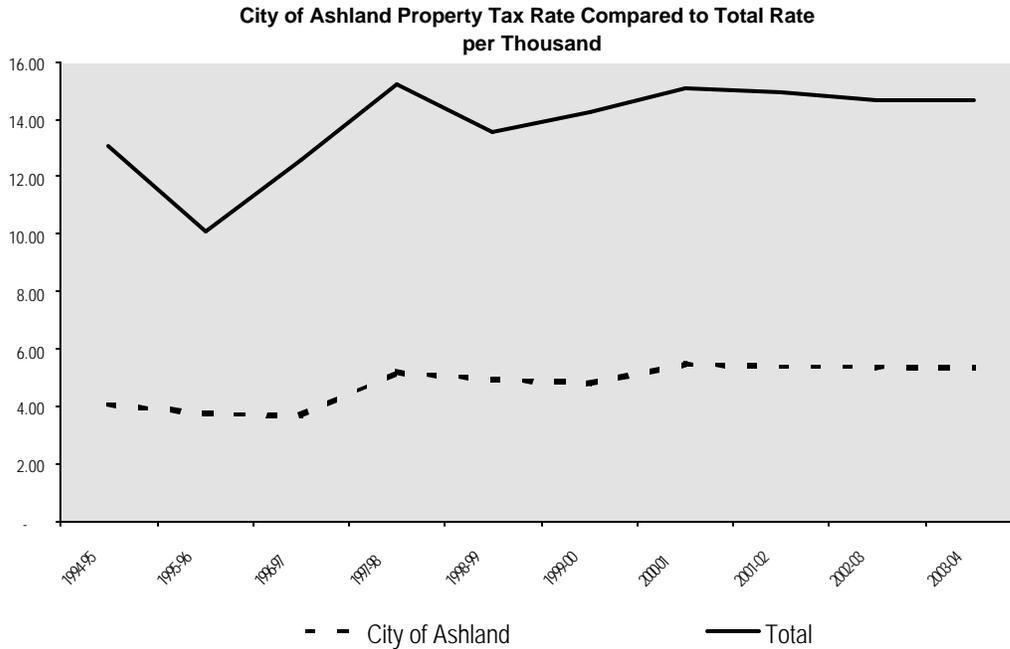


TABLE 8

**CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
June 30, 2004 - Unaudited**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2004 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Qwest Corporation	Utility	\$ 13,883,473	0.92%
Windmill Inns of America, Inc.	Motels	9,218,250	0.61%
Ronald L. Deluca	Housing	7,507,180	0.50%
Mountain Meadows LLC	Housing	6,529,580	0.43%
AVISTA Corp.	Utility	5,916,700	0.39%
Financial Pacific, Inc.	Housing	5,013,610	0.33%
Michael D. & Beverly Rydbom	Retail	4,201,260	0.28%
Skylark Assisted Living	Housing	4,142,890	0.27%
Bard's Inn Limited	Motels	3,953,280	0.26%
Summit Investment	Retail	3,837,970	0.25%
All other		<u>1,447,631,376</u>	<u>95.75%</u>
Total		<u>\$ 1,511,835,569</u>	<u>100.00%</u>

Type of Business

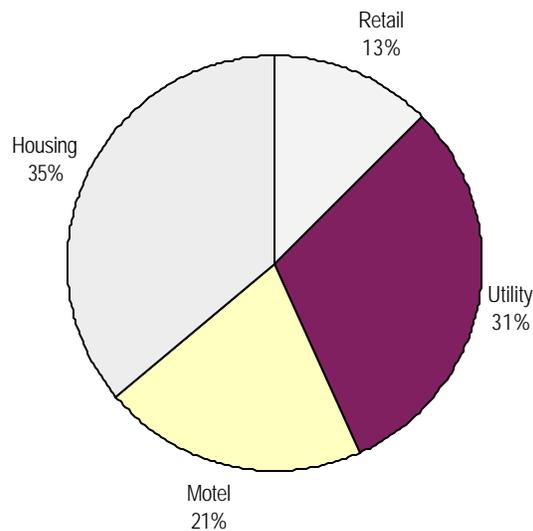


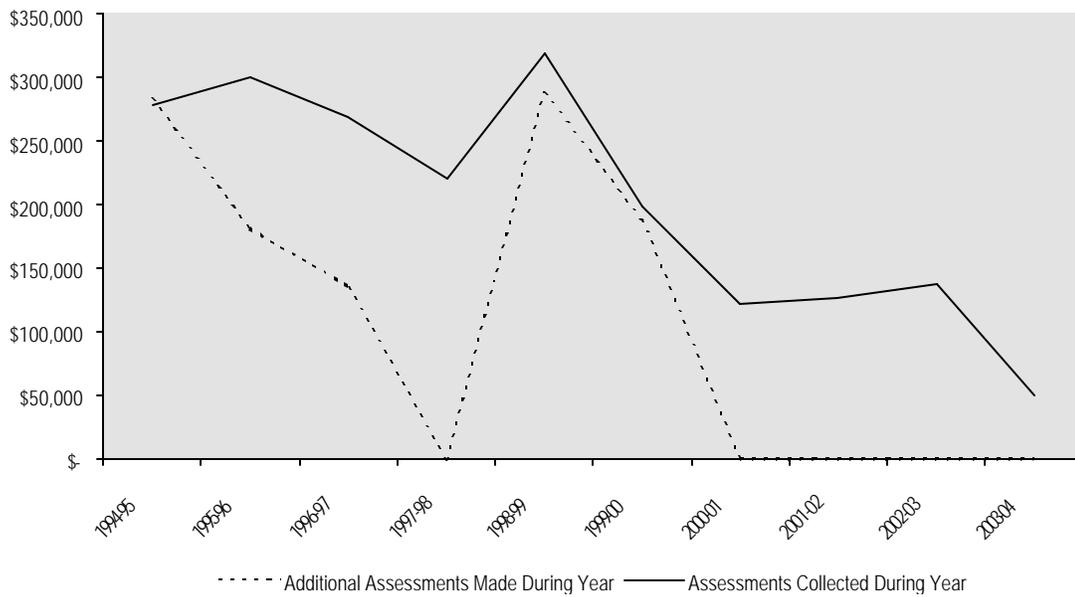
TABLE 9

**CITY OF ASHLAND
SPECIAL ASSESSMENT COLLECTIONS
for the last ten fiscal years - Unaudited**

Fiscal Year	Assessments Outstanding Beginning Year	Additional Assessments Made During Year	Assessments Collected During Year	Assessments Outstanding End of Year	Collections as % of Assessments Outstanding During Year
2003-04	\$ 224,263		\$ 50,265	\$ 173,998	25.2%
2002-03	361,877		137,614	224,263	47.0%
2001-02	487,963		126,086	361,877	29.7%
2000-01	610,268		122,305	487,963	22.3%
1999-00	620,278	\$ 188,617	198,627	610,268	32.3%
1998-99	650,511	288,598	318,831	620,278	50.2%
1997-98	870,833		220,322	650,511	29.0%
1996-97	1,004,905	135,394	269,466	870,833	28.7%
1995-96	1,123,829	181,519	300,443	1,004,905	28.2%
1994-95	1,118,499	283,802	278,472	1,123,829	24.8%

Includes bonded and unbonded special assessments.

Collections Compared to New Assessments



Source: City of Ashland Financial Statements and Records

TABLE 10

**CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004 - Unaudited**

True cash value	\$ 2,450,551,643	
3% of the true cash value	<u>0.03</u>	
		\$ 73,516,549
 NET BONDED DEBT:		
Gross bonded debt	4,875,000	
Less amounts exempted:		
Water	(100,000)	
Water Refunding	<u>(1,205,000)</u>	
Total debt applicable to margin		<u>3,570,000</u>
 LEGAL DEBT MARGIN		 <u><u>\$ 69,946,549</u></u>

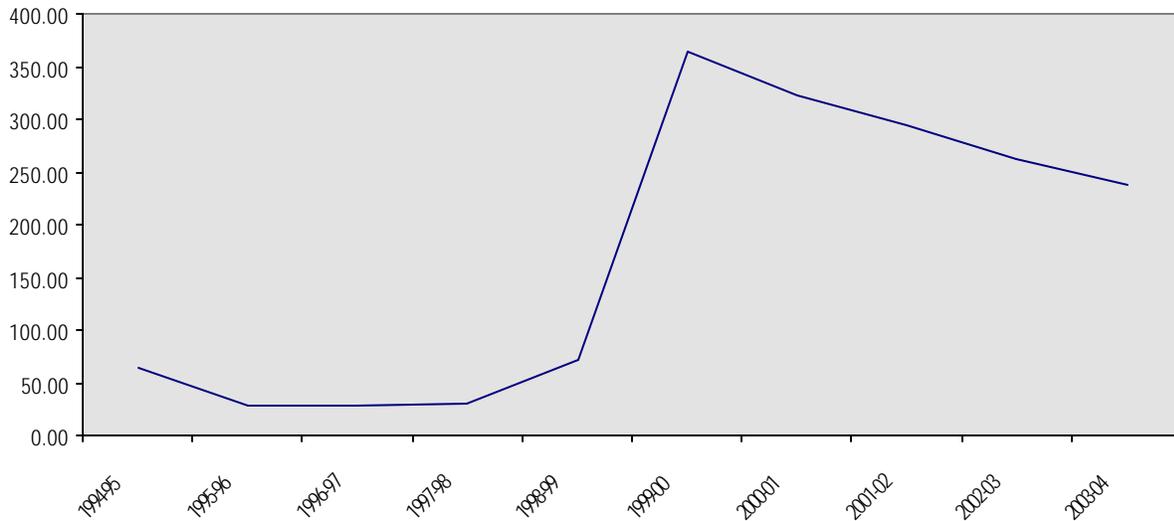
ORS 287.004 provides a debt limit of 3% of the true cash value of all taxable property within the Municipality's boundaries. According to ORS 287.004, the 3% limitation does not apply to bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, power or lighting purposes, nor 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
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	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Fund Monies Available	Enterprise Fund Monies Available	Debt Payable from Enterprise Revenues (4)	Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2003-04	20,430	\$ 1,511,835,569	\$ 43,746,882	\$ 433,278	\$ 1,281,341	\$ 36,866,762	\$ 4,885,000	0.32%	239.11
2002-03	20,130	1,423,894,752	42,804,005	282,293	1,913,648	38,884,073	5,280,000	0.37%	262.30
2001-02	19,770	1,333,040,730	41,503,298	136,978	2,830,609	32,700,711	5,835,000	0.44%	295.14
2000-01	19,610	1,240,116,210	34,976,385	132,019	694,697	27,799,669	6,350,000	0.51%	323.81
1999-00	19,490	1,157,736,510	31,454,293	225,841	584,621	23,553,831	7,090,000	0.61%	363.78
1998-99	19,220	1,088,136,230	14,715,508	522,083	333,888	12,484,537	1,375,000	0.13%	71.54
1997-98	18,560	1,035,683,650	8,220,000	149,017	850,362	6,665,000	555,621	0.05%	29.94
1996-97	18,360	1,204,700,940	7,777,957	381,623	694,411	6,183,546	518,377	0.04%	28.23
1995-96	17,985	1,082,263,800	7,865,000	273,024	496,133	6,595,843	500,000	0.05%	27.80
1994-95	17,725	1,001,800,918	8,875,000	247,451	472,515	7,015,034	1,140,000	0.11%	64.32

**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.

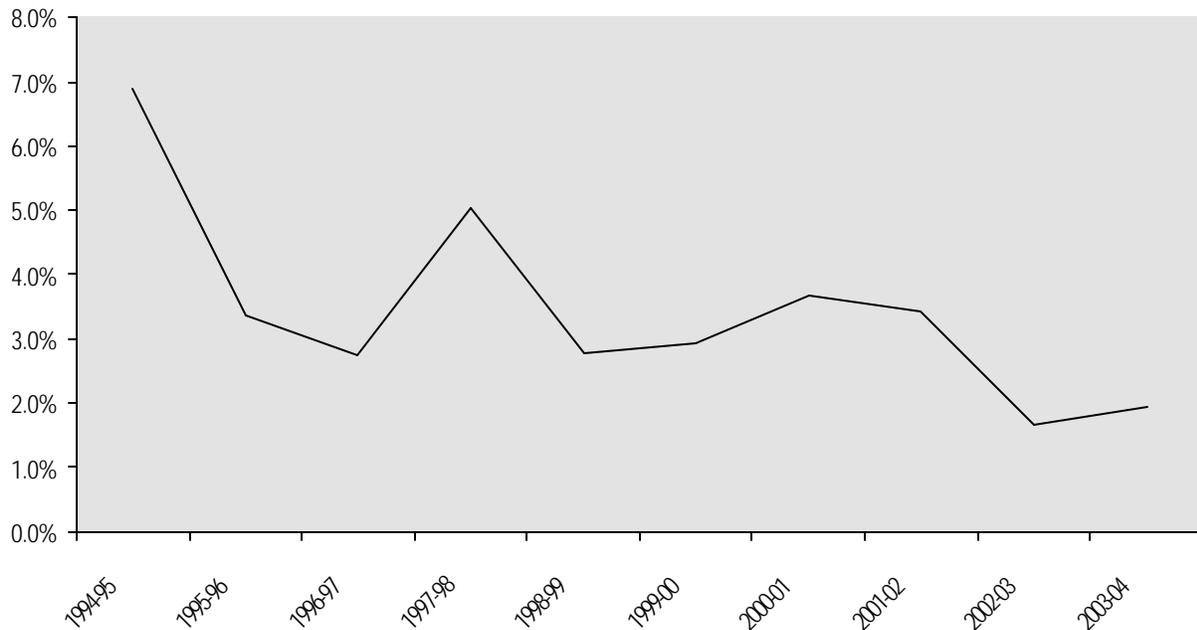
TABLE 12

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	Principal	Interest	Total Debt Service (1)	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2003-04	\$ 185,000	\$ 196,353	\$ 381,353	\$ 19,656,207	1.9%
2002-03	170,000	199,068	369,068	22,293,115	1.7%
2001-02	280,000	188,809	468,809	13,724,000	3.4%
2000-01	210,000	232,044	442,044	12,021,000	3.7%
1999-00	215,000	96,081	311,081	10,626,000	2.9%
1998-99	145,000	144,515	289,515	10,427,000	2.8%
1997-98	425,000	40,320	465,320	9,213,000	5.1%
1996-97	155,000	97,560	252,560	9,245,000	2.7%
1995-96	260,000	29,175	289,175	8,592,000	3.4%
1994-95	418,000	131,080	549,080	7,971,000	6.9%

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

Ratio of Debt Service to General Governmental Expenditures
Last Ten Years



Source: City of Ashland Financial Statements and Records

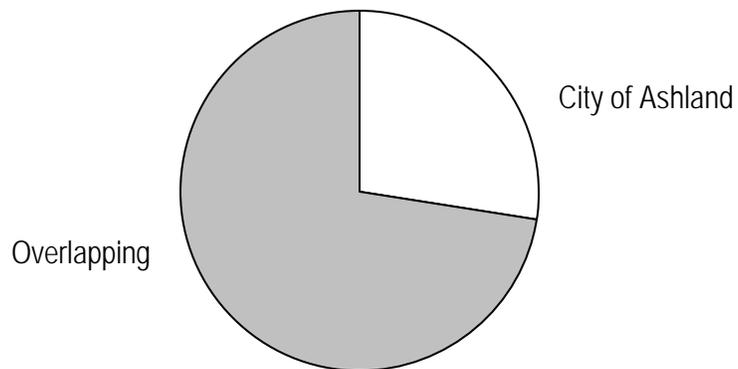
**CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2004 - Unaudited**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct:			
City of Ashland	\$ 4,885,000 (1)	100.00%	\$ 5,080,000
Overlapping			
Jackson County	48,055,000 (2)	14.80%	7,112,140
School District #5	7,945,000 (2)	80.23%	6,374,274
Rogue Community College	<u>0 (2)</u>	0.00%	<u>0</u>
	<u>56,000,000</u>		<u>13,486,414</u>
	<u>\$ 60,885,000</u>		<u>\$ 18,566,414</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: City of Ashland Financial Statements and Records
County Treasurer Statements of Bonded Indebtedness

TABLE 14

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

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Future Rate Stabilization Offset (3)	Net Revenues Available for Debt Service	Debt Service Requirements(4)			Coverage
					Principal	Interest	Total	
2003-04	\$ 5,015,140	\$ 2,908,695	\$ 100,000	\$ 2,006,445	\$ 345,000	\$ 127,347	\$ 472,347	4.25
2002-03	3,478,958	2,340,293	100,000	1,038,665	155,000	171,727	326,727	3.18
2001-02	3,634,789	2,020,392	600,000	1,014,397	150,000	179,888	329,888	3.07
2000-01	3,464,218	2,252,410	600,000	611,808	140,000	187,502	327,502	1.87
1999-00	3,241,760	2,358,054		883,706	135,000	194,518	329,518	2.68
1998-99	2,794,002	1,868,660		925,342	125,000	200,955	325,955	2.84
1997-98	2,477,079	1,621,087		855,992	120,000	206,837	326,837	2.62
1996-97	2,731,576	1,865,895		865,681	115,000	212,245	327,245	2.65
1995-96	2,904,473	1,706,713	552,019	645,741	110,000	217,747	327,747	1.97
1994-95	2,642,591	1,652,300	400,000	590,291	171,100	75,907	247,007	2.39 *

(*) Prior to October of 1994, The City of Ashland had no Revenue Bonds.

(1) Total Operating Revenues exclusive of System Development Charges.

(2) Total operating expenses exclusive of depreciation and In-lieu-of 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.

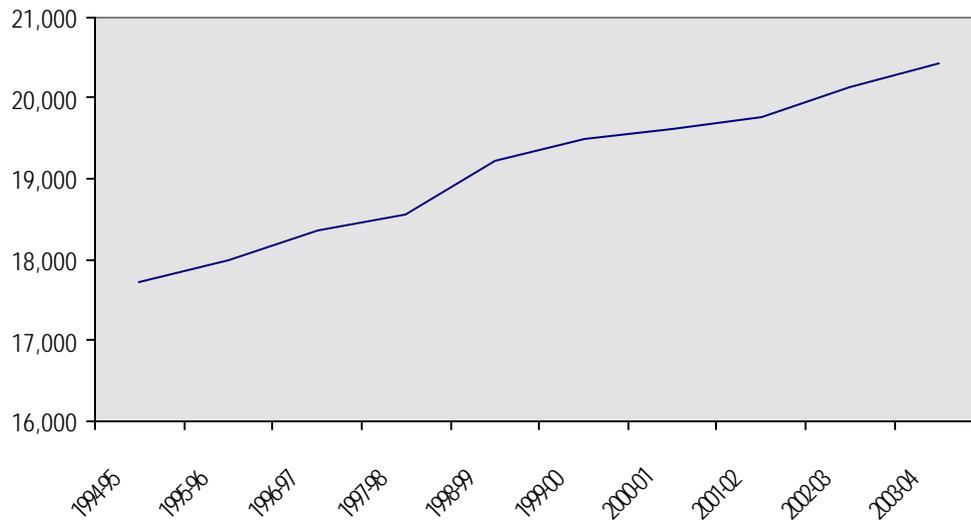
(4) Includes Revenue Bond principal and interest amounts transferred to registered paying agent irrespective of actual bond maturities.

Source: City of Ashland Finance Department

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

Fiscal Year	Population (1)	Per Capita Income (2)	School Enrollment (3)	Unemployment Rate Jackson Co. (2)
2003-04	20,430	N/A	3,138	7.3%
2002-03	20,130	26,477	3,321	6.8%
2001-02	19,770	25,772	3,393	6.6%
2000-01	19,610	24,917	3,411	5.9%
1999-00	19,490	23,914	3,258	5.7%
1998-99	19,220	22,649	3,309	6.4%
1997-98	18,560	21,565	3,358	6.6%
1996-97	18,360	21,410	3,384	7.3%
1995-96	17,985	19,746	3,454	6.7%
1994-95	17,725	18,892	3,458	6.0%

**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

TABLE 16

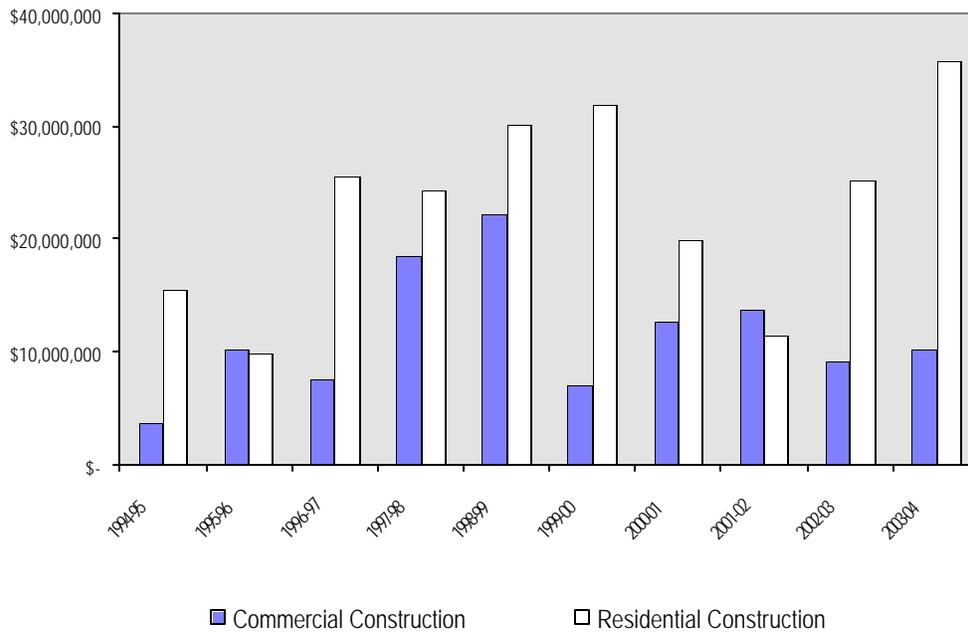
**CITY OF ASHLAND, OREGON
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
for the last ten fiscal years - Unaudited**

Fiscal Year	Property Value (1)	<u>Commercial Construction</u>		<u>Residential Construction</u>		Bank Deposits (2)
		Number of Units	Value	Number of Units	Value	
2003-04	\$ 1,511,835,569	30	\$ 10,137,442	154	\$ 35,764,484	\$ 310,304
2002-03	1,423,894,752	17	9,077,761	152	25,170,310	281,080
2001-02	1,333,040,730	17	13,702,661	106	11,464,493	242,469
2000-01	1,240,116,210	9	12,715,512	150	19,907,603	211,443
1999-00	1,157,736,510	15	7,081,675	233	31,940,531	195,795
1998-99	1,088,136,230	17	22,097,963	169	30,183,930	179,266
1997-98	1,035,683,650	14	18,453,404	154	24,364,300	171,982
1996-97	1,204,700,940	11	7,531,135	140	25,559,489	136,472
1995-96	1,082,263,880	28	10,176,287	91	9,787,069	172,363
1994-95	1,001,800,918	14	3,667,162	91	15,449,240	157,441

(1) Property value is assessed valuation (See Table 6).

(2) Rounded to the nearest thousand.

**Commercial and Residential Construction
Last Ten Years**



Source: State of Oregon, Department of Consumer and Business Services, Division of Finance and Corporate Securities
City of Ashland, Community Development Department
Jackson County Assessor

City of Ashland
Schedule of Major Insurance In Force
June 30, 2004

TABLE 17

Company	Coverage	Policy Period	Limits\Each Occurrence	Premium
City County Insurance Services	General Liability			\$ 169,629
	Commercial General Liability	07/01/2003-06/30/2004	\$ 1,000,000	
	Public Officials Liability	07/01/2003-06/30/2004	1,000,000	
	Employment Practices	07/01/2003-06/30/2004	1,000,000	
	Occurrence	07/01/2003-06/30/2004	1,000,000	
	Automobile Liability			32,869
	Scheduled Autos	07/01/2003-06/30/2004	1,000,000	
	Hired Autos	07/01/2003-06/30/2004	1,000,000	
	Non-Owned Autos	07/01/2003-06/30/2004	1,000,000	
	Auto Physical Damage			16,803
	Scheduled Autos	07/01/2003-06/30/2004	Replacement Cost	
	Hired Autos	07/01/2003-06/30/2004	Replacement Cost	
	Non-Owned Autos	07/01/2003-06/30/2004	Replacement Cost	
	Property	07/01/2003-06/30/2004		78,147
	Buildings		48,860,833	
	Contents		22,298,732	
	Boiler and Machinery	07/01/2003-06/30/2004	Replacement Cost	5,053
The Hartford	Flood	10/22/2003-10/22/2004	46,800	636
Self-Insured	Workers' Compensation	07/01/2003-06/30/2004	350,000	353,523
Safety National Casualty Corp.	Excess Workers' Compensation	07/01/2003-06/30/2004	Statutory	35,584

TABLE 18

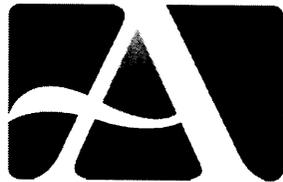
CITY OF ASHLAND, OREGON
MISCELLANEOUS STATISTICS
June 30, 2004 – Unaudited

The City of Ashland is located in the southwestern part of the state, which is rated as one of the major tourist areas within Oregon. The economic base of Ashland is primarily dependent on tourism and higher education, with a small manufacturing sector based on high technology. The City of Ashland was incorporated in 1874 and operates under the provisions of its own charter and applicable State law. The City of Ashland provides a full range of municipal services including police and fire protection, parks and recreation facilities/activities, streets, airport, planning, zoning, senior program, and general administration services. The City also operates the water, wastewater, cable television and electrical utility systems.

Date of Incorporation	1874
Form of Government	Council, Administrator
Area in Square Miles	6.52
Elevation in Feet	1,900
Annual Precipitation in Inches	18
Police	
Stations	1
Patrol Units	8
Sworn Officers	30
Physical Arrests, Juvenile and Adult (non-traffic)	2,293
Traffic Violations	4,405
Fire	
Stations	2
Fire Fighters	31
Fire Alarm Responses	388
Emergency Medical Responses	2428
Non-emergency Public Service Responses	90
Code Enforcement Plans Review	721
Public Education Programs	150
Streets	
Miles of Paved Streets	96.7
Miles of Gravel Streets	16.87
Miles of Storm Sewers	76.4
Water	
Miles of Water Mains	121.2
Service Connections	7609
Hydrants	1069
Daily Average Consumption in Million Gallons	3.5
Maximum Daily Capacity of Plant in Million Gallons	7.6

CITY OF ASHLAND, OREGON
MISCELLANEOUS STATISTICS (Continued)
June 30, 2004 – Unaudited

Sewer	
Miles of Sanitary Sewers	106
Treatment Plant	1
Service Connections	7455
Daily Average Treatment in Million Gallons	2.1
Maximum Daily Capacity in Million Gallons	4
Electric	
Street Lights	1,338
Electrical Transformers	1,851
Service Connections	10,561
Poles	2,511
Substations	3
Telecommunications	
Miles of Fiber	25
Miles of Coax	117
Service Connections	3,460
Potential Station Capacity	161
Parks and Recreation	
Community Centers	3
Parks	19
Park Acreage	637
Golf Courses	1
Swimming Pools	1
Ice Skating Rinks	1
Skateboard Parks	1
Tennis Courts	12
Trails (miles)	29
Health Care	
Hospital	1
Hospital Beds	49
Education	
Elementary Schools	4
Elementary School Instructors	58
Secondary Schools	2
Secondary School Instructors	90
State Universities	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.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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 - (503) 620-2632 • FAX (503) 684-7523

September 15, 2004

2003-2004 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, 2004 and have issued our report thereon dated September 15, 2004.

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, 2004, 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.

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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the board, 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 were within authorized appropriations, except in the Telecommunications fund, Operations Division expended \$5,540 more than the \$2,541,600 appropriation.

2003-2004 and 2004-2005 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 2003-2004, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The City's investments for the year ending June 30, 2004, 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 2003-2004.

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, 2004.

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.

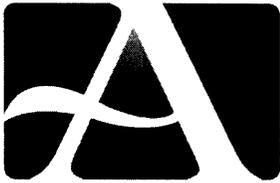
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**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2004

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 7-1-2003 to 6-30-2004	13.633		\$ 9,495	\$ 9,495
U.S. Department of Housing and Urban Development Passed through Community Development Block Grant Program 07-1-1995 to 06-30-1996 07-1-1997 to 06-30-1998 07-1-1998 to 06-30-1999 07-1-1999 to 06-30-2000 07-1-2000 to 06-30-2001 07-1-2001 to 06-30-2002 07-1-2002 to 12-31-2002 01-1-2003 to 12-31-2003 01-1-2004 to 12-31-2004	14.218	B94MC410008	237,000	
	14.218	B94MC410008	228,000	
	14.218	B94MC410008	221,000	
	14.218	B94MC410008	221,000	
	14.218	B94MC410008	221,000	
	14.218	B94MC410008	230,000	
	14.218	B94MC410008	225,000	
	14.218	B94MC410008	256,000	
	14.218	B94MC410008	250,000	
				736,129
U.S. Department of Energy Passed through Bonneville Power Administration 10-01-2002 to 9-30-2003	81.041		100,000	7,165
U.S. Bureau of Land Management National Fire Plan Program Passed through State of Oregon Oregon Department of Forestry 1-1-2004 to 12-31-2005	15.228	449920-01	33,000	
Federal Emergency Management Agency Passed through State of Oregon Oregon Emergency Management 10-01-2003 to 9-30-2004	83.565		11,373	10,348
U.S. Department of Agriculture United States Forest Service Passed through State of Oregon Oregon Department of Forestry 10-01-2003 to 9-30-2004	15.228	SFA-16	150,000	129,721
U.S. Department of Homeland Security Office for Domestic Preparedness Passed through State of Oregon Oregon State Police 5-14-2004	97.017		190,380	54,795
U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Passed through Jackson County Title III 10-1-2003 to 9-30-2005	97.017	SD00051	40,000	4,000
U.S. Department of Homeland Security Secure Schools and Community Self-Determination Act Passed through Jackson County Title III 10-1-2003 to 9-30-2004	97.017	SD00051	10,000	5,000
U. S. Department of Justice Office of Justice Programs 7-1-1996 to 6-30-2003	42.304		6,027	
Federal Aviation Administration Passed through Oregon Department of Aviation 7-1-2002 to 6-30-2003	20.106	3-41-4100-10	145,000	3,859
Total Federal assistance			\$ 2,784,275	\$ 960,512



CITY OF ASHLAND, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2004

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>\$ 22,584,762</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>\$ 672,049</u>





PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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September 15, 2004

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, 2004, and have issued our report thereon dated September 15, 2004. 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.

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PAULY, ROGERS AND CO., P.C.



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September 15, 2004

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, 2004. 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, 2004.

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 15, 2004
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.
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, 2004

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, 2004:

Community Development Block Grant (CDBG) – CFDA # 14.218

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.