

FINANCIAL SECTION





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October 25, 2010

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of the Ashland Parks and Recreation District (a component unit) were not audited in accordance with Government Auditing Standards. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, at June 30, 2010 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.

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.

2010 CAFR financial section

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, supplemental information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The supplementary information, the Schedule of Expenditures of Federal Awards and supplemental 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.

Parly, 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, 2010. 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 of net assets of the City of Ashland (total assets less total liabilities) at the fiscal year end of June 30, 2010 is \$101,450,481.
- The City’s total net assets increased this year by \$84,878.
- The City’s governmental funds reported combined ending fund balances totaling \$9,220,515, an increase of \$1,248,163 or 15.7% for the year. Proprietary funds combined ending fund balances decreased by \$1,387,200 or 2.2% to \$60,631,101. Internal service funds reported a combined \$199,453 decrease in ending fund balance. The unreserved fund balance for the General Fund was \$2,345,060 or 16.6% of total General Fund expenditures.

Figure 1 City of Ashland
Sources of Revenue for Fiscal Year 2010

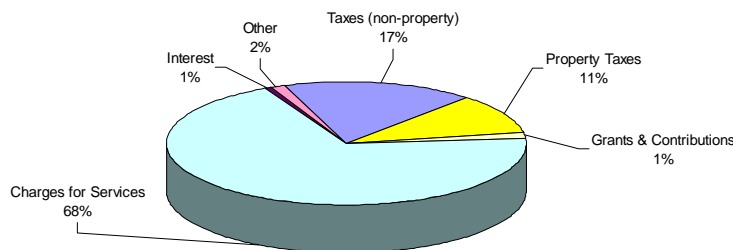
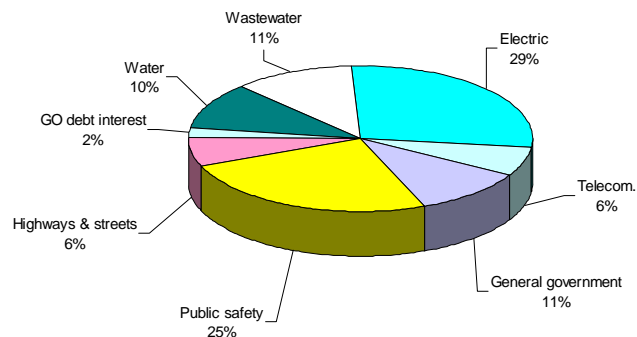


Figure 2 City of Ashland
Program Expenses for Fiscal Year 2010



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 3 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 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 4 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 3, Required Components of the City of Ashland’s Annual Financial Report

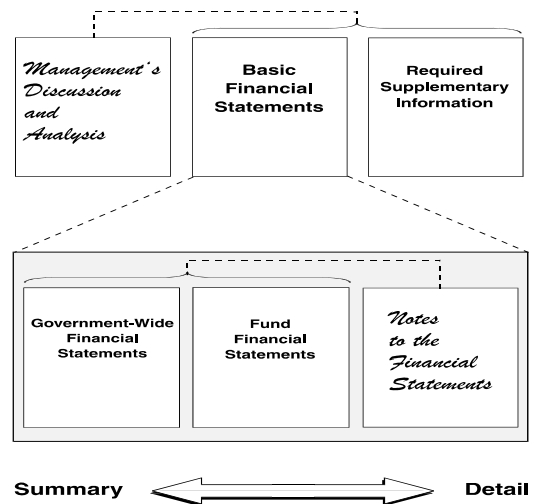


Figure 4 Major Features of the City of Ashland's Government-wide and Fund Financial Statements

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 and internal service funds	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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$101,450,481 at June 30, 2010. (See Table A below and the Statement of Net Assets on page 21).

At June 30, 2010, approximately 70% (\$6.1 million) of the City's restricted net assets represent proceeds from systems development charges as compared to \$6.2 million or 68% the prior year. These proceeds, when spent, are restricted for capital assets or related debt. The \$12.0 million of unrestricted net assets at June 30, 2010, is 18.9% larger than the prior year and represents resources available to fund the programs of the City next year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
Current Assets:							
Cash and cash equivalents	\$ 11,832	\$ 9,453	\$ 6,959	\$ 6,993	\$ 18,791	\$ 16,446	14.3%
Receivables, net	2,648	2,669	2,308	2,228	4,956	4,897	1.2%
Inventories - supplies and materials	32	36	733	810	765	846	-9.6%
Deferred charges			966	1,098	966	1,098	-12.0%
Internal balances	(535)	(641)	535	641	-	-	n/a
Restricted assets:							
Cash and cash equivalents	756	1,067			756	1,067	-29.1%
Total current assets:	<u>14,733</u>	<u>12,584</u>	<u>11,501</u>	<u>11,770</u>	<u>26,234</u>	<u>24,354</u>	7.7%
Noncurrent assets:							
Capital assets	90,027	89,014	115,194	114,051	205,221	203,065	1.1%
Less accumulated depreciation	<u>(42,261)</u>	<u>(39,728)</u>	<u>(42,248)</u>	<u>(38,585)</u>	<u>(84,509)</u>	<u>(78,313)</u>	7.9%
Total noncurrent assets	<u>47,766</u>	<u>49,286</u>	<u>72,946</u>	<u>75,466</u>	<u>120,712</u>	<u>124,752</u>	-3.2%
Total Assets	<u>62,499</u>	<u>61,870</u>	<u>84,447</u>	<u>87,236</u>	<u>146,946</u>	<u>149,106</u>	-1.4%
Current liabilities:							
Accounts payable and accrued liabilities	3,607	3,584	1,891	1,598	5,498	5,182	6.1%
Deferred revenue	-	-	-	-	-	-	n/a
Total current liabilities	<u>3,607</u>	<u>3,584</u>	<u>1,891</u>	<u>1,598</u>	<u>5,498</u>	<u>5,182</u>	6.1%
Long-term liabilities:							
Claims payable	<u>18,607</u>	<u>19,500</u>	<u>21,390</u>	<u>23,059</u>	<u>39,997</u>	<u>42,559</u>	-6.0%
Total Liabilities	<u>22,214</u>	<u>23,084</u>	<u>23,281</u>	<u>24,657</u>	<u>45,495</u>	<u>47,741</u>	-4.7%
Net Assets:							
Invested in capital assets	29,159	29,787	51,556	52,406	80,715	82,193	-1.8%
Restricted	4,169	4,366	4,523	4,676	8,692	9,042	-3.9%
Unrestricted	6,956	4,634	5,087	5,497	12,043	10,131	18.9%
Total Net Assets	<u>\$ 40,284</u>	<u>\$ 38,787</u>	<u>\$ 61,166</u>	<u>\$ 62,579</u>	<u>\$ 101,450</u>	<u>\$ 101,366</u>	0.1%

Changes in net assets. The City's total revenues for FY 2010 were \$45.6 million or \$3.1 million (7.4%) more than the prior year and it surpasses 2008's \$44.5 million. Of all revenue categories, only Other General Revenues recorded a reduction in FY 2010. The other categories recorded increases that restored revenue levels to, or above, those reported two years ago.

Notable changes in revenue were:

- An increase in Charges for service of \$2.3 million (7.9%) primarily due to additional volumetric sales in some utilities and from rate adjustments.
- Qualifying for and receiving more operating and capital grants & contributions totaling \$453,000 (301%) as compared to the prior year.
- An increase in property taxes of \$431,000 (9.8%) due to a higher tax rate levied to fund General Fund services and for other programs like support to the library.
- \$453,000 (6.1%) more Other Taxes such Franchises, Electric User, Food & Beverage and Transient Occupancy taxes.
- A decrease of \$494,000 in Other Revenue in enterprise funds that relate to the slow down in new services and related development fees.

2010 CAFR financial section

Of the total \$45.6 million in revenue, 69% or \$31.3 million is from Charges for services. Only 27.8% or \$12.7 million comes from the various sources of taxes, consistent with the prior year's \$11.8 million in taxes. (See Table B below and the Statement of Activities on pages 22 and 23.)

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
Program revenues:							
Charges for services	\$ 9,823	\$ 8,505	\$ 21,466	\$ 20,497	\$ 31,289	\$ 29,002	7.9%
Operating grants & contributions	114	118	368	103	482	221	118.1%
Capital grants & contributions	196	4	-	-	196	4	4800.0%
General revenues:							
Property taxes	4,822	4,391	-	-	4,822	4,391	9.8%
Other taxes	6,267	5,903	1,584	1,495	7,851	7,398	6.1%
Interest	134	127	114	108	248	235	5.5%
Other	294	219	394	963	688	1,182	-41.8%
Total revenues	21,650	19,267	23,926	23,166	45,576	42,433	7.4%
Program expenses:							
General government	4,814	3,857			4,814	3,857	24.8%
Public safety	11,410	10,313			11,410	10,313	10.6%
Highways and streets	2,894	2,506			2,894	2,506	15.5%
Interest on long-term debt	1,033	442			1,033	442	133.7%
Water			4,599	4,970	4,599	4,970	-7.5%
Wastewater			5,223	4,675	5,223	4,675	11.7%
Electric			12,585	12,823	12,585	12,823	-1.9%
Telecommunications			2,932	2,845	2,932	2,845	3.1%
Total expenses	20,151	17,118	25,339	25,313	45,490	42,431	7.2%
Increase (Decrease) in net assets before transfers and disposals	1,499	2,149	(1,413)	(2,147)	86	2	4200.0%
Interfund transfer	-	-	-	-	-	-	
Increase (Decrease) in net assets	1,499	2,149	(1,413)	(2,147)	86	2	4200.0%
Net Assets - 6/30/2009	38,787	36,638	62,579	64,726	101,366	101,364	0.0%
Recognition of prior infrastructure							
Net Assets - 6/30/2010	<u>\$ 40,286</u>	<u>\$ 38,787</u>	<u>\$ 61,166</u>	<u>\$ 62,579</u>	<u>\$ 101,452</u>	<u>\$ 101,366</u>	0.1%

The total cost of all programs and services was \$45.6 million which is 7.4% more than 2009's \$42.4 million and less than 2008's \$48.5 million. Program expenses for Governmental Activities increased \$3.0 million (as compared to 2009's \$4.5 million decrease) and Business-type Activities remained consistent at \$25.3 million. The current year included significant increases in operational (fuel, chemicals, filled staffing positions, debt service) but decreases in other program and project costs to compensate for revenue shortfalls. In 2009 the Governmental expenses were also reduced by the value of capitalized infrastructure like the Clay Street property that was purchased mid-year.

Business-Type Activities were more consistent between years. Electric's significant program reduction was due to short-term decreases in wholesale and transmission costs and Water paid less for water treatment and processing.

Interest on long-term debt is \$590,000 more than 2009 due to small bond issues to reimburse Water and Wastewater improvements and the increase in total annual debt service on the Telecommunications Bonds.

As mentioned above, the overall change in Net Assets during the year is an increase of \$84,878. In the prior year (2009) the City experienced a \$1,551 increase in net assets and a \$4 million decrease in 2008. The changes over the three years indicate the potential for variations by year but the trend of improvement in the last two fiscal years.

The small increase for 2009-2010 represents a consistent effort to match and stabilize expenses with changes in revenues. The City received 7.4% more in revenues matched with a similar amount of expenses. Rate and fee increases were implemented during the year but their impact was partially offset by increased expenses in corresponding programs.

Governmental Activities

- The total cost of all governmental activities in FY 2009-2010 was \$20.2 million or 17.9% (\$3.1 million) more than the prior year. FY 2009-2010 included \$1.0 million more in General government services, \$1.2 million more in Public safety and \$387,000 more in highway and street maintenance and repair than in FY 2008-2009. These increases are due to consistent operational costs between years but less project costs capitalized in FY 2010.
- Interest on long-term debt reported was also \$591,000 more than the prior year. The increase is due to the prior year refinancing the airport hangar loan and internal borrowing that off set the FY 2009 \$1.1 million of interest payments.
- The amount that citizens paid for these activities through property taxes was \$4,821,809 or approximately \$431,000 more than the prior year representing a 9.8% increase, primarily due to additional services and related tax rate increases approved during the budget process.
- Those who directly benefited from the offered programs paid \$1.3 million (15.5%) more than the prior year's \$8.5 million which equates to 51.4% of the cost (excluding interest on long term debt) for FY 2009-2010 as compared to 51% in the prior year.
- Grants and contributions revenues increased from \$122,000 to \$310,000 between the two years in keeping with added qualifying programs for grant funding in FY 2009-2010. The availability of grant and contributions (and related costs) can change significantly each year and this reversal compares more favorably to grant levels in FY 2006 and FY 2007.

Approximately one quarter of the net \$431,000 increase in property tax revenue came from growth, one quarter from delinquent taxes and the remainder from higher rates.

Other tax revenues increased \$364,000 including more in franchise revenues from utilities, state subventions (such as 911 excise tax) and other user taxes such as transient occupancy and food and beverage tax proceeds.

Net Assets for Governmental Activities (Table B) increased \$1,499,000 or 3.9% to \$40.3 million due to increased revenues exceeding increased operational costs.

2010 CAFR financial section

Reducing reserves had been a goal of the City and prior budgets reflected such activity. Management's focus for FY 2009-2010 and beyond was and is to balance annual and short-term revenues and expenses, maintaining approved reserve levels to assure long-term financial stability. The ongoing problem in national and local economies elevates the importance of this goal. Financial information presented above for FY 2009-2010 demonstrates managerial efforts to balance budgets and adjust services to meet needs and maintain or build reserves.

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, again this year, only General Government (primarily Internal Service funds and Capital Improvement Fund activities) had charges for services, grants and contributions sufficient to cover expenses as reflected by the negative net costs in the table of \$1,722,000 which is 37.4% better than the \$1,253,000 more in revenues than expenses in the prior year. Public safety (Primarily Police and Fire services in the General Fund) increased \$1.2 million in costs and \$1.0 million in Net Costs between years which shows some improvement (costs up \$1.2, net costs up \$1.0) but it demonstrates the continued reliance on taxes and other non-operational revenue. Highways and Streets also maintained a "positive" net costs amount of \$942,000 that required funding through General Revenues like taxes and fund balance in FY 2009-2010. The dollar increase in Total costs is very consistent with the dollar increase in Net costs. This would indicate that revenues remained constant while total costs (and net cost) grew.

Changes between years are common and most often are due to timing of capital projects, receipt of related financing proceeds, grants or intergovernmental monies.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2010	2009		2010	2009	
General Government	\$ 4,814	\$ 3,824	25.9%	\$ (1,722)	\$ (1,253)	37.4%
Public Safety	11,410	10,240	11.4%	9,764	8,711	12.1%
Highways and Streets	2,893	2,506	15.4%	942	591	59.4%

Business-type Activities

Program revenues (charges for services) of the City’s Business-type Activities totaled \$21,500,000 or 84.7% of related expenses for FY 2009-2010 as compared to \$20,500,000 or 81.0% of the prior year. Revenues were higher (2.5% in Water, 14.1% in Wastewater, 3.8% in Electric, under 1.0% in Telecommunications) in all enterprises. This was primarily due to rate increases that made up for slightly reduced volumetric sales as compared to one year ago. Telecommunications revenue increased the least amount at 0.7% showing consistency between years with no significant rate adjustment in FY 2010.

Water and Electric operations were successful at reducing costs (7.5% and 1.9%, respectively) to better align with sales but Wastewater and Telecommunications recorded cost increases (11.3% and 3.0%, respectively). Variations in these costs include adjustments for capitalized projects and depreciation that affect the amounts and changes between years. Overall, the costs recorded for FY 2010 are less than those reported in FY 2007. This would indicate a combination of reduced costs that relate directly to sales (purchasing power or treating water) and indirectly to capital costs such depreciation and debt service.

Holding costs to a minimum and increased rates helped Water and Electric to improve their Net Cost of Services position as provided in Table D. Wastewater and Telecommunications reported increased Net Costs. Wastewater relies on taxes to pay debt service and Telecommunications continues to pay larger amounts toward related debt service from its reserves.

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>2010</u>	<u>2009</u>		<u>2010</u>	<u>2009</u>	
Water	\$ 4,599	\$ 4,970	-7.5%	\$ 201	\$ 721	-72.1%
Wastewater	5,224	4,675	11.7%	2,019	1,866	8.2%
Electric	12,585	12,823	-1.9%	173	1,087	-84.1%
Telecommunications	2,932	2,845	3.1%	1,113	1,039	7.1%

FINANCIAL ANALYSIS OF THE CITY OF ASHLAND'S FUNDS

Total ending fund balance for City funds increased 10.6% or \$1,945,929 to \$20,307,092 during FY 2009-2010. With the Parks and Recreation Commission (component unit of the city) fund balances, the total is \$22,370,271 at June 30, 2010, and represents 43% more than originally budgeted. This is primarily due to some capital projects funded by restricted reserves being delayed and a concerted effort by the City to contain costs and adjust rates and fees to meet minimum target fund balances.

Actual fell short of budgeted ending fund balance in FY 2009 by 7% and exceeded budget by 4% at the end of FY 2008. Actual ending fund balance exceeding the budgeted amount is desirable but may represent a too conservative approach in budgeting and projects not being done or services not being provided. The City used a more conservative approach for budgeting again in FY 2009-2010, eliminating many projects and potential financing from the budget, resulting in an increase rather than decrease in ending fund balance when compared to budget. Other considerations are:

- Utility rates were raised sufficiently to offset lagging sales and operational costs for staff, fuel, materials.
- The flattened economy provided increased revenue streams from tourism but development services (new building construction or remodeling) did not rebound as hoped.
- Most departments were fully staffed (few vacant positions) but some program and project costs were less than projected.
- Expenditures for capital projects were even less than the reduced amounts budgeted.

Revenues from governmental fund types totaled \$21.5 million, which is \$2.4 million more than the preceding year while expenditures were \$3.0 million more for the same activities. General Fund's ending balance is \$2.5 million, improved over the prior year with a \$289,114 excess of revenues over expenditures. FY 2009-2010 was another year of holding costs in balance with revenue to maintain or increase ending fund balances. Targeting to under spend the budget reduces the likelihood that Contingency will be used. Less than 20% of total Contingency was used.

Other significant changes in governmental fund types were increases in Property and other taxes to fund desired services like fiscal and economic studies, higher Charges for services due to rate increases and added Grants, Fines and Forfeitures from concerted enforcement efforts.

All categories including Fees, licenses and permits; Intergovernmental; Systems development charges; Assessments and Miscellaneous revenue in FY 2009-2010 increased an average 8% between years. The prior year was down 33% in this comparison so an 8% increase should be considered a moderate or gradual improvement.

Capital intensive funds (all enterprise funds) still relied on annual rate increases and ending fund balances to pay for projects and operations with very little borrowing done for projects. Fluctuations in sales and in weather related commodities (water and electric) continue to make projections difficult. The departments responsible for enterprises are actively studying capital and operational needs to provide direction on futures adjustments.

This helps to explain variations in Charges for services amounts in the various enterprises and their ending fund balances. Rate adjustments were still not enough and the Water and Wastewater funds are examples where significant increases (8% or more) did not generate sufficient revenue increases to provide a surplus over expenditures. The improvements in taxes (property, utility and user taxes and interest on investments) offset the shortfalls from operations for a combined increase in total net assets of just under \$100,000.

Most funds anticipating bonds or loans for capital improvements delayed all but essential projects for approved funding and availability of staff to perform the work.

The Electric Fund's increased sales and operational costs generated the most significant addition to ending fund balance of \$412,190 (3.4% over expenditures) primarily due to reduced wholesale power purchased consistent with recent, short-term adjustments from Bonneville Power. Moderate weather did not generate the level of sales anticipated in electric or water. But the Water Fund saves little from treatment when sales are down and fixed costs, like debt service remain constant (high) and cause a disconnect between revenue and expenses. The Water Fund had a \$552,000 disconnect (11.0% of expenditures) and Wastewater's shortfall was \$215,000 (4.3% of expenditures). The Telecommunications Fund was balanced with a \$23,000 (1.3% over expenditures) increase.

The Cemetery Trust fund balance remained consistent and above targets reflecting balanced revenues and expenditures.

The total Internal Service Funds ending fund balances decreased (Central Service and Insurance Services decreased and Equipment Fund increased) but remained sufficient for the short term.

General Fund Budgetary Highlights

During the year the City did not revise its budget by transfer of appropriation from Contingency but did increase the total appropriation \$123,928 (0.8%) through supplemental budgets to recognize and use forfeited assets and miscellaneous revenue. It was unusual to not use Contingency in the General Fund.

The Actual expenditures were 3.3% or \$478,000 below final budget amounts (excluding Contingency). In FY 2008-2009 \$54,000 of Contingency was transferred and \$2.6 million in appropriations were not used which included \$1 million budgeted to purchase property for Affordable Housing going unused.

Administration spent 95.9% of its \$981,602 final budget which includes municipal court. The Police Department spent 98.0% of its final budget leaving \$115,201 for carry forward primarily due to savings in staff costs. Fire and Rescue under spent its final budget by \$69,800 (a savings of 1.4%) and Community Development had open positions and could not complete some projects resulting in under-spending the final budget \$218,000 or 11.6%. All other departments and divisions were very close in expending their total appropriations.

2010 CAFR financial section

Total revenue was 99.8% of the amount budgeted reflecting a balance of increases in rates and fees, a rise in tourism and a continued slump in revenues from housing and commercial construction. Taxes, Fines and Forfeitures and Miscellaneous revenues account for \$233,000 more than budget. Fees, Intergovernmental, Charges for services and Interest earned totaled were \$304,000 under budget due to the struggling economy yet FY 2010's total \$14.4 million total revenue was \$500,00 or 3.6% better than the prior year.

The net effect of the above changes was revenues exceeding expenses by \$282,443 when a shortfall of \$566,792 was budgeted for a positive variance of \$849,235.

With transfers between funds added, the fund balance increased \$289,114 (13.2%) which is a positive \$836,406 variance from the total reduction budgeted of \$547,292. This positive variance can be attributed to management focusing on balancing the budget by holding costs in check where possible and adjusting taxes, fees and charges to cover costs.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
Land	\$ 12,401	\$ 12,401	\$ 1,881	\$ 1,881	\$ 14,282	\$ 14,282	0.0%
Buildings and improvements	19,563	19,563	22,089	22,089	41,652	41,652	0.0%
Equipment	13,278	13,131	876	824	14,154	13,955	1.4%
Infrastructure	44,299	43,580	87,810	84,636	132,109	128,216	3.0%
Construction in progress	485	340	2,538	4,621	3,023	4,961	
Totals at historical cost	90,026	89,015	115,194	114,051	205,220	203,066	1.1%
Total accumulated depreciation	42,261	39,728	42,248	38,585	84,509	78,313	7.9%
Net capital assets	<u>\$ 47,765</u>	<u>\$ 49,287</u>	<u>\$ 72,946</u>	<u>\$ 75,466</u>	<u>\$ 120,711</u>	<u>\$ 124,753</u>	-3.2%

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of FY 2009-2010, the City recorded a net investment of \$120.7 million (\$80,714,869 net of related debt) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table E).

This is a decrease of \$4.0 million in Net Capital Assets after an increase in depreciation of \$6.2 million as shown in the Notes on page 47 and 48.

The City's fiscal year 2011 capital budget estimated spending \$10.9 million on capital projects including construction of water lines and line replacement, wastewater and street improvements and capital equipment during the year. Bond proceeds, cash reserves, grants and systems development charge reserves will be used to fund the capital projects. Reserves in the Equipment Fund will be used to purchase several 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 beginning on page 47.

Long Term Debt

The City is in the process to issue \$16 million in Full Faith & Credit backed general obligation bonds to refinance the Department of Environmental Quality Loan used to help fund the wastewater treatment plant completed in 2002. The refunding has a Standard & Poor's insured rating of AA+ with an underlying rating of A+. The annual debt service for the bonds has the City's pledge to use property taxes or any other revenue stream legally permitted to be used to make payment but 80% of the Food & Beverage Tax proceeds are the primary source for retiring the debt. The Wastewater Fund has a history of using rate revenues to pay the amount not covered by the tax. The use of the tax to pay debt service was approved by the citizens in November 2009 when an initiative passed to renew that tax through 2030, in part to pay this debt. The debt is scheduled to be retired in 2022.

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".

The City issued \$1,000,000 in Full Faith & Credit backed General Obligation bonds in FY 2008-2009 to reimburse the Water Fund \$700,000 and the Wastewater Fund \$300,000 for capital projects funded out of reserves. Rate revenues from the respective systems are pledged to pay the annual debt service. The City also refinanced the Airport T-hangar loan with a longer-term loan of \$290,000. This loan is also backed by the City's Full Faith & Credit but annual debt service is paid by hangar lease revenue.

The City issued \$2,560,000 in General Obligation bonds refunding a portion of the City's General Obligation Bonds, Series 1997 and Series 2000 bonds on December 1, 2005, with an interest rate ranging from 3.5% to 5.0% over the fifteen year life. The refunding resulted in a \$121,962 (4.41%) net present value savings. Moody's assigned an "Aaa" rating to the bonds due to the fact that the bonds are insured by Financial Security Assurance, Inc. The underlying rating to these bonds was "A2."

At year-end the City had \$36.1 million in bonds and notes outstanding as shown in Table F. This is \$2.5 million or 6.4% less than the prior year. More detailed information about the City's debt is presented in the Notes to the financial statements beginning on page 50.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2010-2009
	2010	2009	2010	2009	2010	2009	
	Bonds payable	\$ 16,600	\$ 17,465	\$ 1,299	\$ 1,505	\$ 17,899	
Notes payable	1,716	2,035	16,530	17,627	18,246	19,662	-7.2%
Total bonds & notes	\$ 18,316	\$ 19,500	\$ 17,829	\$ 19,132	\$ 36,145	\$ 38,632	-6.4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Growth in assessed value used for the 2011 budget preparation was projected at 2.5% per the Measure 50 limitation with little or no new construction.
- Other tax and permit revenue including franchises, Transient Occupancy Tax, Food & Beverage Tax and development services (new building construction revenue) were projected to remain consistent or slightly increase.
- Fee (Charges for services) revenue was projected to increase only by the amount that corresponding rates were adjusted to cover operational costs.
- General Fund spending for FY 2011 was budgeted at \$301,000 or 2% more than FY 2010's \$14,896,000 adopted amount and \$1 million above 2010's actual expenditures. The 2011 budget includes \$506,541 in Contingency.

These indicators were taken into account when adopting the General Fund budget for 2011. The amounts available for appropriation in the General Fund budget was estimated to be \$14.6 million in resources and a working capital carry over of \$2.1 million. The actual carry forward for the General Fund budget is \$2.5 million.

General Fund Tax revenues are projected to increase \$173,000 (1.5% over actual for 2010) to \$11.8 million. Property taxes are expected to be a small portion of the total even though the rate levied for operational needs in the General Fund were increased 0.8%.

The other tax revenues, including franchises and Transient Occupancy Taxes, are the major contributors to projected increases because of increased rates approved rather than additional revenue from increased activity. The City will use these increases to finance programs currently offered.

The largest increments in budgeted expenditures for 2011 are increased benefit and retirement costs for staffing, internal charges and fuel-related and operating costs. The citizen-approved financing for library operations via a local option levy for 2010 is approximately \$395,000 per year. Economic and fiscal stability programs have been continued, representing approximately \$300,000 per year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS



CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
ASSETS				
Assets:				
Cash and cash equivalents	\$ 11,832,259	\$ 6,959,037	\$ 18,791,296	\$ 2,210,964
Receivables (net of allowance for uncollectibles)	2,647,744	2,307,864	4,955,608	89,798
Inventories	32,325	732,821	765,146	369,389
Deferred charges		966,228	966,228	
Internal Balances	(534,984)	534,984	-	
Restricted assets:				
Cash and cash equivalents	755,885		755,885	
Capital Assets:				
Land	12,400,610	1,880,637	14,281,247	
Buildings	19,563,238	22,089,254	41,652,492	12,896,558
Machinery and equipment	13,278,430	875,928	14,154,358	1,209,864
Infrastructure	44,299,409	87,809,652	132,109,061	1,513,687
Construction in progress	484,590	2,538,176	3,022,766	-
Accumulated Depreciation	(42,260,637)	(42,247,672)	(84,508,309)	(6,231,800)
Total assets	\$ 62,498,869	\$ 84,446,909	\$ 146,945,778	\$ 12,058,460
Liabilities:				
Accounts payable and other current liabilities	\$ 3,190,369	\$ 1,769,929	\$ 4,960,298	\$ 268,906
Accrued interest payable	417,042	121,211	538,253	
Noncurrent liabilities:				
Due within one year	1,276,871	1,735,032	3,011,903	27,076
Due in more than one year	17,330,191	19,654,652	36,984,843	81,228
Total liabilities	22,214,473	23,280,824	45,495,297	377,210
Net Assets				
Invested in capital assets, net of related debt	29,158,578	51,556,291	80,714,869	9,388,309
Restricted for:				
System development	2,469,667	3,646,949	6,116,616	
Debt service	762,199	875,490	1,637,689	
Asset Forfeiture	129,510		129,510	
Perpetual care: Nonexpendable	807,797		807,797	
Unrestricted	6,956,645	5,087,355	12,044,000	2,292,941
Total net assets	\$ 40,284,396	\$ 61,166,085	\$ 101,450,481	\$ 11,681,250

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, 2010**

<u>Functions\Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 4,813,802	\$ 6,320,493	\$ 18,890	\$ 196,058
Public Safety	11,410,483	1,551,370	95,570	
Highways and Streets	2,893,462	1,951,015		
Interest on long-term debt	1,033,451			
Total governmental activities	<u>20,151,198</u>	<u>9,822,878</u>	<u>114,460</u>	<u>196,058</u>
Business-type Activities:				
Water	4,599,205	4,298,594	99,928	
Wastewater	5,223,619	3,204,795		
Electric	12,585,218	12,144,279	267,850	
Telecommunications	2,931,512	1,818,789		
Total business-type activities	<u>25,339,554</u>	<u>21,466,457</u>	<u>367,778</u>	<u>-</u>
Total primary government	<u>\$ 45,490,752</u>	<u>\$ 31,289,335</u>	<u>\$ 482,238</u>	<u>\$ 196,058</u>
Component Unit:				
Ashland Parks and Recreation	<u>\$ 5,064,873</u>	<u>\$ 1,010,118</u>	<u>\$ 9,983</u>	<u>\$ -</u>

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

Net assets - beginning
 Net assets - ending

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
\$ 1,721,639		\$ 1,721,639	\$ -
(9,763,543)		(9,763,543)	-
(942,447)		(942,447)	-
(1,033,451)		(1,033,451)	-
(10,017,802)	-	(10,017,802)	-
	(200,683)	(200,683)	-
	(2,018,824)	(2,018,824)	-
	(173,089)	(173,089)	-
	(1,112,723)	(1,112,723)	-
-	(3,505,319)	(3,505,319)	-
(10,017,802)	(3,505,319)	(13,523,121)	-
-	-	-	(4,044,772)
4,821,809		4,821,809	4,082,522
3,989,351		3,989,351	
2,276,353	1,583,908	3,860,261	
134,142	114,266	248,408	23,515
293,971	394,199	688,170	21,785
11,515,626	2,092,373	13,607,999	4,127,822
1,497,824	(1,412,946)	84,878	83,050
38,786,572	62,579,031	101,365,603	11,598,200
\$ 40,284,396	\$ 61,166,085	\$ 101,450,481	\$ 11,681,250

**CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,544,101	\$ 2,889,474	\$ 3,018,300	\$ 8,451,875
Receivables (net of allowance for uncollectibles)	1,488,620	274,530	837,761	2,600,911
Due from other funds			-	-
Cash - restricted			755,886	755,886
Total assets	<u>\$ 4,032,721</u>	<u>\$ 3,164,004</u>	<u>\$ 4,611,947</u>	<u>\$ 11,808,672</u>
LIABILITIES, AND EQUITY				
Liabilities:				
Accounts payable	\$ 671,416	\$ 220,154	\$ 107,371	\$ 998,941
Deferred revenue	592,167	123,333	578,748	1,294,248
Due to other agencies			-	-
Due to other funds				-
Liabilities payable from restricted assets	294,568			294,568
Total liabilities	<u>1,558,151</u>	<u>343,487</u>	<u>686,119</u>	<u>2,587,757</u>
Fund Balances:				
Reserved for:				
Reserved for system development charges		2,115,971	353,696	2,469,667
Reserved for debt service			762,199	762,199
Reserved for asset forfeiture	129,510			129,510
Reserved for perpetual care			807,797	807,797
Unreserved, reported in:				
General Fund	2,345,060			2,345,060
Special revenue funds		704,546	32,160	736,706
Capital projects funds			1,969,976	1,969,976
Total fund balances	<u>2,474,570</u>	<u>2,820,517</u>	<u>3,925,828</u>	<u>9,220,915</u>
Total liabilities and fund balances	<u>\$ 4,032,721</u>	<u>\$ 3,164,004</u>	<u>\$ 4,611,947</u>	<u>\$ 11,808,672</u>

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, 2010**

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

Fund Balances	\$	9,220,915
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The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Net Capital Assets		45,312,082
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Long-term Liabilities		(18,316,430)
Accrued Interest on Liabilities		(417,042)

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

OPEB Implicit Liability		(290,632)
Accrued Vacation and Sick Leave		(547,449)

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

Deferred Revenue		1,294,248
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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		4,028,704
Total Net Assets	\$	40,284,396

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

CITY OF ASHLAND, OREGON
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended June 30, 2010

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Primary Government</u>
Revenues:				
Taxes	\$ 11,644,519	\$ 200,906	\$ 791,471	\$ 12,636,896
Fees, Licenses and Permits	474,379	-	-	474,379
Intergovernmental	601,781	890,503	610,881	2,103,165
Charges for Services	1,396,435	1,871,622	2,439,394	5,707,451
System Development Charges	-	76,101	16,377	92,478
Assessments	-	3,292	-	3,292
Fines and Forfeitures	183,266	-	-	183,266
Interest on Investments	31,611	30,607	40,084	102,302
Miscellaneous	92,426	61,399	36,907	190,732
Total Revenues	<u>14,424,417</u>	<u>3,134,430</u>	<u>3,935,114</u>	<u>21,493,961</u>
Expenditures:				
General Government	3,235,330	-	1,043,529	4,278,859
Public Safety	10,896,098	-	-	10,896,098
Highways and Streets	-	2,361,523	-	2,361,523
Debt Service	-	-	2,229,718	2,229,718
Capital Outlay	10,546	207,084	261,970	479,600
Total Expenditures	<u>14,141,974</u>	<u>2,568,607</u>	<u>3,535,217</u>	<u>20,245,798</u>
Excess(Deficiency) of Revenues over Expenditures	<u>282,443</u>	<u>565,823</u>	<u>399,897</u>	<u>1,248,163</u>
Transfer in	7,171	-	462,189	469,360
Transfers out	(500)	(147,564)	(321,296)	(469,360)
Total other financing sources (uses)	<u>6,671</u>	<u>(147,564)</u>	<u>140,893</u>	<u>-</u>
Net Change in Fund Balance	289,114	418,259	540,790	1,248,163
Fund Balance, July 1, 2009	<u>2,185,456</u>	<u>2,402,258</u>	<u>3,385,038</u>	<u>7,972,752</u>
Fund Balance, June 30, 2010	<u>\$ 2,474,570</u>	<u>\$ 2,820,517</u>	<u>\$ 3,925,828</u>	<u>\$ 9,220,915</u>

CITY OF ASHLAND, OREGON
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

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	\$	1,248,163
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay Expenditures Capitalized		1,047,026
Depreciation Expense		(1,868,539)

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		(3,626)
OPEB Implicit Liability		(138,254)
Accrued Interest		13,063
General Obligation Bonds & Notes Payable		1,183,204

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

Property Taxes		9,250
Special Assessments		50,973
Other		(15,417)

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

Internal Service Fund Change in Net Assets		<u>(28,019)</u>
Change in Net Assets	\$	<u>1,497,824</u>

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

2010 CAFR basic financial statements

**CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010**

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 1,736,210	\$ 3,039,804	\$ 1,328,468	\$ 854,555	\$ 6,959,037	\$ 3,380,382
Interest and accounts receivable, net	353,377	597,547	875,620	169,369	1,995,913	27,515
Notes and contracts receivable			311,951		311,951	19,319
Interfund receivable	-				-	
Inventories	225,029	13,268	494,524		732,821	32,325
Deferred charges	127,711		-	-	127,711	
Total current assets	<u>2,442,327</u>	<u>3,650,619</u>	<u>3,010,563</u>	<u>1,023,924</u>	<u>10,127,433</u>	<u>3,459,541</u>
Non Current						
Capital assets:						
Accumulated depreciation	(14,241,068)	(11,739,492)	(11,060,500)	(5,206,612)	(42,247,672)	(8,082,153)
Capital assets, net	<u>21,680,458</u>	<u>38,119,012</u>	<u>9,128,697</u>	<u>4,017,808</u>	<u>72,945,975</u>	<u>2,453,557</u>
Other assets						
Deferred costs (net of amortization)				838,517	838,517	
Total noncurrent assets	<u>21,680,458</u>	<u>38,119,012</u>	<u>9,128,697</u>	<u>4,856,325</u>	<u>73,784,492</u>	<u>2,453,557</u>
Total assets	<u>\$ 24,122,785</u>	<u>\$ 41,769,631</u>	<u>\$ 12,139,260</u>	<u>\$ 5,880,249</u>	<u>\$ 83,911,925</u>	<u>\$ 5,913,098</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts Payable	\$ 372,586	\$ 112,340	\$ 373,544	\$ 37,606	\$ 896,076	\$ 225,007
Accrued salaries, vacation and payroll taxes	219,209	121,863	250,595	87,689	679,356	554,793
Accrued interest payable	27,872	93,205	134		121,211	
Interfund payable					-	
Other liabilities	17,058		177,439		194,497	569,610
Notes/bonds payable, current portion	564,037	1,149,281	21,714		1,735,032	
Deferred revenue					-	
Total current liabilities	<u>1,200,762</u>	<u>1,476,689</u>	<u>823,426</u>	<u>125,295</u>	<u>3,626,172</u>	<u>1,349,410</u>
Long-term liabilities:						
Notes payable						-
Revenue bonds payable, net	3,573,552	15,667,243	238,857		19,479,652	-
General obligation bonds payable, net	175,000				175,000	-
Total long-term liabilities	<u>3,748,552</u>	<u>15,667,243</u>	<u>238,857</u>	<u>-</u>	<u>19,654,652</u>	<u>-</u>
Total liabilities	<u>4,949,314</u>	<u>17,143,932</u>	<u>1,062,283</u>	<u>125,295</u>	<u>23,280,824</u>	<u>1,349,410</u>
Net Assets:						
Net assets (deficit):						
Invested in capital assets, net of related debt	17,367,869	21,302,488	8,868,126	4,017,808	51,556,291	2,453,557
Restricted for system development	1,675,193	1,971,756			3,646,949	
Restricted for debt service		875,490			875,490	
Unrestricted	130,409	475,965	2,208,851	1,737,146	4,552,371	2,110,131
Total net assets	<u>19,173,471</u>	<u>24,625,699</u>	<u>11,076,977</u>	<u>5,754,954</u>	<u>60,631,101</u>	<u>4,563,688</u>
Total liabilities and net assets	<u>\$ 24,122,785</u>	<u>\$ 41,769,631</u>	<u>\$ 12,139,260</u>	<u>\$ 5,880,249</u>	<u>\$ 83,911,925</u>	<u>\$ 5,913,098</u>
Total net assets					\$ 60,631,101	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					534,984	
Net assets of business-type activities					<u>\$ 61,166,085</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, 2010

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for services	\$ 4,298,594	\$ 3,204,795	\$ 12,144,279	\$ 1,818,789	\$ 21,466,457	\$ 7,914,966
Miscellaneous	34,154	5	287,825	163	322,147	150,469
Total operating revenues	<u>4,332,748</u>	<u>3,204,800</u>	<u>12,432,104</u>	<u>1,818,952</u>	<u>21,788,604</u>	<u>8,065,435</u>
Operating expenses:						
Cost of sales and services	3,030,842	3,028,028	10,748,150	1,808,025	18,615,045	7,578,031
Depreciation and amortization	949,494	1,152,722	557,585	1,113,069	3,772,870	747,952
Total operating expenses	<u>3,980,336</u>	<u>4,180,750</u>	<u>11,305,735</u>	<u>2,921,094</u>	<u>22,387,915</u>	<u>8,325,983</u>
Operating income (loss)	<u>352,412</u>	<u>(975,950)</u>	<u>1,126,369</u>	<u>(1,102,142)</u>	<u>(599,311)</u>	<u>(260,548)</u>
Nonoperating income (expenses):						
Taxes	101	1,583,807			1,583,908	15,926
Intergovernmental	99,928		267,850		367,778	
Interest income	22,990	42,498	11,320	8,203	85,011	45,169
Tax equivalents	(419,978)	(317,840)	(1,230,743)		(1,968,561)	
Interest expense	(163,443)	(689,200)	(3,382)	-	(856,025)	
Total nonoperating income (expenses)	<u>(460,402)</u>	<u>619,265</u>	<u>(954,955)</u>	<u>8,203</u>	<u>(787,889)</u>	<u>61,095</u>
	(107,990)	(356,685)	171,414	(1,093,939)	(1,387,200)	(199,453)
Total net assets - beginning	<u>19,281,461</u>	<u>24,982,384</u>	<u>10,905,563</u>	<u>6,848,893</u>	<u>62,018,301</u>	<u>4,763,141</u>
Total net assets - ending	<u>\$ 19,173,471</u>	<u>\$ 24,625,699</u>	<u>\$ 11,076,977</u>	<u>\$ 5,754,954</u>	<u>\$ 60,631,101</u>	<u>\$ 4,563,688</u>
Change in net assets	-			-	\$ (1,387,200)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(25,746)	
Change in net assets of business-type activities - Statement of Activities					<u>\$ (1,412,946)</u>	

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

2010 CAFR basic financial statements

CITY OF ASHLAND, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2010

	Business-type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Electric	Telecom-	Total	Activities
				munications		Internal Service
	Fund	Fund	Fund	Fund		Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,358,019	\$ 3,185,082	\$ 12,297,709	\$ 1,867,735	\$ 21,708,545	\$ 8,053,709
Payments to suppliers	(1,374,330)	(2,154,359)	(8,680,057)	(1,216,549)	(13,425,295)	(2,632,696)
Payments to employees	(1,448,042)	(831,611)	(1,973,469)	(543,297)	(4,796,419)	(4,548,655)
Net cash from operating activities	<u>1,535,647</u>	<u>199,112</u>	<u>1,644,183</u>	<u>107,889</u>	<u>3,486,831</u>	<u>872,358</u>
Cash flows from noncapital financing activities:						
Proceeds from (payment of) interfund and other loans						-
Transfers						-
Taxes collected	101	1,583,807	-	-	1,583,908	
Net cash from noncapital financing activities	<u>101</u>	<u>1,583,807</u>	<u>-</u>	<u>-</u>	<u>1,583,908</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(902,067)	85,111	(315,304)	(11,061)	(1,143,321)	(48,970)
Proceeds from issuance of debt						-
Proceeds from intergovernmental income	80,000				80,000	
Principal paid on bonds, contracts and notes	(537,412)	(1,110,644)	(21,714)		(1,669,770)	
Interest paid on debt	(163,443)	(689,200)	(3,382)	-	(856,025)	
Tax Equivalents	(419,978)	(317,840)	(1,230,743)	-	(1,968,561)	
Net cash from capital and related financing activities	<u>(1,942,900)</u>	<u>(2,032,573)</u>	<u>(1,571,143)</u>	<u>(11,061)</u>	<u>(5,557,677)</u>	<u>(48,970)</u>
Interest from investments and Other income	122,920	42,501	279,058	8,201	452,680	61,092
Net increase (decrease) in cash and investments	<u>(284,232)</u>	<u>(207,153)</u>	<u>352,098</u>	<u>105,029</u>	<u>(34,258)</u>	<u>884,480</u>
Cash and investments, beginning of year	<u>2,020,442</u>	<u>3,246,957</u>	<u>976,370</u>	<u>749,526</u>	<u>6,993,295</u>	<u>2,495,902</u>
Cash and investments, end of year	<u>\$ 1,736,210</u>	<u>\$ 3,039,804</u>	<u>\$ 1,328,468</u>	<u>\$ 854,555</u>	<u>\$ 6,959,037</u>	<u>\$ 3,380,382</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 352,412	\$ (975,950)	\$ 1,126,369	\$ (1,102,142)	\$ (599,311)	\$ (260,548)
Depreciation and amortization	949,494	1,152,722	557,585	1,113,069	3,772,870	747,952
Change in assets and liabilities:						
(Increase) decrease in:						
Receivables	25,271	(19,718)	(134,395)	48,783	(80,059)	(11,726)
Inventories	(7,037)	(2,638)	86,928	-	77,253	3,868
Deferred charges	14,751			7,501	22,252	
Increase (decrease) in:						
Accounts payable and accrued liabilities	194,781	30,682	(29,083)	16,500	212,880	(86,515)
Other liabilities	5,975	14,014	36,779	24,178	80,946	333,637
Net cash from operating activities	<u>\$ 1,535,647</u>	<u>\$ 199,112</u>	<u>\$ 1,644,183</u>	<u>\$ 107,889</u>	<u>\$ 3,486,831</u>	<u>\$ 726,668</u>

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, 2010**

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. The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on the activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the City reports the following fund types:

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

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

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

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

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

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

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

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

3. Inventories and Prepaid Items

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

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

The City of Ashland amended the capitalization policy to meet the GASB 51 requirement of intangible assets. The pronouncement that is new to this fiscal year is one that relates to recognizing intangible assets. The Governmental Accounting Standard Board (GASB) defines intangible assets as easements, water rights, timber rights, patents trademarks and computer software.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (continued)

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

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

Buildings and improvements	33 to 50 years
Electric power generation and distribution 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 longterm obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations (continued)

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. The City Council resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

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

Unexpected additional resources may be added to the budget through the use of a supplemental budget. The supplemental budget process requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified only by the City Council 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 2009-2010, the City made four appropriation transfers, as well as four supplemental budget adjustments, adopted by Resolutions.

B. Excess of Expenditures Over Appropriations

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2010.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

	Total Primary Government	Component Unit Parks and Recreation	Total
Petty Cash	\$ 2,860	\$ 850	\$ 3,710
Deposits with financial institutions	10,463,563		10,463,563
Investments	9,080,758	2,210,114	11,290,872
	\$ 19,547,181	\$ 2,210,964	\$ 21,758,145
Governmental - unrestricted	\$ 18,791,296		
Governmental - restricted:			
Debt Service	755,885		
Fiduciary			
	\$ 19,547,181		

1. Deposits

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

2. Credit Risk Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$1,000,000 of the government's bank balance of \$2,015,054 was exposed to custodial credit risk because it was uninsured.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

2. Credit Risk Deposits (continued)

The remainder is collateralized per the Oregon Public Funds Collateralization Program (PFCP). Oregon Revised Statutes and City policy require depository institutions to maintain on deposit, with the collateral pool manager, securities having a value not less than 10% of their quarter-end public fund deposits if they are adequately capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or as signed to pledge 110% by the Office of the State Treasurer.

3. Investments

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

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

As of June 30, 2010, the City had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
State Treasurer's investment pool	11,290,872	11,290,872		
Total	<u>\$11,290,872</u>	<u>\$11,290,872</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

3. Investments (continued)

Investments are valued at fair value as required by GASB 31. As of June 30, 2010 the fair value of the position in the LGIP is 99.56% of the value of the pool shares as reported in the Oregon Short Term Fund audited financial statements.

For the Year ended June 30, 2010 a cumulative loss of \$45,765 is reported due to the declining value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares.

Interest Rate Risk

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

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

The City limits investment maturities as follows:

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

Credit Risk

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

3. Investments (continued)

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

Concentration of Credit Risk

To avoid incurring unreasonable risks inherent to over-investing in specific instruments or in individual financial institutions, the City's investment policy sets maximum limits on the percentage of the portfolio that can be invested in any one type of security. At June 30, 2010 the City was in compliance with all percentage restrictions.

Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. Amounts in the State Treasurer's Local Government Investment Pool are not required by law to be collateralized.

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

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

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

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
General Fund	\$ 302,669
Debt Service Fund	27,065
Hotel Receivable	501,947
Business Licenses	343
Rehabilitation Loans	82,817
Misc Receivable	375,699
Ambulance billing	238,409
Utility Receivable	295,270
Food and Beverage Receivable	98,554
Notes Receivable	389,645
SDC Receivable	165,159
Special Assessments not yet due:	
Unbounded-Street Fund	123,333
	<hr/>
	<u>\$2,600,910</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**C. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions & Reclasses</u>	<u>Retirements & Reclasses</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 12,400,610			\$ 12,400,610
Construction in progress	340,422	315,583	171,415	484,590
Total capital assets, not being depreciated	12,741,032	315,583	171,415	12,885,200
Buildings	19,563,238	-	-	19,563,238
Improvements other than buildings	43,579,698	719,711	-	44,299,409
Machinery and equipment	13,130,505	232,118	84,193	13,278,430
Total capital assets, being depreciated	76,273,441	951,829	84,193	77,141,077
Less accumulated depreciation for:				
Buildings	(5,061,084)	(439,848)	-	(5,500,932)
Improvements other than buildings	(24,663,212)	(1,339,587)	-	(26,002,799)
Machinery and equipment	(10,004,044)	(837,055)	(84,193)	(10,756,906)
Total accumulated depreciation	(39,728,340)	(2,616,490)	(84,193)	(42,260,637)
Total capital assets being depreciated, net	36,545,102	(1,664,661)	-	34,880,440
Governmental activities capital assets, net	<u>\$ 49,286,134</u>	<u>\$ (1,349,078)</u>	<u>\$ 171,415</u>	<u>\$ 47,765,640</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

	<u>Balance June 30, 2009</u>	<u>Additions & Reclasses</u>	<u>Retirements & Reclasses</u>	<u>Balance June 30, 2010</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,880,637			\$ 1,880,637
Construction in progress	<u>4,620,579</u>	<u>985,444</u>	<u>3,067,847</u>	<u>2,538,176</u>
Total capital assets, not being depreciated	6,501,216	985,444	3,067,847	4,418,813
Buildings	22,089,254			22,089,254
Machinery and equipment	823,580	52,348		875,928
Improvements other than buildings	<u>84,636,277</u>	<u>3,173,375</u>		<u>87,809,652</u>
Total capital assets, being depreciated	107,549,111	3,225,723	-	110,774,834
Less accumulated depreciation:				
Buildings	(3,453,395)	(508,461)		(3,961,856)
Machinery and equipment	(672,955)	(44,863)		(717,818)
Improvements other than buildings	<u>(34,458,425)</u>	<u>(3,109,573)</u>		<u>(37,567,998)</u>
Total accumulated depreciation	(38,584,775)	(3,662,897)	-	(42,247,672)
Total capital assets being depreciated, net	<u>68,964,338</u>	<u>(437,174)</u>	<u>-</u>	<u>68,527,162</u>
Business-type activities capital assets, net	<u>\$ 75,465,554</u>	<u>\$ 548,270</u>	<u>\$ 3,067,847</u>	<u>\$ 72,945,975</u>

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

Governmental activities:	
General government	\$ 565,352
Public Safety	1,251,768
Highways and Streets	<u>799,370</u>
	<u>\$ 2,616,490</u>

Construction Commitments

The government has active construction projects as of June 30, 2010. The projects include construction of various infrastructure improvements and additions to the transportation, storm water, water, wastewater and telecommunications systems. The City has remaining commitments under construction contracts of approximately \$562,893 at June 30, 2010.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,171	\$ 500
Street Fund	-	147,564
Nonmajor Governmental	462,189	321,296
Total	<u>\$ 469,360</u>	<u>\$ 469,360</u>

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.

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.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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

Promissory Notes outstanding at year end are as follows:

Promissory Note

Purpose	Interest Rates	Amount
Government activities	5.5-8.5%	\$ 283,935
Government activities	8.00%	127,874
Government activities	4.40%	500,021
Government activities	5.00%	728,212
Government activities	4.68%	76,388
Business-type activities	3.75% to 4.2%	16,530,415
		<u>\$ 18,246,845</u>

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

Promissory note debt service requirement to maturity is as follows:

Year ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	320,755	86,861	1,134,694	637,185	1,455,449	724,046
2012	261,732	72,689	1,173,947	592,162	1,435,679	664,851
2013	256,891	59,417	1,214,560	545,578	1,471,451	604,995
2014	93,355	47,170	1,256,576	497,385	1,349,931	544,555
2015	69,501	43,433	1,300,047	447,524	1,369,548	490,957
2016-2020	332,989	159,252	7,206,776	1,427,207	7,539,765	1,586,459
2021-2025	258,471	79,625	3,243,815	156,687	3,502,286	236,312
2026-2030	122,736	10,533			122,736	10,533
	<u>\$ 1,716,430</u>	<u>\$ 558,980</u>	<u>\$ 16,530,415</u>	<u>\$ 4,303,728</u>	<u>\$ 18,246,845</u>	<u>\$ 4,862,708</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

2. General Obligation Bonds

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

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

Purpose	Interest Rates	Amount
Government activities	3.7-6.02%	\$ 14,250,000
Government activities	3.5-5.0%	2,350,000
Business-type activities	4.95%	953,697
Business-type activities-refunding	3.75-4.65%	345,000
		\$ 17,898,697

The above table includes \$15.5 million in General Obligation bonds issued to refinance the outstanding loans entered into to build and operate the Ashland Fiber Network (AFN). This bond is a full faith and credit obligation of the City and is payable from any and all taxes and other legally available funds of the City. To the extent available, the City expects to use revenues of the AFN system to pay the Series 2004 Bonds, but they are not secured by a pledge of, or lien on, such revenues. In FY 2005-2006 the City Council approved the transfer from the Telecommunications Fund and Business type activities presentation to the Debt Service Fund and Governmental Activities presentations in recognition of the decision to use any available revenues streams to meet the annual debt service obligation.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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, 2010, are as follows:

Year Ending June 30,	1997 Flood and Refunding GO Bonds		2004 Full Faith and Credit		2000 GO Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 170,000	\$ 12,048	\$ 630,000	\$ 798,744		
2012	175,000	4,069	660,000	767,666		
2013			695,000	733,631		
2014			730,000	696,576		
2015			775,000	656,223		
2016-2020			4,590,000	2,553,043		
2021-2025			6,170,000	973,155		
2026-2030						
	<u>\$ 345,000</u>	<u>\$ 16,117</u>	<u>\$ 14,250,000</u>	<u>\$ 7,179,038</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ending June 30,	2005 GO Bonds		2009 GO Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 275,000	\$ 105,375	\$ 48,623	\$ 46,614	\$ 1,123,623	\$ 962,781
2012	290,000	95,750	51,060	44,177	1,176,060	911,662
2013	190,000	84,875	53,619	41,618	938,619	860,124
2014	200,000	77,750	56,305	38,931	986,305	813,257
2015	205,000	69,750	59,127	36,110	1,039,127	762,083
2016-2020	1,190,000	184,250	343,166	133,020	6,123,166	2,870,313
2021-2025			341,797	39,153	6,511,797	1,012,308
2026-2030					-	-
	<u>\$ 2,350,000</u>	<u>\$ 617,750</u>	<u>\$ 953,697</u>	<u>\$ 379,623</u>	<u>\$ 17,898,697</u>	<u>\$ 8,192,528</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.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Revenue Bonds (continued)

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Water	2.0-4.0%	\$ 3,300,000
Electric	3.8-6.01%	260,571
		<u>\$ 3,560,571</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2011	381,714	106,065
2012	391,714	95,294
2013	396,714	83,847
2014	406,714	71,935
2015	421,714	59,449
2016-2020	943,571	193,766
2021-2025	618,429	35,055
2025-2029		
	<u>\$ 3,560,571</u>	<u>\$ 645,412</u>

4. Advance and Current Refundings

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

4. Advance and Current Refundings (continued)

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.

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

4. Advance and Current Refundings (continued)

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

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation	\$ 17,465,000	\$ -	\$ 865,000	\$ 16,600,000	\$ 905,000
Total bonds payable	17,465,000	-	865,000	16,600,000	905,000
Notes and Contracts	2,034,633		318,203	1,716,430	322,910
Claims and judgements	48,961	243,518	243,518	48,961	48,961
Government Activities					
Long-term liabilities	<u>\$ 19,548,594</u>	<u>\$ 243,518</u>	<u>\$ 1,426,721</u>	<u>\$ 18,365,391</u>	<u>\$ 1,276,871</u>
Business-type Activities:					
Bonds Payable:					
General obligation	\$ 1,505,000		\$ 206,303	\$ 1,298,697	\$ 218,623
Revenue	3,927,285	-	366,714	3,560,571	381,715
Total bonds payable	5,432,285	-	573,017	4,859,268	600,338
Notes and Contracts	17,627,168		1,096,753	16,530,415	1,134,694
Business-type Activities					
Long-term liabilities	<u>\$ 23,059,453</u>	<u>\$ -</u>	<u>\$ 1,669,770</u>	<u>\$ 21,389,683</u>	<u>\$ 1,735,032</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 \$184,830 of internal service fund compensated absences.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Restricted Assets

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

	General Government	Business-type Activities
Unused System Development Charges:		
Street Fund	\$ 2,115,971	\$ -
Capital Improvements Fund	353,696	
Water Fund		1,675,193
Wastewater Fund		1,971,756
	<u>\$ 2,469,667</u>	<u>\$ 3,646,949</u>

G. Compensated Absences

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within a Year
Governmental Activities:	\$ 543,821	\$ 547,448	\$ 543,821	\$ 547,448	\$ 136,862
Business-Type Activities:	432,011	464,309	432,011	464,309	116,077
Total Compensated Absences Payable	<u>\$ 975,832</u>	<u>\$ 1,011,757</u>	<u>\$ 975,832</u>	<u>\$ 1,011,757</u>	<u>\$ 252,939</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.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

The government purchases re-insurance above defined loss levels in each program. Premiums are paid into the Insurance Services internal service fund by all other funds, component units, and potential component units, and are available to pay claims, claim reserves, and administrative costs of the programs. These interfund and agency premiums are used to offset the amount of claims expenditures reported. As of June 30, 2010, such premiums did not exceed paid claims and reserves.

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

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

Accordingly, claims are 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, 2010	Year ended June 30, 2009
Unpaid claims, beginning of fiscal year	\$ 48,961	\$ 103,590
Incurred claims (including IBNRs)	243,518	189,159
Claim Payments	(243,518)	(243,788)
Unpaid claims, end of fiscal year	<u>\$ 48,961</u>	<u>\$ 48,961</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

B. Contingent Liabilities

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

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

The City leases, 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 \$313,812 at June 30, 2010, and requires Ski Ashland to maintain sufficient liquid assets to cover that cost. This amount is adjusted each January by the CPI U per the agreement.

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.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits

Post Employment Stipend

Plan Description- In addition to providing pension benefits, the City provides certain benefits for 16 retired City employees who completed a minimum of 15 years employment with the City. The City pays a monthly stipend from the retiree's 60th birthday or date of retirement, whichever is later, until the retiree's death. These benefit obligations are required by labor bargaining agreements and the exempt employee ordinance. The cost of retiree benefits is recognized as an expense in the Insurance Services Fund (an Internal Service Fund) when eligible employees retire. The amount advance funded at retirement is based solely on the City's estimate.

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

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

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the August 1, 2008 actuarial valuation using the present value of projected benefits discounted at the valuation interest rate (4.50%). The assumed health costs will increase 8.0% in the first year (August 1, 2009 premiums compared with August 1, 2008 premiums), and 5.0% over 30 years. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for Cities.

Funding Status and Funding Progress – As of August 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$1,882,214, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,882,214.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (continued)

Post Employment Stipend (continued)

	Year ended June 30, 2010
Annual Required Contribution (Medical)	\$ 279,935
Interest on Net OPEB Obligation (BOY)	12,284
Adjustment to ARC for Net OPEB Obligation	-
Annual OPEB Costs	292,219
Expected Contributions	(44,159)
Increase (Decrease) in net OPEB obligation	247,660
Net OPEB Obligation - Beginning of fiscal year	\$ 272,988
Net OPEB Obligation - end of fiscal year	\$ 520,648

Fiscal Year Ending	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 291,819	15.13%	\$ 520,648
6/30/2009	\$ 279,935	2.34%	\$ 272,988

Post Employment Health Insurance Subsidy

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

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (continued)

Post Employment Health Insurance Subsidy (continued)

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

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

Actuarial Methods and Assumptions – The annual required contribution (ARC) for the current year was determined as part of the August 1, 2008 actuarial valuation using the present value of projected benefits discounted at the valuation interest rate (4.50%). The assumed health costs will increase 8.0% in the first year (August 1, 2009 premiums compared with August 1, 2008 premiums), 7.0% in the second year, 6.5% in the third year, 6% for the 4th through 14th year, 5.5% for the 15th through 29th year and 5.0% thereafter. The demographic assumptions, such as mortality rates, disability incidence rates, retirement rates and withdrawal rates, are the same as those used by Oregon PERS for Cities. The remaining amortization period is thirteen years.

Funding Status and Funding Progress – As of August 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,923,625, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,923,625.

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

C. Other Post Employment Benefits (continued)

Post Employment Health Insurance Subsidy (continued)

	Year ended June 30, 2010
Annual Required Contribution (Medical)	\$ 205,063
Amortization of UAAL	222,924
Annual Required Contribution	427,987
Interest on prior year	\$ 13,949
Adjustment to ARC	21,880
Implicit Benefit Payments	138,814
Increase (Decrease) in net OPEB obligation	281,242
Net OPEB Obligation - Beginning of fiscal year	\$ 309,971.00
Net OPEB Obligation - end of fiscal year	\$ 591,213

Fiscal Year Ending	Annual OPEB Cost	Percentage of annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	\$ 420,056	33%	\$ 591,213
6/30/2009	\$ 481,296	36%	\$ 309,971

D. Employee Retirement System and Pension Plan

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

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 of employees benefits in OPERF and the new plan established in 2003 called Oregon Public Service Retirement Plan (OPSRP) and the current rates are: PERS-General Service 8.67%, PERS-Police and Fire 16.77%, OPSRP-General Service 9.43% and OPSRP-Police and Fire 12.14% respectively of annual covered payroll. The City has “picked up” employee contributions at a rate of 6%, as allowed under Oregon law. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by an act of the Oregon legislature. The City elected to join the Local Government Rate Pool in 2000 and the State & Local Rate Pool in 2002 to minimize annual variances in employer rates.

For 2009-2010, the City's annual pension cost of \$2,137,864 was equal to the City's required and actual contributions. This consisted of \$756,317 picked up and paid by the City on behalf of employees, and \$1,381,547 paid by the City. The required contribution was determined as part of the December 31, 2005, actuarial valuation, using the entry age actuarial cost method. The Unfunded Actuarial Liability, if any, is amortized as a level percentage of covered payroll over a twenty year period on an open basis. The actuarial assumptions include (a) 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, 2010**

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			
(C of A) City of Ashland			
Fiscal Year Ending	Annual Pension Cost (C of A)	Percentage of C of A Contributed	Net Pension Obligation
6/30/2010	\$ 2,137,864	100%	
6/30/2009	2,535,529	100%	-
6/30/2008	2,456,749	100%	-

E. Deferred Charges

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

The balance is as follows at June 30, 2010:

Startup Costs	\$ 1,861,076
Less accumulated amortization	1,022,559
	\$ 838,517

F. Restatement

The restatement in the Central Service Fund is to recognize our internal software costs. This was for the recognition of GASB 51 intangible assets in the amount of \$145,690.

G. Subsequent Event

On October 25, 2010, the City issued \$15.44 million in bonds as a Full Faith & Credit obligation refunding \$16.53 million in State of Oregon, Department of Environmental Quality bonds (recorded under Notes and Contracts) in the Wastewater Fund. The issuance refunds the old debt service and resulted in \$1.341,000 net present value savings (economic gain) to the City. The new bonds have the same life as the old and will be retired on May 1, 2022. During this refinancing process the City of Ashland's rating was downgraded from AAA to AA+.

REQUIRED SUPPLEMENTARY INFORMATION



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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



**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended June 30, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 11,644,519	\$ 11,537,850	\$ 11,537,850	\$ 106,669
Fees, licenses and permits	474,379	612,500	612,500	(138,121)
Intergovernmental	601,781	583,210	702,138	(100,357)
Charges for Services	1,396,435	1,396,100	1,401,100	(4,665)
Fines and Forfeitures	183,266	142,000	142,000	41,266
Interest on Investments	31,611	50,000	50,000	(18,389)
Miscellaneous	92,426	7,250	7,250	85,176
Total Revenues	14,424,417	14,328,910	14,452,838	(28,421)
Expenditures:				
General Government:				
Administration	522,158	556,678	556,678	34,520
Administrative Services:				
Band	56,720	57,619	57,619	899
Social Services	118,605	120,342	120,342	1,737
Economic Development	555,817	570,000	570,000	14,183
Public Works:				
Cemetery	292,718	310,305	310,305	17,587
Community Development:				
Planning	1,060,657	1,214,363	1,214,363	153,706
Building	592,159	656,331	656,331	64,172
Miscellaneous	44,604	45,000	45,000	396
Total general government	3,243,438	3,530,638	3,530,638	287,200
Public Safety:				
Police	5,463,162	5,459,435	5,578,363	115,201
Municipal Court	419,469	419,924	424,924	5,455
Fire and Rescue	5,015,905	5,085,705	5,085,705	69,800
Total public safety	10,898,536	10,965,064	11,088,992	190,456
Contingency		400,000	400,000	400,000
Total Expenditures	14,141,974	14,895,702	15,019,630	877,656
Excess(Deficiency) of Revenues over Expenditures	282,443	(566,792)	(566,792)	849,235
Other financing sources (uses):				
Transfer In (Cemetery Fund)	7,171	20,000	20,000	12,829
Transfers out	(500)	(500)	(500)	-
Total other financing sources (uses)	6,671	19,500	19,500	12,829
Net Change in Fund Balance	289,114	(547,292)	(547,292)	836,406
Fund Balance, July 1, 2009	2,185,456	1,879,800	1,879,800	305,656
Fund Balance, June 30, 2010	\$ 2,474,570	\$ 1,332,508	\$ 1,332,508	\$ 1,142,062

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
For the year ended June 30, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 200,906	\$ 215,200	\$ 215,200	\$ (14,294)
Intergovernmental	890,503	2,752,840	2,755,470	(1,864,967)
Charges for Services	1,871,622	1,864,100	1,864,100	7,522
System Development Charges	76,101	18,615	18,615	57,486
Assessments	3,292	18,110	18,110	(14,818)
Interest on Investments	30,607	30,000	30,000	607
Miscellaneous	61,399	10,000	10,000	51,399
Total Revenues	3,134,430	4,908,865	4,911,495	(1,777,065)
Expenditures:				
Highways and streets:				
Operations and Maintenance	1,978,715	4,118,258	4,140,888	2,162,173
Storm Water	530,714	620,878	620,878	90,164
Transportation SDC's	30,110	561,400	561,400	531,290
Storm Water SDC's	10,818	274,000	274,000	263,182
Local Improvement Districts	18,250	196,098	196,098	177,848
New Debt	-	-	-	-
Total highways and streets	2,568,607	5,770,634	5,793,264	3,224,657
Contingency		88,000	68,000	68,000
Total Expenditures	2,568,607	5,858,634	5,861,264	3,292,657
Excess(Deficiency) of Revenues over Expenditures	565,823	(949,769)	(949,769)	1,515,592
Other financing sources (uses):				
Bond Proceeds	-	515,600	515,600	(515,600)
Transfer Out	(147,564)	(215,000)	(215,000)	67,436
Total other financing sources (uses)	(147,564)	300,600	300,600	(448,164)
Net Change in Fund Balance	418,259	(649,169)	(649,169)	1,067,428
Fund Balance, July 1, 2009	2,402,258	2,096,532	2,096,532	305,726
Fund Balance, June 30, 2010	\$ 2,820,517	\$ 1,447,363	\$ 1,447,363	\$ 1,373,154

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



**CITY OF ASHLAND, OREGON
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2010**

	Governmental Fund Types					Permanent	Total Other
	CDBG Fund	Reserve Fund	Airport Fund	Capital Improvements Fund	Debt Service Fund	Cemetery Trust Fund	Governmental (Compilation Only)
ASSETS							
Cash and cash equivalents	\$ 11,267	\$ 148,072	\$ 23,841	\$ 2,029,640		\$ 805,480	\$ 3,018,300
Receivables (net of allowance for uncollectibles)	45,674	-	10,069	432,299	347,402	2,317	837,761
Cash - restricted					755,886		755,886
Total assets	<u>\$ 56,941</u>	<u>\$ 148,072</u>	<u>\$ 33,910</u>	<u>\$ 2,461,939</u>	<u>\$ 1,103,288</u>	<u>\$ 807,797</u>	<u>\$ 4,611,947</u>
LIABILITIES AND FUND BALANCES							
Accounts payable	\$ 19,517	\$ -	\$ 1,750	\$ 86,104			\$ 107,371
Deferred revenue				237,659	341,089		578,748
Due to other Funds	-						-
Liabilities payable from restricted assets							-
Total liabilities	<u>19,517</u>	<u>-</u>	<u>1,750</u>	<u>323,763</u>	<u>341,089</u>	<u>-</u>	<u>686,119</u>
Fund Balances:							
Reserved for:							
Reserved for systems development charges				353,696			353,696
Reserved for debt service					762,199		762,199
Reserved for perpetual care						807,797	807,797
Unreserved:							
Special revenue funds			32,160				32,160
Capital projects funds	37,424	148,072		1,784,480			1,969,976
Total equity and other credits	<u>37,424</u>	<u>148,072</u>	<u>32,160</u>	<u>2,138,176</u>	<u>762,199</u>	<u>807,797</u>	<u>3,925,828</u>
Total liabilities and fund balances	<u>\$ 56,941</u>	<u>\$ 148,072</u>	<u>\$ 33,910</u>	<u>\$ 2,461,939</u>	<u>\$ 1,103,288</u>	<u>\$ 807,797</u>	<u>\$ 4,611,947</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, 2009

	Governmental Fund Types					Permanent Fund Type Cemetery Nonexpendable Trust Fund	Total Other Governmental (Compilation Only)
	CDBG Fund	Reserve Fund	Airport Fund	Capital Improvements Fund	Debt Service Fund		
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ 395,952	\$ 395,519	\$ -	\$ 791,471
Intergovernmental	414,823			196,058			610,881
Charges for Services			118,223	1,174,971	1,130,510	15,690	2,439,394
System Development Charges				16,377			16,377
Interest on Investments		508	575	17,835	11,141	10,025	40,084
Miscellaneous				7,606	29,301		36,907
Total Revenues	<u>414,823</u>	<u>508</u>	<u>118,798</u>	<u>1,808,799</u>	<u>1,566,471</u>	<u>25,715</u>	<u>3,935,114</u>
Expenditures:							
General Government	447,017		68,080	790,402			1,305,499
Debt Service			38,536		2,191,182		2,229,718
Total Expenditures	<u>447,017</u>	<u>-</u>	<u>106,616</u>	<u>790,402</u>	<u>2,191,182</u>	<u>-</u>	<u>3,535,217</u>
Excess (Deficiency) of Revenues over Expenditures	(32,194)	508	12,182	1,018,397	(624,711)	25,715	399,897
Other financing sources (uses):							
Interfund Loan							-
Transfer in		147,564			314,125	500	462,189
Transfers out				(314,125)		(7,171)	(321,296)
Loan Proceeds			(80,000)	-			(80,000)
	-	147,564	(80,000)	(314,125)	314,125	(6,671)	60,893
Net Change in Fund Balance	(32,194)	148,072	(67,818)	704,272	(310,586)	19,044	460,790
Fund Balance, July 1, 2009	<u>69,618</u>	<u>-</u>	<u>99,978</u>	<u>1,433,904</u>	<u>1,072,785</u>	<u>788,753</u>	<u>3,465,038</u>
Fund Balance, June 30, 2010	<u>\$ 37,424</u>	<u>\$ 148,072</u>	<u>\$ 32,160</u>	<u>\$ 2,138,176</u>	<u>\$ 762,199</u>	<u>\$ 807,796</u>	<u>\$ 3,925,828</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, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 414,823	\$ 493,958	\$ 493,958	\$ (79,135)
Total Revenues	<u>414,823</u>	<u>493,958</u>	<u>493,958</u>	<u>(79,135)</u>
Expenditures:				
General government:				
Personal Services	36,760	38,000	38,000	1,240
Material and Services	410,257	455,958	455,958	45,701
Total general government	<u>447,017</u>	<u>493,958</u>	<u>493,958</u>	<u>46,941</u>
Contingency				
Total Expenditures	<u>447,017</u>	<u>493,958</u>	<u>493,958</u>	<u>46,941</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(32,194)</u>	<u>-</u>	<u>-</u>	<u>(32,194)</u>
Other financing sources (uses):				
Interfund Loans				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(32,194)	-	-	(32,194)
Fund Balance, July 1, 2009	69,618	-	-	69,618
Fund Balance, June 30, 2010	<u>\$ 37,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,424</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RESERVE FUND
For the year ended June 30, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Interest on Investments	\$ 508	\$ -	\$ -	\$ 508
Total Revenues	<u>508</u>	<u>-</u>	<u>-</u>	<u>508</u>
Expenditures:				
General government:				
Personal Services				-
Material and Services				-
Total general government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contingency				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>508</u>	<u>-</u>	<u>-</u>	<u>508</u>
Other financing sources (uses):				
Transfer In (Street Fund)	147,564	215,000	215,000	67,436
Total other financing sources (uses)	<u>147,564</u>	<u>215,000</u>	<u>215,000</u>	<u>67,436</u>
Net Change in Fund Balance	148,072	215,000	215,000	(66,928)
Fund Balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 148,072</u>	<u>\$ 215,000</u>	<u>\$ 215,000</u>	<u>\$ (66,928)</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, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 118,223	\$ 100,000	\$ 100,000	\$ 18,223
Interest on investments	575	500	500	75
Miscellaneous		7,500	7,500	(7,500)
Total Revenues	118,798	108,000	108,000	10,798
Expenditures:				
General government:				
Materials and services	68,080	78,750	78,750	10,670
Total general government	68,080	78,750	78,750	10,670
Debt Service	38,536	38,537	38,537	1
Contingency		5,000	5,000	5,000
Total Expenditures	106,616	122,287	122,287	15,671
Excess(Deficiency) of Revenues over Expenditures	12,182	(14,287)	(14,287)	26,469
Other financing sources (uses):				
Interfund Loan	(80,000)	(80,000)	(80,000)	-
Total other financing sources	(80,000)	(80,000)	(80,000)	-
Net Change in Fund Balance	(67,818)	(94,287)	(94,287)	26,469
Fund Balance, July 1, 2009	99,978	103,311	103,311	(3,333)
Fund Balance, June 30, 2010	\$ 32,160	\$ 9,024	\$ 9,024	\$ 23,136

**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, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 395,952	\$ 360,955	\$ 360,955	\$ 34,997
Intergovernmental	196,058	1,275,000	1,275,000	(1,078,942)
Charges for services	1,174,971	1,180,000	1,180,000	(5,029)
System Development	16,377	25,000	25,000	(8,623)
Interest on investments	17,835	18,800	18,800	(965)
Miscellaneous	7,606	10,300	10,300	(2,694)
Total Revenues	1,808,799	2,870,055	2,870,055	(1,061,256)
Expenditures:				
General government:				
Personal Services	178,901	181,905	181,905	3,004
Material and Services	349,533	361,905	361,905	12,372
Capital Outlay	261,968	1,408,690	1,408,690	1,146,722
Total cost of Service	790,402	1,952,500	1,952,500	1,162,098
Contingency		50,000	13,500	
Total Expenditures	790,402	2,002,500	1,966,000	1,162,098
Excess(Deficiency) of Revenues over Expenditures	1,018,397	867,555	904,055	100,842
Other financing sources (uses):				
Transfers in				-
Transfers out	(314,125)	(278,046)	(314,546)	(421)
Loan Proceeds		-		-
Total other financing sources	(314,125)	(278,046)	(314,546)	(421)
Net Change in Fund Balance	704,272	589,509	589,509	114,763
Fund Balance, July 1, 2009	1,433,904	1,547,552	1,547,552	(113,648)
Fund Balance, June 30, 2010	\$ 2,138,176	\$ 2,137,061	\$ 2,137,061	\$ 1,115

**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, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 395,519	\$ 392,250	\$ 392,250	\$ 3,269
Charges for services	1,130,510	1,156,000	1,156,000	(25,490)
Special assessments		200,000	200,000	
Interest on investments	11,141	30,000	30,000	(18,859)
Miscellaneous	29,301	30,000	30,000	(699)
Total Revenues	<u>1,566,471</u>	<u>1,808,250</u>	<u>1,808,250</u>	<u>(41,779)</u>
Expenditures:				
Debt Service:				
Bancroft	-	200,000	200,000	200,000
General Obligation	1,809,276	1,808,628	1,808,628	(648)
Notes and Contracts	381,906	381,907	381,907	1
Total Expenditures	<u>2,191,182</u>	<u>2,390,535</u>	<u>2,390,535</u>	<u>(1) 199,353</u>
Excess(Deficiency) of Revenues over Expenditures	(624,711)	(582,285)	(582,285)	157,574
Other financing sources (uses):				
Transfers in	314,125	278,046	278,046	(36,079)
Total other financing sources	<u>314,125</u>	<u>278,046</u>	<u>278,046</u>	<u>(36,079)</u>
Net Change in Fund Balance	(310,586)	(304,239)	(304,239)	(6,347)
Fund Balance, July 1, 2009	<u>1,072,785</u>	<u>1,453,352</u>	<u>1,453,352</u>	<u>(380,567)</u>
Fund Balance, June 30, 2010	<u>\$ 762,199</u>	<u>\$ 1,149,113</u>	<u>\$ 1,149,113</u>	<u>\$ (386,914)</u>

(1) Appropriation Level

**CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CEMETERY TRUST FUND
For the year ended June 30, 2010**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for services	\$ 15,690	\$ 20,000	\$ 20,000	\$ (4,310)
Interest on investments	10,025	20,000	20,000	(9,975)
Miscellaneous				
Total Revenues	<u>25,715</u>	<u>40,000</u>	<u>40,000</u>	<u>(14,285)</u>
Other financing sources (uses):				
Transfers in	500	500	500	
Transfers out	(7,171)	(20,000)	(20,000)	12,829
Total other financing sources (uses)	<u>(6,671)</u>	<u>(19,500)</u>	<u>(19,500)</u>	<u>12,829</u>
Net Change in Fund Balance	19,044	20,500	20,500	(1,456)
Fund Balance, July 1, 2009	<u>788,753</u>	<u>792,448</u>	<u>792,448</u>	<u>(3,695)</u>
Fund Balance, June 30, 2010	<u>\$ 807,797</u>	<u>\$ 812,948</u>	<u>\$ 812,948</u>	<u>\$ (5,151)</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, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 101	\$ -	\$ -	\$ 101
Intergovernmental	99,928	184,850	262,164	(162,236)
Charges for Services	4,146,730	4,490,470	4,490,470	(343,740)
System Developments Charges	151,864	18,835	18,835	133,029
Interest on Investments	22,990	25,000	25,000	(2,010)
Miscellaneous	34,154	7,140	7,140	27,014
Total Revenues	4,455,767	4,726,295	4,803,609	(347,842)
Expenditures:				
Cost of Services:				
Forest Land Management	221,016	260,420	337,734	116,718
Public Works Water Supply	251,617	315,616	315,616	63,999
Public Works Water Treatment	1,058,105	1,070,748	1,120,748	62,643
Public Works Water Distribution	2,361,970	2,486,783	2,436,783	74,813
Public Works Reimbursement SDC's	38,321	328,750	328,750	290,429
Public Works Improvements SDC's	198,014	266,250	266,250	68,236
Public Works Debt SDC's	123,444	123,446	123,446	2
Electric:				
Water Conservation	175,054	178,292	178,292	3,238
	4,427,541	5,030,305	5,107,619	680,078
Debt Service	580,110	633,518	633,518	53,408
Contingency		140,000	140,000	140,000
Total Expenditures	5,007,651	5,803,823	5,881,137	873,486
Excess(Deficiency) of Revenues over Expenditures	(551,883)	(1,077,528)	(1,077,528)	525,644
Other financing sources (uses):				
Interfund Loan	80,000	80,000	80,000	-
				-
Total other financing sources (uses)	80,000	80,000	80,000	-
Net Change in Fund Balance	(471,883)	(997,528)	(997,528)	525,645
Fund Balance, July 1, 2009	2,323,768	1,834,342	1,834,342	489,426
Fund Balance, June 30, 2010	\$ 1,851,885	\$ 836,814	\$ 836,814	\$ 1,015,071
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 21,680,457			
Accrued Interest	(27,872)			
Compensated Absences	(92,708)			
OPEB Implicit Rate Liability	(53,413)			
Deferred Charges	127,711			
Rounding	(1)			
GO Bonds Payable	(1,012,588)			
Revenue Bonds Payable	(3,300,000)			
	\$ 19,173,471			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND
For the year ended June 30, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 1,583,807	\$ 1,500,000	\$ 1,500,000	\$ 83,807
Charges for Services	3,148,850	3,438,000	3,438,000	(289,150)
System Developments Charges	55,945	16,000	16,000	39,945
Interest on Investments	42,498	75,000	75,000	(32,502)
Miscellaneous	5	1,125	1,125	(1,120)
Total Revenues	4,831,105	5,030,125	5,030,125	(199,020)
Expenditures:				
Cost of Services:				
Public Works Wastewater Collection	1,568,029	1,658,499	1,658,499	90,470
Public Works Wastewater Treatment	1,669,906	2,155,544	2,155,544	485,638
Public Works Reimbursement SDC's	1,289	127,890	127,890	126,601
Public Works Improvements SDC's	615	550,000	550,000	549,385
Total cost of service	3,239,839	4,491,933	4,491,933	1,252,094
Debt Service	1,806,028	1,877,557	1,877,557	71,529
Contingency		150,000	150,000	150,000
Total Expenditures	5,045,867	6,519,490	6,519,490	1,473,623
Excess(Deficiency) of Revenues over Expenditures	(214,762)	(1,489,365)	(1,489,365)	1,274,603
Other financing sources (uses):				
Loan Proceeds		450,000	450,000	450,000
Total other financing sources (uses)	-	450,000	450,000	-
Net Change in Fund Balance	(214,762)	(1,039,365)	(1,039,365)	824,603
Fund Balance, July 1, 2009	3,710,771	4,060,134	4,060,134	(349,363)
Fund Balance, June 30, 2010	\$ 3,496,009	\$ 3,020,769	\$ 3,020,769	\$ 475,240
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 38,119,012			
Accrued Interest	(93,204)			
Compensated Absences	(48,450)			
OPEB Implicit Rate Liability	(31,144)			
GO Bonds Payable	(286,109)			
Notes Payable	(16,530,415)			
	\$ 24,625,699			

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

For the year ended June 30, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 267,850	\$ 48,000	\$ 288,000	\$ (20,150)
Charges for Services	12,144,279	12,234,900	12,234,900	(90,621)
Interest on Investments	11,320	25,000	25,000	(13,680)
Miscellaneous	275,988	100,000	100,000	175,988
Total Revenues	12,699,437	12,407,900	12,647,900	51,537
Expenditures:				
Cost of Services:				
Electric supply	5,250,218	5,905,204	5,905,204	654,986
Electric distribution	5,430,899	5,432,581	5,592,581	161,682
Electric transmission	866,133	903,600	903,600	37,467
Conservation	714,890	504,498	744,498	29,608
Total cost of service	12,262,140	12,745,883	13,145,883	883,743
Debt Service	25,107	25,108	25,108	1
Contingency	-	372,000	212,000	212,000
Total Expenditures	12,287,247	13,142,991	13,382,991	1,095,744
Excess (Deficiency) of Revenues over Expenditures	412,190	(735,091)	(735,091)	1,147,281
Other financing sources (uses):				
Other financing sources	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	412,190	(735,091)	(735,091)	1,147,281
Fund Balance, July 1, 2009	1,642,543	1,384,585	1,384,585	257,958
Fund Balance, June 30, 2010	\$ 2,054,733	\$ 649,494	\$ 649,494	\$ 1,405,239
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 9,128,697			
Rounding	(3)			
Compensated Absences	(102,102)			
OPEB Implicit Rate Liability	(55,480)			
Deferred Revenue	311,837			
Accrued Interest	(134)			
Revenue Bonds Payable	(260,571)			
	\$ 11,076,977			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
For the year ended June 30, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for Services	\$ 1,818,789	\$ 1,846,000	\$ 1,846,000	\$ (27,211)
Interest on Investments	8,203	15,000	15,000	(6,797)
Miscellaneous	163	500	500	(337)
Total Revenues	<u>1,827,155</u>	<u>1,861,500</u>	<u>1,861,500</u>	<u>(34,345)</u>
Expenditures:				
Cost of Services:				
IT - Internet	1,473,516	1,720,228	1,720,228	246,712
IT - High Speed Data	330,269	387,834	387,834	57,565
Total cost of service	1,803,785	2,108,062	2,108,062	304,277
Contingency		100,000	100,000	100,000
Total Expenditures	<u>1,803,785</u>	<u>2,208,062</u>	<u>2,208,062</u>	<u>404,277</u>
Excess(Deficiency) of Revenues over Expenditures	23,370	(346,562)	(346,562)	369,932
Net Change in Fund Balance	23,370	(346,562)	(346,562)	369,932
Fund Balance, July 1, 2009	<u>929,945</u>	<u>671,697</u>	<u>671,697</u>	<u>258,248</u>
Fund Balance, June 30, 2010	<u>\$ 953,315</u>	<u>\$ 325,135</u>	<u>\$ 325,135</u>	<u>\$ 628,180</u>
Capital Assets, Net	\$ 4,856,325			
Compensated Absences	(36,220)			
OPEB Implicit Rate Liability	(18,465)			
Rounding	(1)			
	<u>\$ 5,754,954</u>			

**CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2010**

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 616,812	\$ 995,286	\$ 1,768,284	\$ 3,380,382
Interest and accounts receivable, net	7,914	4,856	14,745	27,515
Notes receivable		19,319		19,319
Inventories	3,719		28,606	32,325
Total current assets	<u>628,445</u>	<u>1,019,461</u>	<u>1,811,635</u>	<u>3,459,541</u>
Fixed assets	430,056	-	10,105,654	10,535,710
Accumulated depreciation	<u>(287,728)</u>	<u>-</u>	<u>(7,794,425)</u>	<u>(8,082,153)</u>
Capital assets, net	<u>142,328</u>	<u>-</u>	<u>2,311,229</u>	<u>2,453,557</u>
Total assets	<u>\$ 770,773</u>	<u>\$ 1,019,461</u>	<u>\$ 4,122,864</u>	<u>\$ 5,913,098</u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 150,095	\$ 36,040	\$ 38,872	\$ 225,007
Accrued salaries, vacation and payroll taxes	523,106	3,898	27,789	554,793
Other liabilities				-
Accrued claims and adjustments		569,610		569,610
Total current liabilities	<u>673,201</u>	<u>609,548</u>	<u>66,661</u>	<u>1,349,410</u>
Net assets:				
Invested in capital assets, net of related debt	142,328	-	2,311,229	2,453,557
Unreserved	<u>(44,756)</u>	<u>409,913</u>	<u>1,744,974</u>	<u>2,110,131</u>
Total fund equity:	<u>97,572</u>	<u>409,913</u>	<u>4,056,203</u>	<u>4,563,688</u>
Total liabilities and net assets	<u>\$ 770,773</u>	<u>\$ 1,019,461</u>	<u>\$ 4,122,864</u>	<u>\$ 5,913,098</u>

**CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2010**

	Central Service Fund	Insurance Services Fund	Equipment Fund	Totals
Operating revenues:				
Service Charges and fees	\$ 5,588,391	\$ 634,493	\$ 1,692,082	\$ 7,914,966
Miscellaneous	99,230	36,482	14,757	150,469
Total Revenues	5,687,621	670,975	1,706,839	8,065,435
Operating expenses:				
Cost of Service	5,842,896	987,557	747,578	7,578,031
Depreciation	32,945		715,007	747,952
Total operating expenses	5,875,841	987,557	1,462,585	8,325,983
Operating income (loss)	(188,220)	(316,582)	244,254	(260,548)
Nonoperating income (expense):				
Taxes	15,926			15,926
Interest income	7,325	12,961	24,883	45,169
Gain (loss) on disposal of assets				
Total nonoperating income (expense)	23,251	12,961	24,883	61,095
Change in Net Assets	(164,969)	(303,621)	269,137	(199,453)
Net Assets, July 1, 2009 - Restated	262,541	713,534	3,787,066	4,763,141
Net Assets, July 1, 2010	\$ 97,572	\$ 409,913	\$ 4,056,203	\$ 4,563,688

CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS
For the year ended June 30, 2010

	Business-type Activities - Enterprise Funds			
	Central Services	Insurance Services	Equipment Fund	Total
Cash flows from operating activities:				
Receipts from customers and users	\$ 5,684,575	\$ 676,999	\$ 1,692,135	\$ 8,053,709
Payments to suppliers	(1,470,085)	(682,236)	(480,375)	(2,632,696)
Payments to employees	(4,190,558)	(77,909)	(280,188)	(4,548,655)
Net cash from operating activities	23,932	(83,146)	931,572	872,358
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	16,002	-	(64,972)	(48,970)
Net cash from capital and related financing activities	16,002	-	(64,972)	(48,970)
Cash flows from investing activities:				
Interest from investments and Other income	23,251	12,959	24,882	61,092
Net increase (decrease) in cash and investments	63,185	(70,187)	891,482	884,480
Cash and investments, beginning of year	553,627	1,065,473	876,802	2,495,902
Cash and investments, end of year	\$ 616,812	\$ 995,286	\$ 1,768,284	\$ 3,380,382
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (188,220)	\$ (316,582)	\$ 244,254	\$ (260,548)
Depreciation and amortization	32,945		715,007	747,952
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	(3,046)	6,024	(14,704)	(11,726)
Inventories	(1,134)		5,002	3,868
Increase (decrease) in:				
Accounts payable and accrued liabilities	(53,400)	(20,427)	(12,688)	(86,515)
Other liabilities	91,097	247,839	(5,299)	333,637
Net cash from operating activities	\$ (121,758)	\$ (83,146)	\$ 931,572	\$ 726,668

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, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 15,926	\$ 18,000	\$ 18,000	\$ (2,074)
Intergovernmental Revenues	2,850		2,850	-
Charges for Services	5,588,391	5,681,000	5,681,000	(92,609)
Interest on Investments	7,325	10,000	10,000	(2,675)
Miscellaneous	96,380	100,000	100,000	(3,620)
Total Revenues	<u>5,710,872</u>	<u>5,809,000</u>	<u>5,811,850</u>	<u>(100,978)</u>
Expenditures:				
Cost of Services:				
Administration Department	1,218,290	1,311,716	1,326,566	108,276
IT - Computer Services Division	1,122,064	1,145,133	1,145,133	23,069
Administrative Services Department	1,655,452	1,679,890	1,699,890	44,438
City Recorder Division	293,784	277,539	298,539	4,755
Public Works - Administration and Engineering	1,315,625	1,383,370	1,383,370	67,745
Contingency		169,000	116,000	116,000
Total Expenditures	<u>5,605,215</u>	<u>5,966,648</u>	<u>5,969,498</u>	<u>364,283</u>
Net Change in Fund Balance	105,657	(157,648)	(157,648)	263,305
Fund Balance, July 1, 2009	<u>161,163</u>	<u>170,179</u>	<u>170,179</u>	<u>(9,016)</u>
Fund Balance, June 30, 2010	<u>\$ 266,820</u>	<u>\$ 12,531</u>	<u>\$ 12,531</u>	<u>\$ 254,289</u>
Reconciliation to Net Assets				
Accrued Compensated Absences	\$ (179,145)			
OPEB Implicit Rate Liability	(132,431)			
Capital Assets, Net	142,328			
	<u>\$ 97,572</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, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for Services	\$ 634,493	\$ 650,000	\$ 650,000	\$ (15,507)
Interest on Investments	12,961	20,000	20,000	(7,039)
Miscellaneous	36,482	10,000	10,000	26,482
Total Revenues	683,936	680,000	680,000	3,936
Expenditures:				
Cost of Services:				
Personal Services	77,909	80,130	80,130	2,221
Materials and Services	661,988	680,803	680,803	18,815
Total cost of Services	739,897	760,933	760,933	21,036
Contingency		150,000	150,000	150,000
Total Expenditures	739,897	910,933	910,933	171,036
Other financing sources (uses):				
Interfund Loan				
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	(55,961)	(230,933)	(230,933)	174,972
Fund Balance, July 1, 2009	696,071	774,199	774,199	(78,128)
Fund Balance, June 30, 2010	\$ 640,110	\$ 543,266	\$ 543,266	\$ 96,844
Reconciliation to Net Assets				
Accrued claims and judgments	\$ (230,197)			
	\$ 409,913			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
EQUIPMENT FUND
For the year ended June 30, 2010

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Charges for Services	\$ 1,692,082	\$ 1,460,200	\$ 1,460,200	\$ 231,882
Interest on Investments	24,883	30,000	30,000	(5,117)
Miscellaneous	14,757	60,000	60,000	(45,243)
Total Revenues	1,731,722	1,550,200	1,550,200	181,522
Expenditures:				
Cost of Services:				
Personal Services	274,889	288,120	288,120	13,231
Materials and Services	459,847	515,009	515,009	55,162
Total cost of service	734,736	803,129	803,129	68,393
Capital Outlay	80,831	334,000	334,000	253,169
Contingency		47,000	47,000	47,000
Total Expenditures	815,567	1,184,129	1,184,129	368,562
Excess(Deficiency) of Revenues over Expenditures	916,155	366,071	366,071	(550,084)
Other financing sources (uses):				
Interfund Loan				-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balance	916,155	366,071	366,071	550,084
Fund Balance, July 1, 2009	844,150	956,090	956,090	(111,940)
Fund Balance, June 30, 2010	\$ 1,760,305	\$ 1,322,161	\$ 1,322,161	\$ 438,144
Reconciliation to Net Assets				
Accrued Compensated Absences	\$ (5,686)			
OPEB Implicit Rate Liability	(9,646)			
Rounding	1			
Capital Assets, Net	2,311,229			
	\$ 4,056,203			



CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2010

Governmental funds capital assets:

Land	\$ 12,301,840
Buildings and improvements	19,244,728
Improvements other than buildings	43,855,004
Machinery and equipment	3,611,695
Construction in progress	477,299

Total capital assets \$ 79,490,566

Investments in governmental funds capital assets by source:

General and Capital Projects Funds	\$ 48,608,815
Special Revenue Funds	9,164,523
Component Unit	7,152,481
Leased to Other Agencies	14,564,747

Total investments in governmental funds capital assets \$ 79,490,566

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, 2010

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Construction in Progress	Total
General Government:						
Community Development	\$ 985,235	\$ 1,120,947		\$ 378,138		\$ 2,484,320
Public Buildings	460,200	1,021,882	49,429	145,916		1,677,427
Leased to Other Agencies	253,000	8,744,018	3,957,949	1,609,780		14,564,747
Other - Unclassified	2,752,795	2,035,844	790,298	183,248		5,762,185
Total General government	4,451,230	12,922,691	4,797,676	2,317,082	-	24,488,679
Public Safety:						
Police	80,000	614,700		472,497		1,167,197
Fire	998,400	3,268,416	300,000	335,282		4,902,098
Total Public Safety	1,078,400	3,883,116	300,000	807,779	-	6,069,295
Highway and Streets:						
Public Thoroughfares	452,235	630,075	37,029,617	256,828	316,128	38,684,883
Total Highways and Streets	452,235	630,075	37,029,617	256,828	316,128	38,684,883
Airports	176,566	1,029,780	1,727,711		161,171	3,095,228
Culture and Recreation	6,143,409	779,066		230,006		7,152,481
Total Governmental Funds						
Capital Assets	<u>\$ 12,301,840</u>	<u>\$ 19,244,728</u>	<u>\$ 43,855,004</u>	<u>\$ 3,611,695</u>	<u>\$ 477,299</u>	<u>\$ 79,490,566</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, 2010

	Original Issue	Bond Principal Transactions	
		Outstanding June 30, 2009	Issued
<u>General Obligation Bonds</u>			
Flood and Refunding Bonds, issued December 1, 1997, interest at 3.65% to 6.00%	2,800,000	505,000	-
Flood and Fire Station Bonds, issued June 1, 2000 interest variable	3,310,000	150,000	-
Ashland Fiber Network Bonds, issued August 11, 2004, interest at 3.70% to 6.02%	15,500,000	14,855,000	-
Refunding Bonds, issued December 1, 2005 interest variable	2,560,000	2,460,000	-
Water and Wastewater, Series 2009, issued May 15, 2009, interest at 4.95%	1,000,000	1,000,000	-
<u>Revenue Bonds</u>			
Water, Series 2003, issued June 1, 2003, interest at 2.00% to 4.00%	5,625,000	3,645,000	-
Electric, Series 2008, issued June 20, 2008, interest at 2.00% to 4.00%	304,000	282,286	-
	<u>\$31,099,000</u>	<u>\$ 22,897,286</u>	<u>\$ -</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2010 (continued)

<u>Bond Principal Transactions</u>			<u>Interest Transactions</u>			
<u>Matured</u>	<u>Paid</u>	<u>Outstanding June 30, 2010</u>	<u>Outstanding June 30, 2009</u>	<u>Matured</u>	<u>Paid</u>	<u>Outstanding June 30, 2010</u>
160,000	160,000	345,000	-	19,558	19,558	-
150,000	150,000	-	-	8,025	8,025	-
605,000	605,000	14,250,000	-	826,378	826,378	-
110,000	110,000	2,350,000	-	109,225	109,225	-
46,303	46,303	953,697	-	48,934	48,934	-
345,000	345,000	3,300,000	-	112,206	112,206	-
21,714	21,714	260,572	-	3,393	3,393	-
<u>\$1,438,017</u>	<u>\$1,438,017</u>	<u>\$ 21,459,269</u>	<u>\$ -</u>	<u>\$1,127,719</u>	<u>\$1,127,719</u>	<u>\$ -</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS COLLECTED AND UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
For the year ended June 30, 2010

	Taxes Uncollected July 1, 2009	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2010
2009-10	\$ -	\$ 9,218,778	\$ 321,466	\$ 8,511,160	\$ 386,152
2008-09	374,218		(5,792)	214,659	165,351
2007-08	188,569	-	(10,308)	99,863	99,014
2006-07	70,949	-	(8,471)	52,032	27,388
2005-06	19,936	-	(2,160)	13,220	8,876
Prior years	15,839	-	(712)	4,211	12,340
	<u>\$ 669,511</u>	<u>\$ 9,218,778</u>	<u>\$ 294,023</u>	<u>\$ 8,895,182</u>	<u>\$ 699,121</u>

Taxes receivable and tax collections classified by fund:	<u>Collections to June 30, 2010</u>	<u>Taxes Uncollected June 30, 2010</u>
Primary government:		
General Fund	\$ 4,417,040	\$ 302,669
Debt Service Fund	395,519	27,064
Enterprise Fund: Water Fund	101	
Component unit:		
Parks and Recreation:		
Parks and Recreation Fund	4,043,908	293,427
Ashland Youth Activities Serial Levy Fund	38,614	75,962
	<u>\$ 8,895,182</u>	<u>\$ 699,122</u>

**CITY OF ASHLAND, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES OF TAXES UNCOLLECTED
FOR THE CITY AND COMPONENT UNIT
For the year ended June 30, 2010**

Reconciliation of tax collections by fund to tax revenues on the generally accepted

	<u>Collections</u>	<u>Other Taxes</u>	<u>Tax Revenues GAAP Basis</u>
Primary government:			
General Fund	\$ 4,417,040	\$ 7,227,479	\$ 11,644,519
Special Revenue Funds:			
Street Fund	-	200,906	200,906
Debt Service Funds:			
Debt Service Fund	395,519	-	395,519
Capital Projects Fund:			
Capital Improvement Fund	-	395,952	395,952
Enterprise Funds:			
Water Fund	101	-	101
Wastewater Fund	-	1,583,807	1,583,807
Component unit:			
Parks and Recreation:			
Parks and Recreation Fund	4,043,908	-	4,043,908
Special Revenue Fund:			
Ashland Youth Activities Serial Levy Fund	38,614	-	38,614
	<u>\$ 8,895,182</u>	<u>\$ 9,408,144</u>	<u>\$ 18,303,326</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND BALANCES
ELECTED OFFICIALS
For the year ended June 30, 2010

	Cash Balance July 1, 2009	Receipts	Turnovers to			Cash Balance June 30, 2010
			Treasurer	State	Other	
City Recorder/Treasurer	\$ 19,389,300	\$ 150,583,525	\$ -	\$ -	\$ 148,214,205	\$ 21,758,620
Judge	-	585,275	540,183	37,073	8,019	-
	<u>\$ 19,389,300</u>	<u>\$ 151,168,800</u>	<u>\$ 540,183</u>	<u>\$ 37,073</u>	<u>\$ 148,222,224</u>	<u>\$ 21,758,620</u>

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



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

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

Financial Trends	Page
These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.	102-115
Revenue Capacity	
These tables contain information that may assist the reader is assessing the viability of the City's revenue sources.	116-125
Debt Capacity	
These tables present information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	126-133
Economic & Demographic Information	
These tables offer economic and demographic indicators that are commonly used for financial analysis and that can help the reader understand the City's present and ongoing financial status.	134-135
Operating Information	
These tables contain service and infrastructure indicators that can help the reader understand how the information in the City's financial statements relates to the services the City provides and the activities it performs.	136-143

Source:

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

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

ASSETS	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:				
Cash and cash equivalents	\$ 11,832,259	\$ 9,453,086	\$ 9,845,351	\$ 10,922,900
Receivables (net of allowance for uncollectibles)	2,647,744	2,668,694	2,444,054	2,530,776
Inventories	32,325	36,193	59,984	36,173
Internal Balances	(534,894)	(640,731)	(1,304,641)	(1,587,111)
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	755,885	1,066,850	1,240,543	542,190
Capital Assets:				
Land	12,400,610	12,400,610	9,829,360	9,829,360
Buildings and Improvements	19,563,238	19,563,238	19,563,238	19,563,238
Machinery and equipment	13,278,430	13,130,505	14,380,378	13,183,769
Infrastructure	44,299,409	43,579,697	42,249,665	42,121,600
Construction in progress	484,590	340,422	673,643	143,017
Accumulated Depreciation	(42,260,637)	(39,728,339)	(38,631,224)	(35,789,232)
Total assets	<u>\$ 62,498,959</u>	<u>\$ 61,870,225</u>	<u>\$ 60,350,351</u>	<u>\$ 61,496,680</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 3,190,369	\$ 3,153,914	\$ 2,672,369	\$ 2,683,604
Unearned revenue	417,042	430,105	449,038	396,208
Noncurrent liabilities:				
Due within one year	1,276,871	1,183,044	1,327,360	925,973
Due in more than one year	17,330,191	18,316,590	19,263,447	20,341,095
Total liabilities	<u>22,214,473</u>	<u>23,083,653</u>	<u>23,712,214</u>	<u>24,346,880</u>
Net Assets				
Invested in capital assets, net of related debt	29,449,210	29,786,499	27,577,843	27,969,339
Restricted for:				
System development	2,469,667	2,363,441	2,146,609	1,930,458
Debt service	762,199	1,072,785	1,246,509	479,262
Asset Forfeiture	129,510	140,974	236,514	329,180
Perpetual care: Nonexpendable	807,797	788,753	771,948	749,918
Unrestricted	6,666,013	4,634,120	4,658,714	5,691,643
Total net assets	<u>\$ 40,284,396</u>	<u>\$ 38,786,572</u>	<u>\$ 36,638,137</u>	<u>\$ 37,149,800</u>

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

<u>2006</u>	<u>2005</u>
\$ 9,274,073	\$ 9,123,663
2,353,604	2,354,558
31,621	42,894
(1,319,579)	(1,378,719)
451,672	428,719
8,559,612	8,287,911
19,563,238	30,138,810
12,405,182	11,771,045
41,047,189	15,986,209
798,324	9,744,570
<u>(33,506,950)</u>	<u>(31,952,088)</u>
<u>\$ 59,657,986</u>	<u>\$ 54,547,572</u>
\$ 2,590,134	\$ 2,652,837
12,700	26,392
590,000	908,822
<u>5,731,134</u>	<u>5,815,074</u>
<u>8,923,968</u>	<u>9,403,125</u>
42,669,821	37,631,383
1,663,317	1,537,765
459,095	423,842
-	-
719,429	702,629
<u>5,222,356</u>	<u>4,848,828</u>
<u>\$ 50,734,018</u>	<u>\$ 45,144,447</u>

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

ASSETS	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:				
Cash and cash equivalents	\$ 6,959,037	\$ 6,993,295	\$ 6,437,889	\$ 9,836,733
Receivables (net of allowance for uncollectibles)	2,307,864	2,227,713	2,190,239	2,105,403
Inventories	732,821	810,073	881,530	806,047
Deferred charges	966,228	1,098,448	1,215,668	1,340,389
Internal Balances	534,984	640,731	1,304,641	1,587,111
Restricted assets:				
Capital Assets:				
Land	1,880,637	1,880,637	1,880,638	1,880,638
Buildings and Improvements	22,089,254	22,089,254	21,782,187	21,782,187
Machinery and equipment	875,928	823,580	823,581	673,607
Infrastructure	87,809,652	84,636,277	84,636,278	81,141,248
Construction in progress	2,538,176	4,620,579	3,981,724	5,156,412
Accumulated Depreciation	(42,247,672)	(38,584,771)	(35,041,272)	(31,502,402)
Total assets	<u>\$ 84,446,909</u>	<u>\$ 87,235,816</u>	<u>\$ 90,093,103</u>	<u>\$ 94,807,373</u>
Liabilities:				
Accounts payable and other current liabilities	\$ 1,769,929	\$ 1,467,227	\$ 1,571,810	\$ 1,554,049
Accrued interest payable	121,211	130,104	144,127	153,639
Unearned revenue				
Noncurrent liabilities:				
Due within one year	1,735,032	1,669,770	1,595,081	1,379,209
Due in more than one year	19,654,652	21,389,683	22,056,168	23,497,674
Total liabilities	<u>23,280,824</u>	<u>24,656,784</u>	<u>25,367,186</u>	<u>26,584,571</u>
Net Assets				
Invested in capital assets, net of related debt	51,556,291	52,406,103	54,411,887	54,264,807
Restricted for:				
System development	3,646,949	3,800,824	3,838,867	4,315,088
Debt service	875,490	875,490	1,751,369	
Unrestricted	5,087,355	5,496,615	4,723,794	9,642,907
Total net assets	<u>\$ 61,166,085</u>	<u>\$ 62,579,032</u>	<u>\$ 64,725,917</u>	<u>\$ 68,222,802</u>

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

<u>2006</u>		<u>2005</u>	
\$ 12,951,933		\$ 15,066,503	
2,203,826		2,057,466	
799,588		851,200	
1,721,312		1,819,860	
1,319,579		1,378,719	
1,945,107		1,945,107	
21,782,188		23,113,448	
636,103		675,297	
80,305,280		79,057,892	
2,998,341		4,472,229	
<u>(28,803,335)</u>		<u>(26,616,727)</u>	
<u>\$ 97,859,922</u>		<u>\$ 103,820,994</u>	
\$ 1,678,775		\$ 2,343,307	
587,720		819,171	
1,475,373		1,437,257	
<u>40,366,883</u>		<u>42,177,256</u>	
<u>44,108,751</u>		<u>46,776,991</u>	
42,661,428		39,032,733	
4,251,713		4,636,560	
1,913,648		1,913,648	
<u>4,924,382</u>		<u>11,461,062</u>	
<u>\$ 53,751,171</u>		<u>\$ 57,044,003</u>	

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Program Revenues:				
General Government				
Charges for Services	\$ 6,336,870	\$ 5,084,158	\$ 5,786,031	\$ 5,058,193
Operating Grants and Contributions	18,890	3,641	2,122	35,144
Capital Grants and Contributions	196,058	3,991	178,186	17,377
Capital System Development Charges	16,377	18,375	48,308	67,014
Public Safety	-			
Charges for Services	1,551,370	1,487,673	1,524,229	1,600,538
Operating Grants and Contributions	95,570	114,188	98,302	182,281
Capital Grants and Contributions				312,000
Highways and Streets				
Charges for Services	2,027,116	1,842,187	1,807,939	1,662,360
Operating Grants and Contributions				
Capital Grants and Contributions				366,549
Capital System Development Charges	76,101	72,643	167,486	269,338
	<u>10,318,352</u>	<u>8,626,856</u>	<u>9,612,603</u>	<u>9,570,794</u>
Program Expenses:				
General Government	4,813,802	3,856,719	4,876,071	4,287,280
Public Safety	11,410,483	10,312,721	11,555,693	10,082,938
Highways and Streets	2,893,462	2,505,897	4,000,048	2,583,641
Interest on long-term debt	1,033,451	442,168	1,178,388	1,139,346
	<u>20,151,198</u>	<u>17,117,505</u>	<u>21,610,200</u>	<u>18,093,205</u>
Net (Expense) Revenue:				
General Government	1,721,639	1,253,446	1,138,576	890,448
Public Safety	(9,763,543)	(8,710,860)	(9,933,162)	(7,988,119)
Highways and Streets	(942,447)	(591,067)	(2,024,623)	(285,394)
Interest on long-term debt	(1,033,451)	(442,168)	(1,178,388)	(1,139,346)
	<u>(10,017,802)</u>	<u>(8,490,649)</u>	<u>(11,997,597)</u>	<u>(8,522,411)</u>
General Revenues:				
Property Taxes	4,821,809	4,391,088	4,170,062	3,557,262
Utility Users Tax	3,989,351	3,888,747	3,945,382	2,345,323
Users Taxes	2,276,353	2,013,026	1,899,320	1,952,810
State Subventions - unrestricted		-	247,357	1,486,776
Unrestricted Interest Earnings	134,142	127,224	444,557	406,964
Capital Assets Transfers				(15,896,208)
Miscellaneous	293,971	218,999	779,133	1,085,266
Gain (loss) on Disposal of Assets				
Transfers:				
Total General Revenues and Transfers	<u>11,515,626</u>	<u>10,639,084</u>	<u>11,485,811</u>	<u>(5,061,807)</u>
Change in Net Assets	1,497,824	2,148,435	(511,786)	(13,584,218)
Net Assets - Beginning	38,786,572	36,638,137	37,149,923	50,734,018
Recognition of Prior Infrastructure	-	-	-	-
Net Assets - Ending	<u>\$ 40,284,396</u>	<u>\$ 38,786,572</u>	<u>\$ 36,638,137</u>	<u>\$ 37,149,800</u>

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

<u>2006</u>	<u>2005</u>
\$ 4,110,436	\$ 4,453,046
141,500	358,309
299,171	948,845
105,193	154,200
1,556,909	1,769,625
	71,245
	53,443
1,659,421	1,593,663
	1,243
202,982	463,695
<u>388,654</u>	<u>509,175</u>
<u>8,464,266</u>	<u>10,376,489</u>
2,818,129	5,202,781
7,903,054	9,235,540
2,419,380	4,221,022
<u>637,146</u>	<u>311,527</u>
<u>13,777,709</u>	<u>18,970,870</u>
1,838,171	557,419
(6,346,145)	(7,341,227)
(168,323)	(2,162,421)
<u>(637,146)</u>	<u>(311,527)</u>
<u>(5,313,443)</u>	<u>(9,257,756)</u>
2,970,566	2,658,995
2,323,390	2,277,178
1,784,302	1,753,477
1,817,175	1,360,724
256,648	146,041
1,425,346	
617,542	288,060
<u>11,194,969</u>	<u>8,484,475</u>
5,881,526	(773,281)
45,144,447	45,254,353
-	-
<u>\$ 51,025,973</u>	<u>\$ 44,481,072</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Program Revenues:				
Water				
Charges for Services	\$ 4,146,730	\$ 4,067,377	\$ 3,780,193	\$ 3,829,222
Capital Grants and Contributions	99,928	55,628	48,096	135,828
Capital System Development Charges	151,864	125,389	340,835	367,839
Wastewater				
Charges for Services	3,148,850	2,734,001	2,607,275	2,432,868
Capital System Development Charges	55,945	75,843	127,224	208,554
Electric				
Charges for Services	12,144,279	11,688,967	12,260,230	12,163,467
Operating Grants and Contributions	267,850	47,121	67,620	32,233
Telecommunications				
Charges for Services	1,818,789	1,805,746	1,709,706	2,029,467
	<u>21,834,235</u>	<u>20,600,072</u>	<u>20,941,179</u>	<u>21,199,478</u>
Program Expenses:				
Water	4,599,205	4,969,862	4,959,525	4,955,737
Wastewater	5,223,619	4,675,433	5,261,713	4,895,541
Electric	12,585,218	12,823,006	13,876,456	12,904,663
Telecommunications	2,931,512	2,845,198	2,756,528	2,682,968
	<u>25,339,554</u>	<u>25,313,499</u>	<u>26,854,222</u>	<u>25,438,909</u>
Net (Expense) Revenue				
Water	(200,683)	(721,468)	(790,401)	(622,848)
Wastewater	(2,018,824)	(1,865,589)	(2,527,214)	(2,254,119)
Electric	(173,089)	(1,086,918)	(1,548,606)	(708,963)
Telecommunications	(1,112,723)	(1,039,452)	(1,046,823)	(653,501)
	<u>(3,505,319)</u>	<u>(4,713,427)</u>	<u>(5,913,044)</u>	<u>(4,239,431)</u>
General Revenues:				
Property Taxes	-			322
Users Taxes	1,583,908	1,495,488	1,568,385	1,619,849
Unrestricted Interest Earnings	114,266	108,066	459,073	1,194,688
Capital Assets Transfers				15,896,208
Miscellaneous	394,199	962,989	388,701	
Gain (loss) on Disposal of Assets				
Transfers:				
Total General Revenues and Transfers	<u>2,092,373</u>	<u>2,566,543</u>	<u>2,416,159</u>	<u>18,711,067</u>
Change in Net Assets	(1,412,946)	(2,146,884)	(3,496,885)	14,471,636
Net Assets - Beginning	<u>62,579,031</u>	<u>64,725,916</u>	<u>68,222,802</u>	<u>53,751,166</u>
Net Assets - Ending	<u>\$ 61,166,085</u>	<u>\$ 62,579,031</u>	<u>\$ 64,725,917</u>	<u>\$ 68,222,802</u>

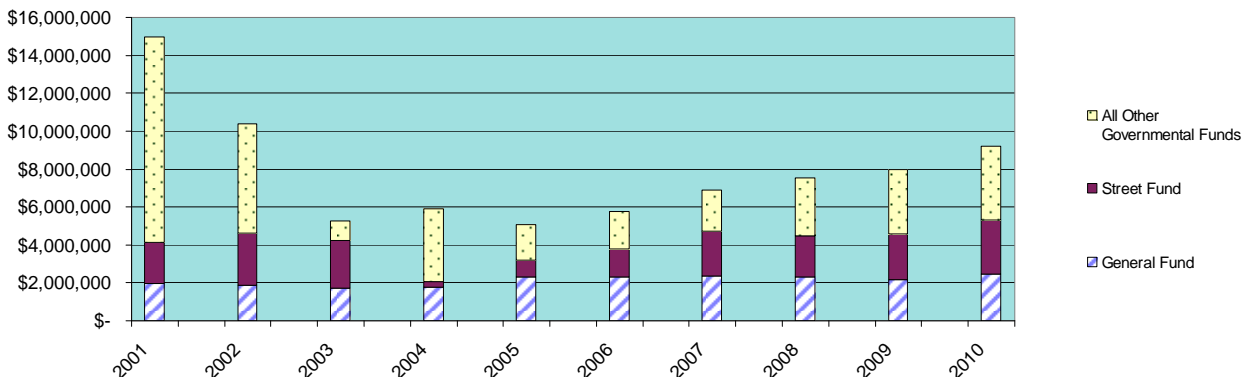
**CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
For the Fiscal Year Ended June 30, (continued)**

<u>2006</u>	<u>2005</u>
\$ 4,092,206	\$ 3,557,350
43,622	81,504
439,306	662,911
2,428,775	2,458,233
410,910	513,489
12,095,363	12,283,303
36,043	42,656
2,738,635	2,642,055
22,284,860	22,241,501
4,974,536	5,910,251
4,397,923	4,524,112
12,831,758	12,445,069
4,182,956	4,238,644
26,387,173	27,118,076
(399,402)	(1,608,486)
(1,558,238)	(1,552,390)
(700,352)	(119,110)
(1,444,321)	(1,596,589)
(4,102,313)	(4,876,575)
86,335	74,551
1,573,251	1,454,132
518,138	352,983
(1,425,346)	
57,103	438,920
809,481	2,320,586
(3,292,832)	(2,555,989)
57,044,003	59,599,992
\$ 53,751,171	\$ 57,044,003

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund				
Reserved for:				
Reserved for asset forfeiture	\$ 129,510	\$ 140,974	\$ 236,514	\$ 329,180
Unreserved, reported in:				
General Fund	2,345,060	2,044,482	2,060,152	2,038,534
Total General Fund	<u>2,474,570</u>	<u>2,185,456</u>	<u>2,296,666</u>	<u>2,367,714</u>
Street Fund				
Reserved for:				
Reserved for system development charges	2,115,971	2,085,259	2,049,977	1,761,561
Unreserved, reported in:				
Special revenue Funds	704,546	316,999	120,493	615,659
Total Street Fund	<u>2,820,517</u>	<u>2,402,258</u>	<u>2,170,470</u>	<u>2,377,220</u>
All Other Governmental Funds				
Reserved for:				
Reserved for system development charges	353,696	348,746	96,632	168,896
Reserved for debt service	762,199	1,072,785	1,246,509	559,263
Reserved for perpetual care	807,796	788,752	771,948	749,918
Unreserved, reported in:				
General Fund				
Special revenue Funds	32,160	19,979	6,891	(24,661)
Capital projects funds	1,969,977	1,154,776	951,989	714,329
Total All Other Governmental Funds	<u>3,925,828</u>	<u>3,385,038</u>	<u>3,073,969</u>	<u>2,167,745</u>
Total Governmental Funds	<u>\$ 9,220,915</u>	<u>\$ 7,972,752</u>	<u>\$ 7,541,105</u>	<u>\$ 6,912,679</u>

**Fund Balance Comparison
Governmental Funds
Last Ten Years**



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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,326,936	2,308,388	1,755,143	1,715,220	1,865,212	1,962,295
<u>2,326,936</u>	<u>2,308,388</u>	<u>1,755,143</u>	<u>1,715,220</u>	<u>1,865,212</u>	<u>1,962,295</u>
1,597,642	1,472,090	1,197,249	1,594,538	1,348,177	1,079,784
(133,598)	(556,062)	(881,403)	934,212	1,436,880	1,080,273
<u>1,464,044</u>	<u>916,028</u>	<u>315,846</u>	<u>2,528,750</u>	<u>2,785,057</u>	<u>2,160,057</u>
65,675	65,675	1,197,249		1,348,177	1,182,176
459,095	423,842	433,278	282,293	136,978	103,883
719,429	702,629	684,476	679,646		
		1,755,143			
130,126	2,942	(663,026)	(298)	1,423,536	954,654
586,843	635,387	429,873	67,583	2,833,606	8,599,456
<u>1,961,168</u>	<u>1,830,475</u>	<u>3,836,993</u>	<u>1,029,224</u>	<u>5,742,297</u>	<u>10,840,169</u>
<u>\$ 5,752,148</u>	<u>\$ 5,054,891</u>	<u>\$ 5,907,982</u>	<u>\$ 5,273,194</u>	<u>\$ 10,392,566</u>	<u>\$ 14,962,521</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues:				
Taxes	\$ 12,636,896	\$ 11,790,772	\$ 11,204,876	\$ 10,620,715
Fees, licenses and permits	474,379	768,451	886,644	847,665
Intergovernmental	2,103,165	1,630,055	1,848,914	2,606,832
Special assessments	3,292	25,587	67,195	108,864
Charges for services	5,799,929	5,732,687	5,594,106	4,564,898
Fines and forfeitures	183,266	156,092	150,346	169,558
Interest on investments	102,302	97,379	330,413	310,478
Miscellaneous	190,732	164,995	787,159	719,478
Total revenues	<u>21,493,961</u>	<u>20,366,018</u>	<u>20,869,653</u>	<u>19,948,488</u>
Expenditures:				
General government	4,278,859	3,982,889	4,114,305	3,423,269
Public safety	10,896,098	10,701,354	10,578,525	10,227,177
Highways and streets	2,361,523	2,298,680	2,341,178	2,245,609
Capital Outlay	479,600	1,502,763	1,355,293	1,359,308
Debt service	2,229,718	2,363,685	1,852,049	1,622,412
Principal	1,183,203	1,277,584	725,753	533,630
Interest	1,046,515	1,086,101	1,126,296	1,088,782
Ratio of Debt service to noncapital expenditures	12.71%	13.92%	10.87%	10.21%
Total expenditures	<u>20,245,798</u>	<u>20,849,371</u>	<u>20,241,350</u>	<u>18,877,775</u>
Excess (deficiency) of revenues over expenditures	<u>1,248,163</u>	<u>(483,353)</u>	<u>628,303</u>	<u>1,070,713</u>
Other financing sources (uses):				
Proceeds from debt issuance		915,000		
Interfund Loans				89,818
Transfers in	469,360	328,173	336,253	936,934
Transfers out	(469,360)	(328,173)	(336,253)	(936,934)
Total other financing sources (uses)	<u>-</u>	<u>915,000</u>	<u>-</u>	<u>89,818</u>
Net Change in Fund Balance	<u>\$ 1,248,163</u>	<u>\$ 431,647</u>	<u>\$ 628,303</u>	<u>\$ 1,160,531</u>

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

	2006	2005	2004	2003	2002	2001
\$	9,454,799	\$ 9,057,868	\$ 8,714,013	\$ 7,906,257	\$ 7,558,510	\$ 6,934,972
	1,106,317	1,489,379	1,156,285	1,472,877	1,256,617	865,019
	2,168,873	3,252,504	3,349,802	4,190,546	2,183,896	6,704,367
	360,860	222,408	170,860	214,606	193,999	164,263
	3,817,938	4,165,663	3,717,342	3,665,166	3,613,534	3,336,396
	137,460	133,170	120,749	107,607	188,006	121,919
	197,960	112,531	51,967	115,947	310,385	808,711
	554,076	62,546	563,988	191,096	439,863	155,895
	<u>17,798,283</u>	<u>18,496,069</u>	<u>17,845,006</u>	<u>17,864,102</u>	<u>15,744,810</u>	<u>19,091,542</u>
	3,081,984	3,317,996	3,610,326	2,769,315	2,620,298	2,462,368
	9,152,421	8,630,755	8,468,294	7,914,876	7,513,892	6,823,528
	2,191,178	2,079,150	1,923,050	2,036,222	2,852,552	1,924,020
	1,889,998	2,403,697	4,736,857	8,793,175	7,896,316	1,261,320
	820,218	846,573	917,680	779,527	716,069	802,089
	523,769	497,493	537,325	440,445	442,513	485,064
	296,449	349,079	380,354	339,083	273,557	317,025
	5.69%	6.03%	6.55%	6.13%	5.51%	7.16%
	<u>17,135,799</u>	<u>17,278,171</u>	<u>19,656,207</u>	<u>22,293,115</u>	<u>21,599,127</u>	<u>13,273,325</u>
	662,484	1,217,898	(1,811,201)	(4,429,013)	(5,854,317)	5,818,217
	2,761,180			1,621,875	900,000	25,012
			375,000	600,000		
	347,780	154,360	318,393	361,108	725,771	341,480
	(347,780)	(154,360)	(318,393)	(561,108)	(966,408)	(298,980)
	<u>2,761,180</u>	<u>-</u>	<u>375,000</u>	<u>2,021,875</u>	<u>659,363</u>	<u>67,512</u>
\$	<u>3,423,664</u>	<u>\$ 1,217,898</u>	<u>\$ (1,436,201)</u>	<u>\$ (2,407,138)</u>	<u>\$ (5,194,954)</u>	<u>\$ 5,885,729</u>

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

Fund Balances	2010 Adopted	2009 Adopted	2008 Adopted	2007 Adopted
City Component				
General Fund	\$ 1,332,508	\$ 1,190,469	\$ 1,127,520	\$ 1,047,023
Community Development Block Grant Fund		11,799	-	-
	215,000			
Street Fund	1,447,363	3,634,173	1,223,241	6,308,766
Airport Fund	9,024	31,727	2,942	12,382
Capital Improvements Fund	2,137,061	1,753,706	807,222	1,680,528
Debt Service Fund	1,149,113	1,166,758	601,085	148,902
Water Fund	836,814	3,041,343	2,804,328	5,401,307
Wastewater Fund	3,020,769	4,069,588	5,539,312	3,035,439
Electric Fund	649,494	2,067,545	1,677,245	1,185,892
Telecommunications Fund	325,135	396,498	362,716	217,611
Central Services Fund	12,531	106,614	82,987	92,793
Insurance Services Fund	543,266	977,803	908,275	492,028
Equipment Fund	1,322,161	1,252,898	508,357	618,799
Cemetery Trust Fund	812,948	790,918	774,453	735,212
Total City Component	13,813,187	20,491,839	16,419,683	20,976,682
Parks Component				
Parks and Recreation Fund	1,450,910	1,190,614	877,245	667,250
Youth Activities Levy Fund	10,591	-	216,893	-
Parks Capital Improvements Fund	287,239	107,590	26,926	44,866
Total Parks Component	1,748,740	1,298,204	1,121,064	712,116
Total Budget	\$ 15,561,927	\$ 21,790,043	\$ 17,540,747	\$ 21,688,798
For the Fiscal Year Ended June 30,				
Fund Balances	2010 Actual	2009 Actual	2008 Actual	2007 Actual
City Component				
General Fund	\$ 2,474,570	\$ 2,185,456	\$ 2,296,666	\$ 2,367,714
Community Development Block Grant Fund		69,618	44,705	12,033
	148,072			
Street Fund	2,820,517	2,402,258	2,170,470	2,377,220
Airport Fund	32,160	99,978	86,891	55,339
Capital Improvements Fund	2,138,176	1,433,904	1,003,916	656,315
Debt Service Fund	762,199	1,072,785	1,246,509	559,263
Water Fund	1,851,885	2,323,768	1,865,418	3,241,590
Wastewater Fund	3,496,009	3,710,771	3,764,972	4,862,001
Electric Fund	2,054,733	1,642,543	1,469,744	2,178,995
Telecommunications Fund	953,315	929,945	869,719	963,896
Central Services Fund	266,820	161,163	368,086	726,743
Insurance Services Fund	640,110	696,071	1,138,699	974,450
Equipment Fund	1,760,305	844,150	1,329,672	1,750,852
Cemetery Trust Fund	870,797	788,753	771,948	749,918
Total City Component	20,307,092	18,361,163	18,427,415	21,476,329
Parks Component				
Parks and Recreation Fund	1,787,781	1,379,752	1,201,443	1,180,912
Youth Activities Levy Fund	22,534	27,356	160,591	72,671
Parks Capital Improvements Fund	252,864	166,991	263,343	195,390
Total Parks Component	2,063,179	1,574,099	1,625,377	1,448,973
Total Actual	\$ 22,370,271	\$ 19,935,262	\$ 20,052,792	\$ 22,925,302

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

2006 Adopted	2005 Adopted	2004 Adopted	2003 Adopted	2002 Adopted	2001 Adopted
\$ 1,051,983	\$ 936,568	\$ 1,315,669	\$ 1,238,814	\$ 1,079,348	\$ 1,152,000
-	-	-	-	-	-
733,073	1,976,046	1,065,590	1,764,790	1,377,392	804,322
37,660	42,315	4,000	6,140	8,000	23,000
3,609,193	389,839	429,000	1,150,300	1,782,000	3,611,000
569,205	695,484	264,900	540,000	238,000	293,000
2,158,888	3,524,870	2,784,125	4,478,680	1,448,010	3,032,000
3,899,968	4,463,795	1,726,251	754,800	2,004,896	3,036,000
1,405,027	1,812,094	763,763	443,533	989,946	108,000
70,187	954,723	269,910	97,036	38,130	-
10,000	113,758	145,824	142,675	119,283	-
417,936	471,538	156,500	91,500	110,500	230,000
856,499	965,561	908,740	452,640	121,778	72,000
699,876	681,408	684,500	653,000	89,000	685,000
15,519,495	17,027,999	10,518,772	11,813,908	9,406,283	13,046,322
993,667	965,822	815,000	782,294	805,300	735,715
125,306	2,166	2,000	9,000	9,000	
112,569	169,965	234,000	185,000	148,000	
1,231,542	1,137,953	1,051,000	976,294	962,300	735,715
\$ 16,751,037	\$ 18,165,952	\$ 11,569,772	\$ 12,790,202	\$ 10,368,583	\$ 13,782,037

2006 Actual	2005 Actual	2004 Actual	2003 Actual	2002 Actual	2001 Actual
\$ 2,326,936	\$ 2,093,388	\$ 1,755,145	\$ 1,715,220	\$ 1,865,212	\$ 1,962,295
4,599	(8,492)	33,018	(32,433)	(35,904)	(142,463)
1,464,044	1,186,028	315,846	2,528,750	2,785,057	2,160,057
54,874	122,942	218,377	32,135	22,560	16,844
803,171	924,554	396,855	67,583	2,833,606	8,701,848
459,095	423,842	433,278	282,293	136,978	103,883
6,179,246	6,458,230	5,002,748	4,662,028	1,985,298	3,905,152
5,301,598	5,664,182	1,541,125	2,356,054	9,190,945	9,198,221
2,116,269	2,527,430	1,539,766	1,497,827	1,069,861	1,249,047
518,687	898,750	62,635	388,018	1,982,175	119,745
439,010	185,137	569,013	947,953	823,405	436,624
1,060,790	1,036,331	934,499	145,978	204,263	299,415
1,510,170	1,489,055	1,224,311	1,121,598	783,340	526,894
719,429	702,629	684,476	679,646	72,823	669,517
22,957,918	23,704,006	14,711,092	16,392,650	23,719,619	29,207,079
1,507,367	1,621,679	1,558,332	1,403,171	1,168,934	1,023,774
35,374	103,733	122,588	36,403	36,341	125,706
165,326	207,375	300,331	367,733	280,337	151,955
1,708,067	1,932,787	1,981,251	1,807,307	1,485,612	1,301,435
\$ 24,665,985	\$ 25,636,793	\$ 16,692,343	\$ 18,199,957	\$ 25,205,231	\$ 30,508,514

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

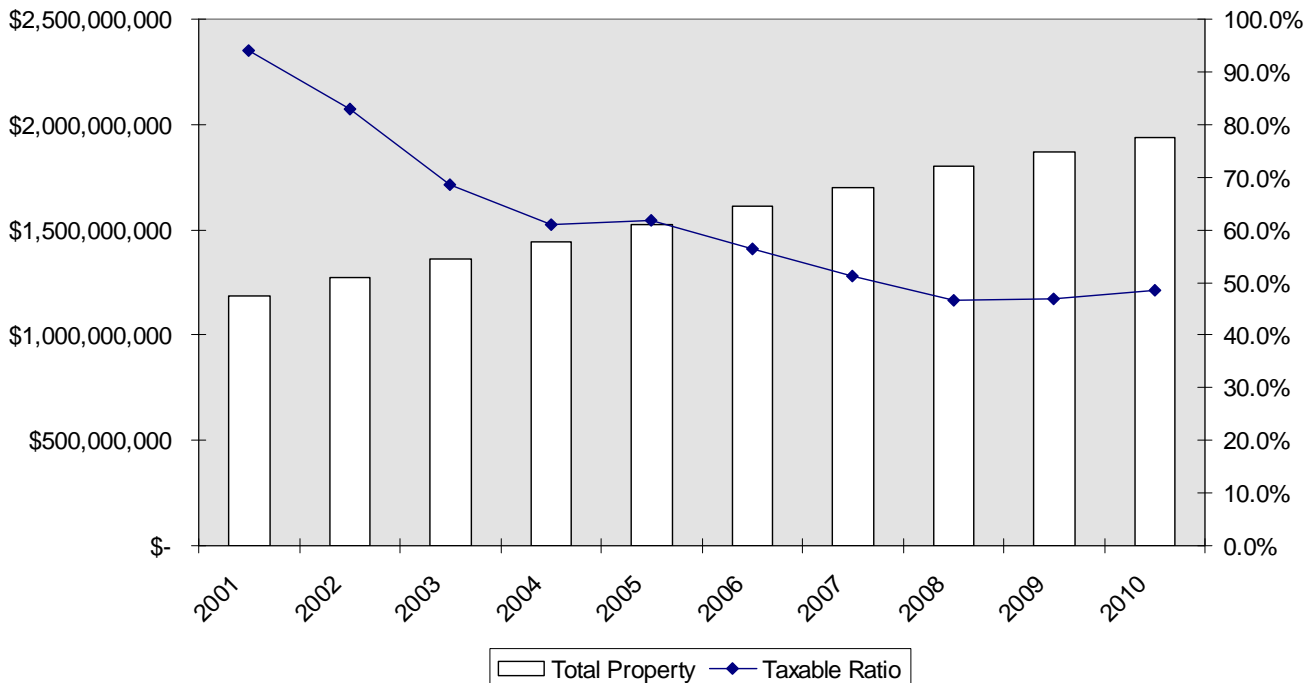
Fiscal Year Ended June 30,	Real Property	Mobile Home	Personal †	Utilities	Total	Property Tax Rate	Taxable ratio (True Cash Value to Assessed)
2010	\$ 1,937,303,620	\$ 5,881,825	\$ 40,133,110	\$ 24,860,300	\$ 2,008,178,855	\$ 4.59	53.0%
2009	1,871,896,544	5,744,350	44,282,840	21,243,990	1,943,167,724	4.42	48.4%
2008	1,802,639,910	5,762,080	44,536,050	22,372,000	1,875,310,040	5.73	46.9%
2007	1,700,020,579	5,498,040	40,468,280	20,509,400	1,766,496,299	5.56	46.6%
2006	1,610,148,502	5,301,570	38,820,610	20,344,260	1,674,614,942	5.25	51.3%
2005	1,524,210,039	5,108,410	38,419,400	27,532,841	1,595,270,690	5.26	56.4%
2004	1,446,150,336	5,400,552	37,453,000	22,831,681	1,511,835,569	5.34	61.7%
2003	1,360,297,002	5,147,040	34,209,260	24,241,450	1,423,894,752	5.36	61.1%
2002	1,272,205,820	4,983,960	32,044,090	23,806,860	1,333,040,730	5.38	68.6%
2001	1,183,527,490	4,760,560	30,004,310	21,823,850	1,240,116,210	5.46	83.0%

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

† Includes Non-Profit Housing

Source: County Assessor tax roll property values

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



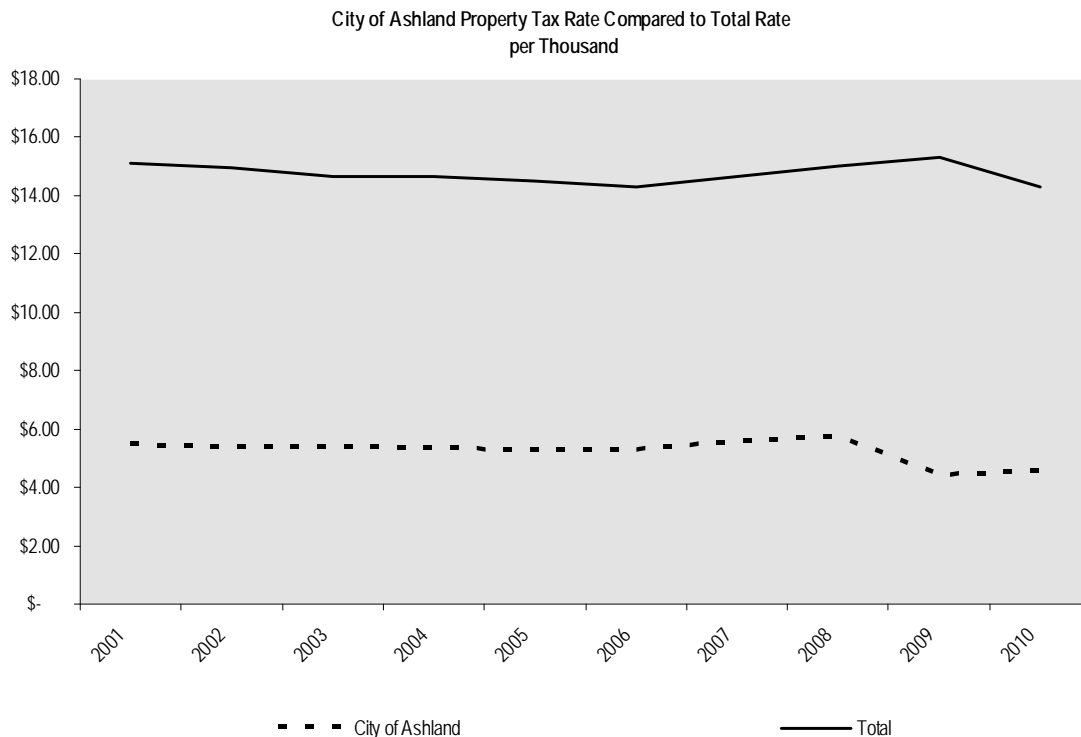
**CITY OF ASHLAND, OREGON
PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Valuation)
for the last ten fiscal years - Unaudited**

Fiscal Year Ended June 30,	City of Ashland	Jackson County Vector Control	Jackson County ¹	Rogue Valley Transit District	Net General Government Tax Rate	Jackson County Education Service District	School District 5	RCC ²	Net School Support Tax Rate	Total
2010	\$ 4.59	\$ 0.04	\$ 2.37	\$ 0.17	\$ 7.17	\$ -	\$ 7.14	\$ -	\$ 7.14	\$14.31
2009	4.42	0.04	2.27	0.17	6.90	0.34	7.47	0.61	8.42	15.31
2008	5.73	0.04	2.18	0.17	8.12	0.34	5.94	0.62	6.90	15.02
2007	5.56	0.04	2.52	0.17	8.30	0.34	5.41	0.62	6.37	14.67
2006	5.25	0.04	2.55	0.17	8.01	0.34	5.31	0.62	6.28	14.28
2005	5.26	0.04	2.75	0.17	8.22	0.34	5.44	0.50	6.28	14.50
2004	5.34	0.04	2.79	0.17	8.34	0.34	5.49	0.50	6.33	14.67
2003	5.36	0.04	2.70	0.17	8.27	0.34	5.53	0.50	6.37	14.64
2002	5.38	0.04	2.66	0.18	8.26	0.86	5.83		6.69	14.95
2001	5.46	0.04	2.56	0.18	8.24	1.84	5.03		6.87	15.11

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

² Rogue Community College

Source: Jackson County Assessor and Tax Collector

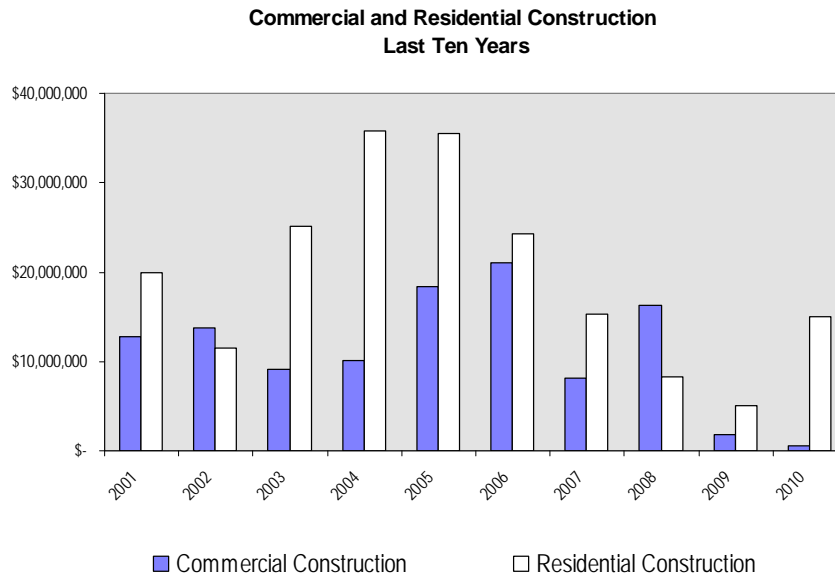


**CITY OF ASHLAND, OREGON
PROPERTY VALUE AND NEW CONSTRUCTION HISTORY
for the last ten fiscal years - Unaudited**

Fiscal Year Ended June 30,	Property Value ¹	Commercial Construction		Residential Construction	
		Number of Units	Value	Number of Units	Value
2010	\$ 2,008,178,855	4	\$ 611,406	89	\$ 14,985,434
2009	1,943,167,724	15	1,812,635	21	5,108,099
2008	1,875,310,040	23	16,269,379	82	8,258,031
2007	1,766,496,299	26	8,086,124	98	15,270,781
2006	1,674,614,942	19	20,988,810	160	24,336,944
2005	1,595,270,690	42	18,426,846	188	35,576,749
2004	1,511,835,569	30	10,137,442	154	35,764,484
2003	1,423,894,752	17	9,077,761	152	25,170,310
2002	1,333,040,730	17	13,702,661	106	11,464,493
2001	1,240,116,210	9	12,715,512	150	19,907,603

¹ Property value is assessed valuation

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



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

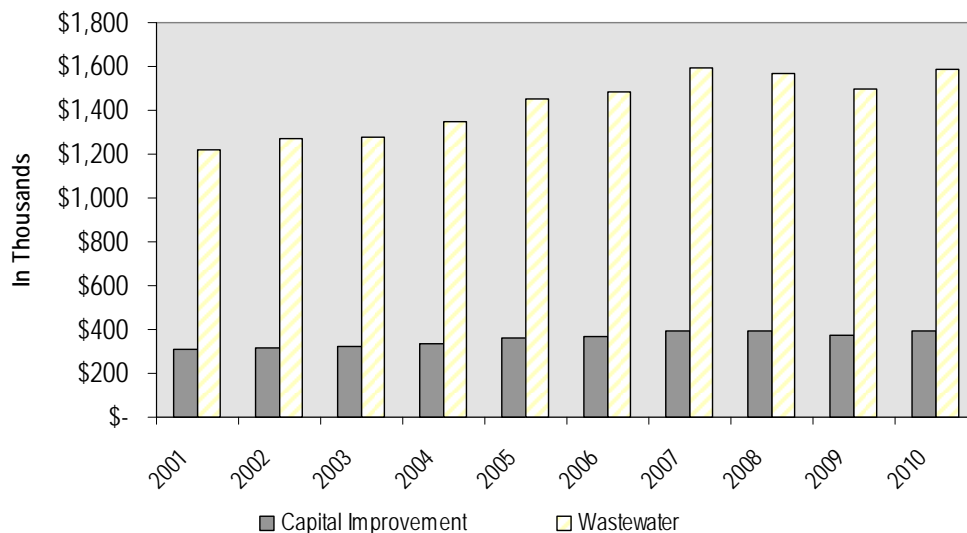
Fiscal Year Ended June 30,	Capital Improvement ³	Wastewater ²	Total ¹	Cumulative
2010	\$ 396	\$ 1,584	\$ 1,980	\$ 26,407
2009	374	1,495	1,869	24,427
2008	392	1,567	1,959	22,558
2007	395	1,594	1,989	20,599
2006	370	1,481	1,851	18,610
2005	364	1,454	1,818	16,759
2004	337	1,347	1,684	14,941
2003	320	1,280	1,600	13,257
2002	317	1,268	1,585	11,657
2001	307	1,219	1,526	10,072

¹ Tax enacted July 1, 1993

² Derived from wastewater enterprise operations

³ Dedicated to acquisition of Open Space Parkland

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



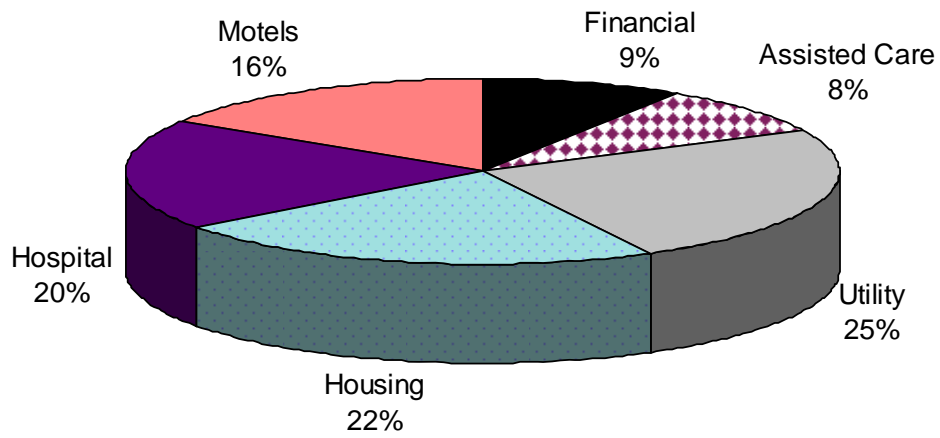
**CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Ten Years Ago**

<u>Taxpayers</u>	<u>Type of Business</u>	2010 Assessed Valuation	Percentage of Total Assessed Valuation
Ronald L. Deluca	Housing	\$ 9,530,380	0.47%
Qwest Corporation	Utility	8,645,200	0.43%
Ashland Community Hopsital	Hospital	7,777,390	0.43%
Avista Corp.	Utility	7,298,900	0.36%
Pacific Financial , Inc.	Financial	6,041,050	0.30%
Windmill Inns of America, Inc.	Motels	5,481,740	0.27%
Charter Communications	Retail	5,417,800	0.27%
Michael D. & Beverly Rydbom	Retail	5,016,450	0.27%
Skylark Assisted Living	Assisted Care	4,930,810	0.25%
Barclay Square Condominium	Housing	4,790,150	0.25%
All other		<u>1,943,248,985</u>	<u>96.77%</u>
Total		<u>\$ 2,008,178,855</u>	<u>100.00%</u>

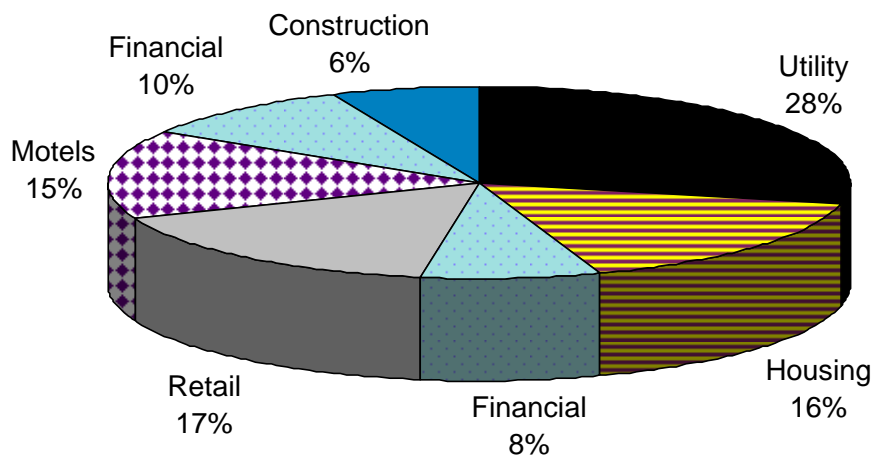
<u>Taxpayers</u>	<u>Type of Business</u>	2001 Assessed Valuation	Percentage of Total Assessed Valuation
US West Communications Inc.	Utility	\$ 10,890,520	0.94%
AHI Inc.	Motels	9,012,350	0.78%
Ronald L. Deluca	Housing	6,823,560	0.59%
Summit Investment	Retail	6,419,310	0.55%
Avista Corp. DBA Washington Water Power Co.	Utility	6,417,840	0.55%
Warren Family Partnership	Construction	5,984,360	0.52%
Pacific Financial , Inc.	Financial	4,588,250	0.40%
Skylark Assisted Living	Assisted Care	3,790,510	0.33%
Rydbom, Michael and Beverly	Retail	3,563,500	0.31%
Haines, Lloyd	Housing	2,985,620	0.26%
All other		<u>1,097,260,690</u>	<u>94.78%</u>
Total		<u>\$ 1,157,736,510</u>	<u>100.00%</u>

Source: Jackson County Assessor

2010 Principal Property Tax Payers



2001 Principal Property Tax Payers



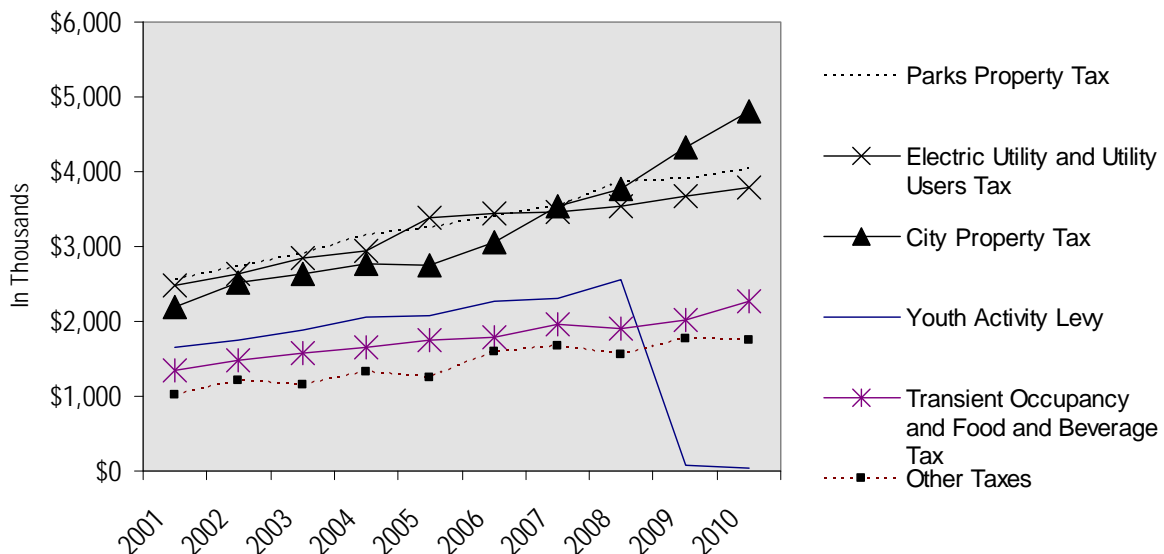
**CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
(Amounts Expressed in Thousands)
for the last ten fiscal years - Unaudited**

Fiscal Year Ended June 30,	Combined Property Taxes	Electric Utility Franchise ¹	Utility Users Tax ¹	Other Franchise and Privilege Taxes	Transient Occupancy Tax	Food and Beverage Tax ²	Business License Tax	Total
2010	\$ 8,896	\$ 1,232	\$ 2,557	\$ 1,552	\$ 1,880	\$ 396	\$ 197	\$ 16,710
2009	8,313	1,207	2,468	1,567	1,639	374	201	15,769
2008	10,573	1,170	2,375	1,362	1,508	392	201	17,581
2007	9,378	1,119	2,345	1,544	1,559	395	129	16,469
2006	8,801	1,111	2,323	1,399	1,414	370	205	15,623
2005	8,061	1,106	2,277	1,101	1,390	364	155	14,454
2004	7,970	842	2,103	1,178	1,309	337	155	13,894
2003	7,426	914	1,929	997	1,255	320	153	12,994
2002	7,010	870	1,770	1,060	1,168	317	157	12,352
2001	6,414	833	1,648	887	1,039	307	141	11,269

¹ Derived from city-owned electric utility operations

² Tax enacted July 1, 1993

General Governmental Tax Revenues by Source



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

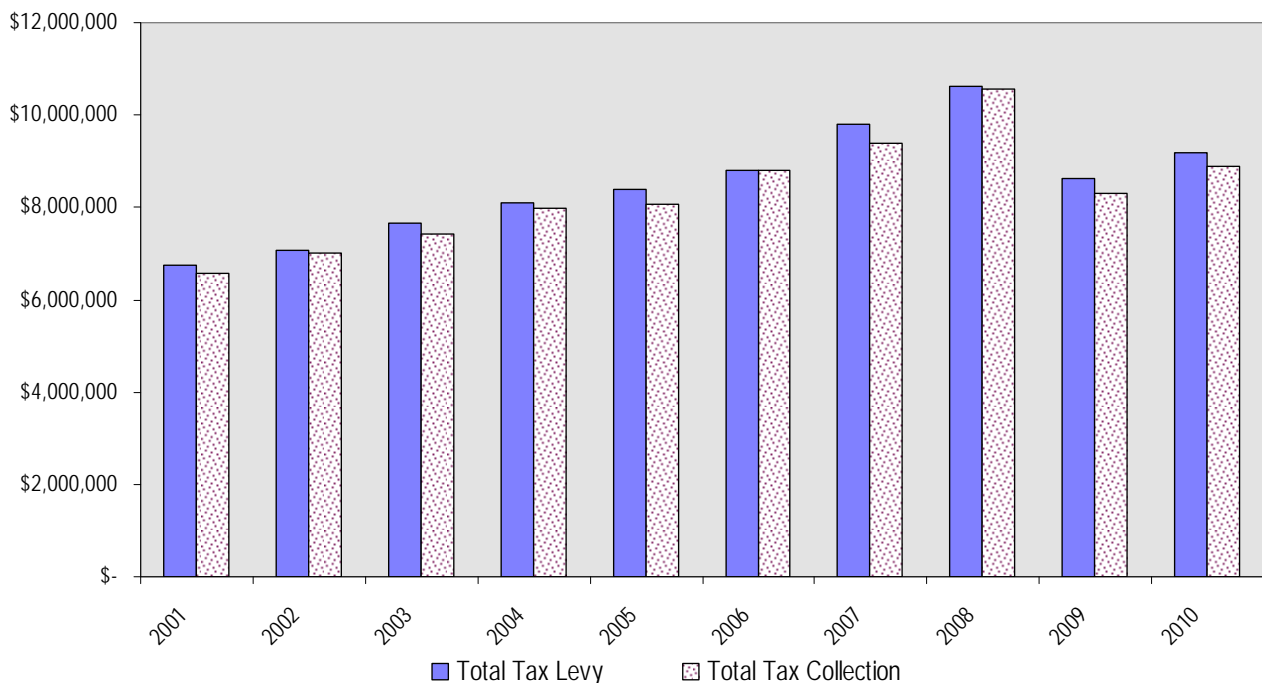
Fiscal Year Ended June 30,	Total Tax Levy ¹	Current Tax Collections ³	Percent of Levy Collected	Delinquent Tax Collections ^{2,3}	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2010	\$ 9,176,778	\$ 8,511,729	92.8%	\$ 384,362	\$ 8,896,091	96.9%	\$ 699,122	7.6%
2009	8,616,000	7,981,337	92.6%	331,445	8,312,782	96.5%	684,345	7.9%
2008	10,609,706	10,273,879	96.8%	298,774	10,572,653	99.7%	636,512	6.0%
2007	9,797,262	9,142,734	93.3%	235,560	9,378,294	95.7%	609,308	6.2%
2006	8,803,680	8,428,550	95.7%	372,526	8,801,076	100.0%	642,298	7.3%
2005	8,399,000	7,753,164	92.3%	307,911	8,061,075	96.0%	535,484	6.4%
2004	8,103,092	7,618,841	94.0%	351,635	7,970,476	98.4%	661,833	8.2%
2003	7,643,588	7,100,832	92.9%	325,084	7,425,916	97.2%	717,103	9.4%
2002	7,078,000	6,611,284	93.4%	398,332	7,009,616	99.0%	690,652	9.8%
2001	6,735,000	6,304,073	93.6%	264,836	6,568,909	97.5%	613,710	9.1%

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

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

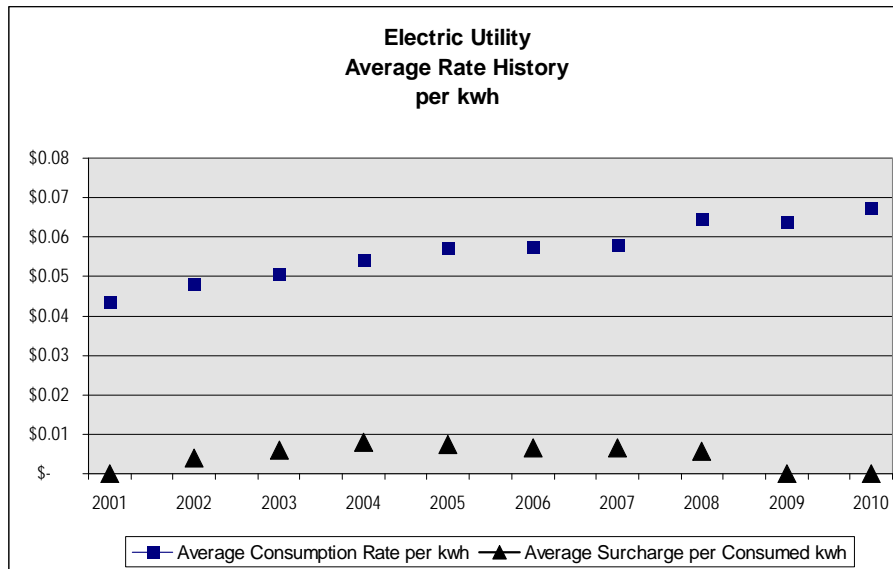
³ Includes adjustments, rounding and discounts

Property Tax Levies and Collections



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

	2010	2009	2008	2007	2006
Electric:					
Commercial	56,996,490	56,893,914	59,730,031	59,796,009	58,939,938
Governmental	19,467,344	18,283,476	18,328,996	16,771,812	17,684,660
Municipal	6,407,172	6,288,095	6,231,719	5,911,482	5,798,328
Residential	93,634,626	91,638,620	95,853,685	91,324,747	90,977,982
Electric Usage Total	176,505,632	173,104,105	180,144,431	173,804,050	173,400,908
Total Electric Revenue	\$ 11,931,379	\$ 11,028,224	\$ 11,638,234	\$ 10,118,284	\$ 9,978,512
Average Consumption Rate per kwh	\$ 0.068	\$ 0.064	\$ 0.065	\$ 0.058	\$ 0.058
BPA Surcharge Revenue	NA	NA	\$ 1,016,152	\$ 1,123,490	\$ 1,133,645
Average Surcharge per Consumed kwh	NA	NA	\$ 0.006	\$ 0.006	\$ 0.007

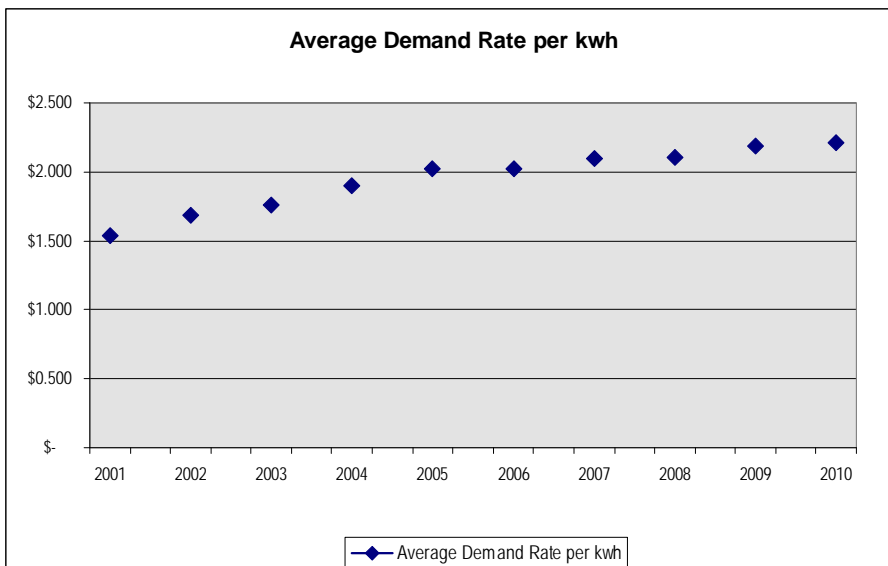


1 Council implemented the surcharge due to increasing costs and changes in the wholesale power industry in FY 2002

	2010	2009	2008	2007	2006
Demand:					
Commercial	151,072	147,155	159,430	164,228	160,133
Governmental/Municipal	63,445	70,242	65,931	69,856	68,828
Demand Usage Total	214,517	217,397	225,361	234,084	228,961
Total Demand Revenue	\$ 475,273	\$ 476,024	\$ 473,565	\$ 490,039	\$ 463,244
Average Demand Rate per kwh	\$ 2.216	\$ 2.190	\$ 2.101	\$ 2.093	\$ 2.023

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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
58,199,994	57,257,258	56,017,453	53,220,997	52,714,544
17,522,640	16,826,746	16,009,661	16,620,796	20,273,391
6,015,412	6,181,644	5,785,074	4,957,496	2,807,439
89,045,820	86,225,218	85,158,420	82,490,010	86,856,040
170,783,866	166,490,866	162,970,608	157,289,299	162,651,414
\$ 9,779,099	\$ 9,022,608	\$ 8,236,862	\$ 7,570,069	\$ 7,074,783
\$ 0.057	\$ 0.054	\$ 0.051	\$ 0.048	\$ 0.043
\$ 1,266,655	\$ 1,329,577	\$ 994,166	\$ 610,887	NA
\$ 0.007	\$ 0.008	\$ 0.006	\$ 0.004	NA



<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
156,388	156,476	155,538	146,098	148,608
67,529	65,457	62,436	61,760	63,126
223,917	221,933	217,974	207,858	211,734
\$ 453,221	\$ 422,209	\$ 384,340	\$ 349,766	\$ 325,045
\$ 2.024	\$ 1.902	\$ 1.763	\$ 1.683	\$ 1.535

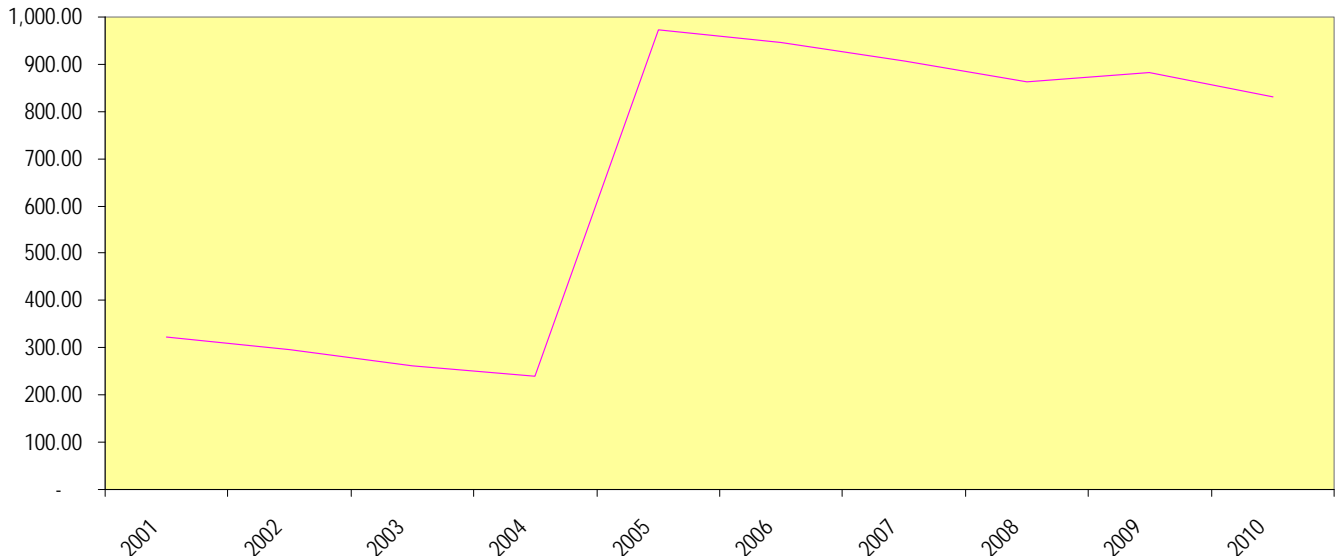
CITY OF ASHLAND, OREGON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Population ¹	Percentage Change	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
2010	21,505	0.09%	\$2,008,178,855	\$39,708,269	\$ 762,199	\$ 875,490	\$21,389,684	\$17,898,670	0.89%	832.30
2009	21,485	-1.44%	1,943,167,724	42,560,804	1,072,785	875,490	23,059,454	18,970,000	0.98%	882.94
2008	21,800	1.73%	1,875,310,040	44,138,466	1,246,509	1,751,369	38,652,249	18,840,000	1.00%	864.22
2007	21,430	2.63%	1,766,496,299	46,090,591	479,262	-	40,456,883	19,425,000	1.10%	906.44
2006	20,880	1.41%	1,674,614,942	49,105,540	459,095	1,913,648	41,842,256	19,770,000	1.18%	946.84
2005	20,590	0.78%	1,595,270,690	48,595,783	423,842	1,913,648	43,614,513	20,045,000	1.26%	973.05
2004	20,430	1.49%	1,511,835,569	43,746,882	433,278	1,281,341	36,866,762	4,875,000	0.32%	239.11
2003	20,130	1.82%	1,423,894,752	42,804,005	282,293	1,913,648	38,884,073	5,280,000	0.37%	262.30
2002	19,770	0.82%	1,333,040,730	41,503,298	136,978	2,830,609	32,700,711	5,835,000	0.44%	295.14
2001	19,610	0.62%	1,240,116,210	34,976,385	132,019	694,697	27,799,669	6,350,000	0.51%	323.81

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

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

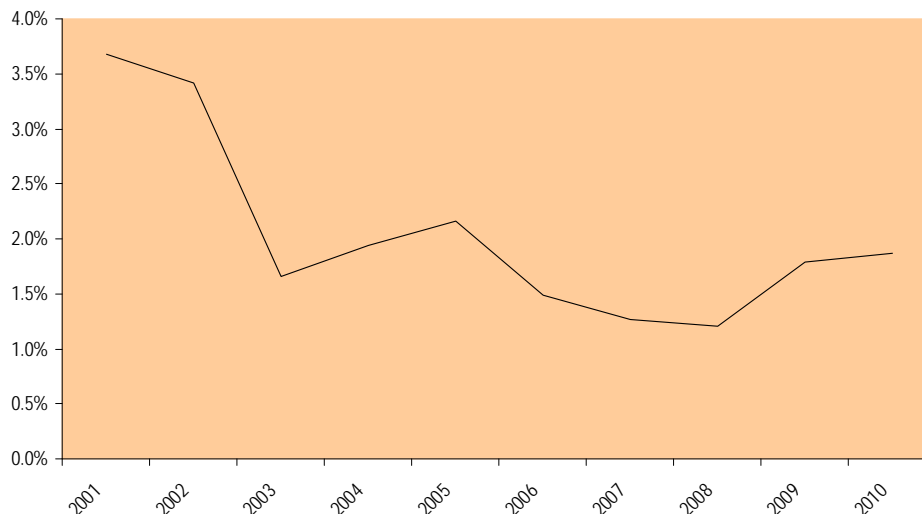


**CITY OF ASHLAND, OREGON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
for the last ten fiscal years - Unaudited**

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service ¹	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2010	\$ 260,000	\$ 117,539	377,539	\$ 20,245,798	1.9%
2009	245,000	128,435	373,435	20,849,371	1.8%
2008	220,000	24,750	244,750	20,241,350	1.2%
2007	205,000	34,836	239,836	18,877,775	1.3%
2006	195,000	62,360	257,360	17,302,206	1.5%
2005	185,000	187,607	372,607	17,278,171	2.2%
2004	185,000	196,353	381,353	19,656,207	1.9%
2003	170,000	199,068	369,068	22,293,115	1.7%
2002	280,000	188,809	468,809	13,724,000	3.4%
2001	210,000	232,044	442,044	12,021,000	3.7%

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

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



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

Fiscal Year Ended June 30,	Gross Revenues	Operating Expenses	Future Rate Stabilization Offset ³	Net Revenues Available for Debt Service	Debt Service Requirements ⁴			Coverage
					Principal	Interest	Total	
2010	\$4,455,767	\$3,439,267	\$ -	\$1,016,500	\$345,000	\$112,206	\$457,206	3.81
2009	4,552,624	2,819,395	-	1,733,229	335,000	120,288	455,288	3.81
2008	4,274,376	3,499,545	-	774,831	335,000	127,406	462,406	1.68
2007	4,651,122	3,115,885	-	1,535,237	325,000	133,191	458,191	3.34
2006	4,531,503	2,591,347	-	1,940,156	320,000	140,456	460,456	4.21
2005	4,428,981 ¹	1,825,395 ²	-	2,603,586	320,000	146,856	466,856	5.58
2004	5,015,140 ¹	3,375,551 ²	-	2,006,445	345,000	127,347	472,347	3.51
2003	3,478,958	2,340,293	100,000	1,038,665	155,000	171,727	326,727	3.18
2002	3,634,789	2,020,392	600,000	1,014,397	150,000	179,888	329,888	3.07
2001	3,464,218	2,252,410	600,000	611,808	140,000	187,502	327,502	1.87

¹ Total Operating Revenues including System Development Charges

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

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

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

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

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

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

Total Outstanding Debt			
Fiscal Year Ended June 30,	Total Outstanding Debt	Personal Income	Debt as a Percentage of Personal Income
2010	\$ 39,708,269	NA	NA
2009	\$ 42,559,088	NA	NA
2008	44,138,466	NA	NA
2007	46,090,591	\$ 463,652,000	9.94%
2006	48,099,558	461,001,000	10.43%
2005	49,959,587	411,308,000	12.15%
2004	43,739,424	394,362,000	11.09%
2003	45,896,943	338,294,000	13.57%

¹ Per Capita is calculated using the total debt for the category divided by population shown on Ratio of Net General Obligation Bonded Debt to Assessed Value Schedule

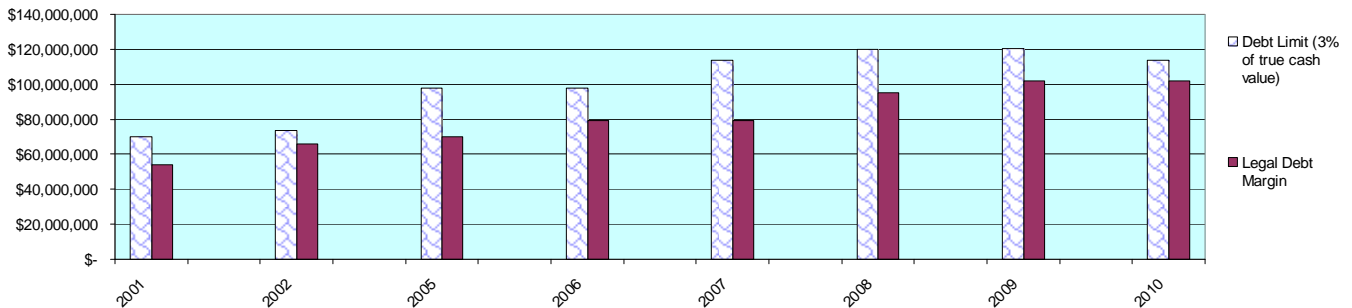
OECCD - Oregon Economic and Community Development Department

DEQ - Oregon Department of Environmental Quality

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
True Cash Value	\$3,790,236,802	\$4,011,032,636	\$4,000,418,984	\$3,788,568,503	\$3,266,109,773
Legal Debt Margin					
Debt Limit (3% of true cash value)	\$ 113,707,104	\$ 120,330,979	\$ 120,012,570	\$ 113,657,055	\$ 97,983,293
Net Bonded Debt:					
Gross bonded debt	17,898,697	18,970,000	18,840,000	19,425,000	19,780,000
Less amounts exempted:					
Water			(25,000)	(50,000)	(60,000)
Special assessment					
Refunding					
Water Refunding	(345,000)	(505,000)	(655,000)	(800,000)	(940,000)
Total debt applicable to margin	<u>17,553,697</u>	<u>18,465,000</u>	<u>18,160,000</u>	<u>18,575,000</u>	<u>18,780,000</u>
LEGAL DEBT MARGIN	<u>\$ 96,153,407</u>	<u>\$ 101,865,979</u>	<u>\$ 101,852,570</u>	<u>\$ 95,082,055</u>	<u>\$ 79,203,293</u>

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



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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>\$2,827,489,200</u>	<u>\$2,450,551,643</u>	<u>\$2,327,582,133</u>	<u>\$1,943,471,450</u>	<u>\$1,240,116,210</u>
<u>\$ 84,824,676</u>	<u>\$ 73,516,549</u>	<u>\$ 69,827,464</u>	<u>\$ 58,304,144</u>	<u>\$ 37,203,486</u>
20,045,000	4,875,000	5,280,000	6,135,000	6,530,000
(85,000)	(100,000)	(125,000)	(145,000)	(165,000)
			(55,000)	(180,000)
		(75,000)	(325,000)	(550,000)
<u>(1,075,000)</u>	<u>(1,205,000)</u>	<u>(1,325,000)</u>	<u>(1,440,000)</u>	<u>(1,555,000)</u>
<u>18,885,000</u>	<u>3,570,000</u>	<u>3,755,000</u>	<u>4,170,000</u>	<u>4,080,000</u>
<u>\$ 65,939,676</u>	<u>\$ 69,946,549</u>	<u>\$ 66,072,464</u>	<u>\$ 54,134,144</u>	<u>\$ 33,123,486</u>

**CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2010 - Unaudited**

True cash value	\$ 3,790,236,802	
3% of the true cash value	<u>0.03</u>	
		\$ 113,707,104
NET BONDED DEBT:		
Gross bonded debt	17,898,697	
Less amounts exempted:		
Water		
Water Refunding	<u>(345,000)</u>	
Total debt applicable to margin		<u>17,553,697</u>
LEGAL DEBT MARGIN		<u><u>\$ 96,153,407</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.

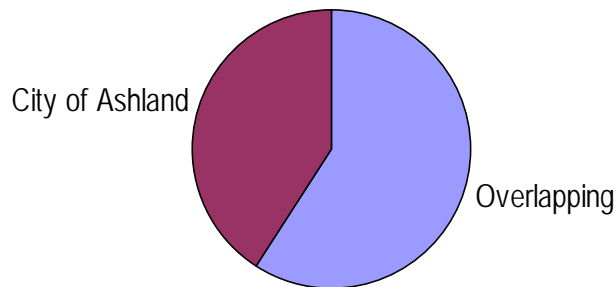
Source: Jackson County Assessor's Office
Audited Financial Statements
Oregon Revised Statutes (ORS) 287.004

**CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2010 - 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	\$ 18,970,000	100.00%	\$ 18,970,000
Overlapping			
Jackson County	4,215,582	13.70%	577,547
School District #5	33,563,722	79.12%	26,556,422
Rogue Community College	2,269,689	10.12%	229,772
	<u>\$ 40,048,993</u>		<u>\$ 27,363,741</u>
	<u>\$ 59,018,993</u>		<u>\$ 46,333,741</u>

Source: State of Oregon, Office of Treasurer

City of Ashland
Bonded Debt Compared to Overall Debt Applicable to the City



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

2010		
Employer	Employees	Percentage of Total City Employment
Southern Oregon University	775	8.61%
Ashland Community Hospital	402	4.47%
Oregon Shakespeare Festival	500	5.56%
Ashland Public Schools	300	3.33%
City of Ashland	264	2.93%
Pathway Enterprises	95	1.06%
Ashland Food Cooperative	150	1.67%
Darex Corporation	56	0.62%
Linda Vista	92	1.02%
Total	2,634	29.27%
Estimated Total City Employment	9,000	

2001		
Employer	Employees	Percentage of Total City Employment
Southern Oregon State College	740	12.33%
Oregon Shakespeare Festival	450	7.50%
Public Schools	394	6.57%
Ashland Community Hospital	264	4.40%
City of Ashland	164	2.73%
Pathway Enterprises	150	2.50%
Darex Corporation	135	2.25%
Linda Vista Care	75	1.25%
Albertson's	71	1.18%
Total	2,443	40.72%
Estimated Total City Employment	6,000	

Source: Ashland Chamber of Commerce

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

Fiscal Year Ended June 30,	Population ¹	Percentage Change	Per Capita Income	Total Personal Income ²	School Enrollment ³	Unemployment Rate Jackson Co. ⁴
2010	21,505	0.09%	N/A	N/A	3,000	12.1%
2009	21,485	-1.44%	N/A	N/A	3,000	13.6%
2008	21,800	1.73%	N/A	N/A	3,000	6.7%
2007	21,430	2.63%	\$ 21,636	\$ 463,652	3,000	5.6%
2006	20,880	1.41%	22,079	461,001	2,777	5.7%
2005	20,590	0.78%	19,976	411,308	2,920	6.2%
2004	20,430	1.49%	19,303	394,362	3,138	7.3%
2003	20,130	1.82%	16,805	338,294	3,321	6.8%
2002	19,770	0.82%	16,768	331,495	3,393	6.6%
2001	19,610	0.62%	17,147	336,262	3,411	5.9%

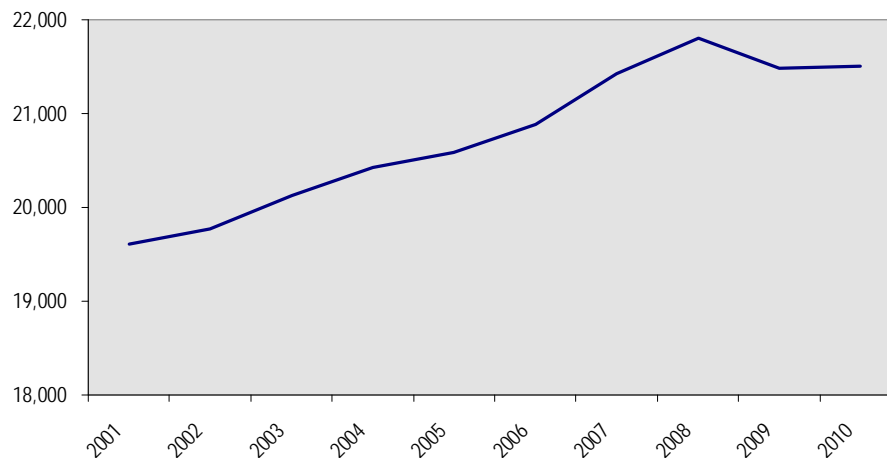
¹ Center for Population and Research and Census, and Portland State University

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

³ Ashland School District

⁴ State of Oregon Employment Department

**Population Growth
Last Ten Years**



**CITY OF ASHLAND, OREGON
SCHEDULE OF MAJOR INSURANCE IN FORCE
June 30, 2010**

Company	Coverage	Policy Period	Annual Aggregate/Each Occurrence	Premium	
City County Insurance Services	General Liability	07/01/2009-07/01/2010	\$ 15,000,000 / \$ 5,000,000	\$ 133,358	
	Public Officials Liability	07/01/2009-07/01/2010	\$ 15,000,000 / \$ 5,000,000		
	Employment Practices	07/01/2009-07/01/2010	\$ 15,000,000 / \$ 5,000,000		
		Automobile Liability			23,590
	Scheduled Autos	07/01/2009-07/01/2010	None / \$ 5,000,000		
	Hired Autos/Non Owned	07/01/2009-07/01/2010	None / \$ 5,000,000		
	Uninsured Motorist	07/01/2009-07/01/2010	None / \$ 5,000,000		
		Auto Physical Damage			8,920
	Scheduled Autos	07/01/2009-07/01/2010	Per Filed Value		
	Rented or Leased	07/01/2009-07/01/2010	Per Filed Value		
					8,920
	Newly Acquired Autos	07/01/2009-07/01/2010	Per Filed Value		
		Property			78,928
	Buildings	07/01/2009-07/01/2010	Per Filed Value		
Mobile Equipment	07/01/2009-07/01/2010	Per Filed Value			
	Boiler and Machinery	07/01/2009-07/01/2010	Replacement Cost of Machinery & Equipment not covered elsewhere	Included above	
	Excess Crime	07/01/2009-07/01/2010	Per Loss/ \$250,000	934	
ACE USA	Airport Liability	07/01/2009-07/01/2010	\$4,000,000/\$4,000,000	4,650	
The Hartford	Flood	10/23/2009-10/23/2010	\$ 54,200	848	
Safety National Casualty Corp.	Workers' Compensation Self-Insured Bond	07/01/2009-07/01/2010		6,000	
	Excess Workers' Compensation	07/01/2009-07/01/2010	\$ 1,000,000 / \$ 1,000,000	25,483	
National Union Fire Ins Co of Pittsburgh, PA	Volunteer Accident Ins	07/01/2009-07/01/2010	Per Filed Value	1,389	

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

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

* Senior Program included in Parks in 2006
2004 figures do not include temporary employees

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

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

Function/Program	2010	2009	2008	2007	2006
Police					
Physical Arrests, Juvenile and Adult	2,073	2,098	2,489	2,748	2,607
Traffic Violations	3,160	2,784	2,600	3,036	3,773
Fire					
Fire Alarm Responses	359	363	500	457	425
Emergency Medical Responses	2,705	2,761	3,022	2,955	2,716
Non-emergency Public Service Responses	75	46	76	87	109
Code Enforcement Plans Review	293	262	440	495	535
Total Calls for Service	3,128	3,170	3,590	3,534	4,000
Total Ambulance Patient Transports	1,456	1,476	1,700	1,616	1,511
Water					
Service Connections	8,433	8,126	8,291	8,281	7,870
Daily Average Consumption in Millions of Gallons	2.7	3.3	3.4	4	4
Maximum Daily Capacity of Plant in Million Gallons	8	8	8	8	8
Sewer					
Service Connections	7,995	8,008	8,153	8,129	7,722
Daily Average Treatment in Million Gallons	2.2	2.2	2.2	2	2
Maximum Daily Capacity in Million Gallons	4	4	4	4	4
Electric					
Service Connections	11,275	11,944	11,979	11,780	11,277
Telecommunications					
Cable TV	-	-	-	-	3,095
Cable Modem	4,094	4,160	4,153	3,988	3,823
Potential Station Capacity	140	80	80	80	140

¹ Identifies correction to capacity

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

³ Cable TV outsourced

⁴ Cable TV Analog channels

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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
2,004	2,293	2,412	300	287
4,608	4,405	5,858	4,358	3,283
415	388	319	272	313
2,952	2,428	2,294	2,404	1,964
100	90	127	78	78
644	721	643	475	NA
3,285	3,186	2,922	2,740	2,630
1,243	1,274	989	863	793
7,764	7,609	7,419	7,214	7,200
3	4	3	3	4
8	8	8	10	10
7,583	7,455	7,290	7,091	7,046
2	2	2	2	2
4	4	4	6	10
11,062	10,561	10,374	10,490	10,441
3,170	3,100	2,961	2,499	NA
3,686	3,435	3,040	2,323	NA
161	161	161	161	161

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

Function/Program	2010	2009	2008	2007	2006
Police					
Stations	1	1	1	1	1
Contact Station	1	1	1	NA	NA
Patrol Units (vehicles)	8	8	8	8	8
Sworn Officers	26.5	26.5	27	27	27
Fire					
Stations	2	2	2	2	2
Fire Fighters	26	29	31	31	31
Streets					
Miles of Paved Streets	92	92 ²	100	100	100
Miles of Gravel Streets	14	14 ²	11	10	14
Miles of Storm Sewers	93	90	89	85	85
Water					
Miles of Water Mains	130	130 ²	124	124	124
Hydrants	1,245	1,237 ²	1,154	1,115	1,142
Water Treatment Plant	1	1	1	1	1
Sewer					
Miles of Sanitary Sewers	110	110	110	110	110
Treatment Plant	1	1	1	1	1

¹ Identifies implementation of GIS system

² Identifies integration of Cartegraph System with GIS that has provided more accurate figures.

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

2005	2004	2003	2002	2001
1	1	1	1	1
NA	NA	NA	NA	NA
8	8	6	6	6
27	30	29	29	26
2	2	2	2	2
31	31	27	28	24
100	97	97	78	81
14	17	19	20	7
84	76	55	60	55
124	121	115	94	90
1,131	1,069	1,000	987	972
1	1	1	1	1
108	106	106	86	88
1	1	1	1	1

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

Function/Program	2010	2009	2008	2007	2006
Electric					
Street Lights	1,832	1,811	1,802	1,802	1,771
Electrical Transformers	2,002	1,996	1,982	1,982	1,973
Poles	3,560	3,557	3,453	2,551	2,559
Substations	3	3	3	3	3
Telecommunications					
Miles of Fiber	25	25	25	25	29
Miles of Coax	119	118	117	117	110
Parks and Recreation					
Community Centers	3	3	3	3	3
Parks	19	19	19	19	19
Park Acreage	642	640	640	640	640
Golf Courses	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Ice Skating Rinks	1	1	1	1	1
Skateboard Parks	1	1	1	1	1
Tennis Courts	12	12	12	12	12
Trails (miles)	29	29	29	29	29
Health Care					
Hospital	1	1	1	1	1
Hospital Beds	49	49	49	49	49
Education					
Elementary Schools	3	3	3	3	3
Elementary School Instructors	59	59	59	59	59
Secondary Schools	2	2	2	2	2
Secondary School Instructors	106	106	106	106	106
State Universities	1	1	1	1	1

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

2005	2004	2003	2002	2001
1,707	1,804	1,870	1,895	1,895
1,943	1,851	1,815	2,030	1,864
3,501	2,511	2,501	2,501	2,742
3	3	3	3	3
25	25	35	30	10
117	117	117	120	120
3	3	3	3	3
19	19	19	19	19
637	637	637	637	637
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
1	1	1	1	1
12	12	12	12	12
29	29	NA	NA	NA
1	1	1	1	1
49	49	49	49	49
3	4	5	5	5
61	58	69	93	93
2	2	2	2	2
106	90	102	116	116
1	1	1	1	1



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



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

audit comments and disclosures required by state regulations



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Ashland as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

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

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

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

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

OAR 162-10-0230 Internal Control

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

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

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

PAULY , RODGERS AND CO., P.C.



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 25, 2010

To the City Council
City of Ashland

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

We have audited the financial statements of City of Ashland as of and for the year ended June 30, 2010, and have issued our report thereon dated October 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements of the Josephine County Solid Waste Agency (a component unit) were not audited in accordance with Government Auditing Standards.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by internal controls.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

audit comments and disclosures required by state regulations

Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



PAULY, ROGERS AND CO., P.C.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



government auditing standards compliance reports

**CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2010**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Year to Date Disbursements / Expenditures</u>
Federal Surplus Property	39.003	-	\$ 145.92	\$ 50.00
Oregon Military Department Office of Emergency Management Citizen Corps Program 11/01/2007-05/31/2010	97.053	07-101	\$ 10,000.00	\$ 1,029.00
Oregon Military Department Office of Emergency Management State Homeland Security Program 11/01/2007-05/31/2010	97.073	07-201	\$ 34,437.00	\$ 2,250.00
Oregon Military Department Office of Emergency Management State Homeland Security Program 11/01/2008-12/31/2010	97.073	08-203	\$ 50,500.00	\$ 25,233.24
Oregon Military Department Office of Emergency Management State Homeland Security Program 10/01/2009-12/31/2011	97.073	09-202	\$ 7,500.00	\$ 667.20
United States Department of Agriculture USFS, Rogue River-Siskiyou National Forest Ashland Forest Resiliency Stewardship Project 3/15/2010-06/30/2012	10.678	ORFO-03-31-10-02EH	\$ 1,495,027.00	\$ 44,944.12
United States Department of Agriculture Pass-through from The Nature Conservancy, Ashland Oregon Ashland Forest Resiliency Community Project (Website)	10.UNK	ORFO-08/06/09-01EH	\$ 15,000.00	\$ 10,340.00
United States Department of Housing and Urban Development Community Development Block Grant-ARRA 06/05/2009-09/30/2012	14.253	B09MY410008	\$ 55,622.00	\$ 7,108.00
United States Department of Housing and Urban Development Community Development Block Grant Program 07/01/2006-06/30/2007-Unallocated Carryover	14.218	B06MC410008	\$ 8,666.60	\$ -
07/01/2007-06/30/2008-Unallocated Carryover	14.218	B07MC410008	\$ 31,190.00	\$ -
07/01/2007-06/30/2008-Unallocated Carryover	14.218	B07MC410008	\$ 152,801.00	\$ -
07/01/2008-06/30/2009-Unallocated Carryover	14.218	B08MC410008	\$ 204,818.00	\$ -
07/01/2009-06/30/2010-Grant Award	14.218	B09MC410008	\$ 207,781.00	\$ 440,856.57
TOTAL CDBG in FY10			\$ 605,256.60	\$ 440,856.57
United States Department of Justice Office of Justice Programs Byrne Memorial Justice Assistance Grant	16.738	2009-SB-B9-0400	\$ 22,173.00	\$ 4,692.98
United States Department of Transportation Federal Aviation Administration Nonprimary Entitlement Grant	20.106	DOT-FA09NM-0161	\$ 214,180.00	\$ 207,761.41
TOTAL FEDERAL ASSISTANCE			\$ 2,509,841.52	\$ 744,932.52





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October 25, 2010

To the City Council
City of Ashland

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

Compliance

We have audited the compliance of City of Ashland with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Ashland major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Ashland' management. Our responsibility is to express an opinion on City of Ashland compliance based on our audit.

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

In our opinion, City of Ashland complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the internal controls.

government auditing standards compliance reports

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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



PAULY, ROGERS AND CO., P.C.

CITY OF ASHLAND

SCHEDULE FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

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

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

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

Identification of major programs

CFDA Number(s): Name of Federal Program:
14.218 CDBG

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

Auditee qualified as low-risk auditee? _____ Yes X No

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

CITY OF ASHLAND

SCHEDULE FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

Comments

1 -

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

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

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

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

Response: Staff is aware of the issues with the home-built software and is taking steps to analyze the best path for clearing this comment. Potential steps are to verify deficiencies in the software, develop an action plan to correct them and document the changes (potentially with a routine evaluation by an outside firm) or to go through a replacement process such as bidding Utility Billing/Accounts Receivable packages that will interface with existing financial system. Replacement of the software or external reviews will be subject to budget approval for FY 2011-12.

2 -

Condition: The City’s capital asset (and intangible policy) does not specifically state how the City determines costs on their internally generated assets.

Criteria: The City needs to modify their capital asset policy to clarify this situation.

Cause: The original policy did not specifically address internally generated costs.

Effect: Internally generated assets could be valued inconsistently between assets.

Response: This is a new issue with the recent requirement to value intangible assets. Staff revised the City capitalization policy for intangible assets but did not provide guidelines to account for expenses. The only example to date is the UB software, created by internal staff. Accounting will revise the capitalization policy and provide guidelines for capturing reasonable costs and developing useful life measures to clear this comment by June 30, 2011.

3 –

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

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

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

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

Response: Staff agrees with the audit comment and will take actions to correct the issue. Staff will pursue limitations of access in the Incode software in conjunction with segregation of duties and supervisory review. If the direct supervisor must perform some of the detail work due to limitations from a small staff, a written procedure should require the review and approval of adjustments be done by the appropriate Department Head or Finance Director.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONS COSTS:

None reported

