

**CITY OF  
ASHLAND**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For year ended June 30, 2009**

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

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## INTRODUCTORY SECTION

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# CITY OF ASHLAND

November 6, 2009

Re: City of Ashland Comprehensive Annual Financial Report

To the Citizens of the City of Ashland:

The Comprehensive Annual Financial Report of the City of Ashland, for the fiscal year ended June 30, 2009, is hereby submitted as mandated by state statutes. These statutes require that the City of Ashland issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants licensed by the State of Oregon to conduct municipal audits. This report must be published within six months of the close of each fiscal year and responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and the results of operations of the various funds, account groups and component unit of the City of Ashland. All disclosures necessary to enable the reader to gain an understanding of the City of Ashland's activities have been included.

The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the year ended June 30, 2009 are presented in conformity with Generally Accepted Accounting Principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report. It is followed by a Management Discussion and Analysis report on pages 5 through 17. The reader is encouraged to review these pages for a better understanding of the City, its financial condition and activities for the year.

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

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

## **GOVERNMENTAL STRUCTURE, ECONOMIC CONDITIONS AND OUTLOOK**

The City, incorporated in 1874, is located in the southwest part of the state. The City currently has a land area of 6.52 square miles and a population of 21,485. The government has all powers necessary or convenient for the conduct of its municipal affairs, including the power to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

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

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

In addition to the help they receive from their appointed staff and employees, 21 standing advisory boards and commissions, and additional ad hoc committees assist the City Council. Over 135 Ashland citizens serve on these boards and commissions and make a valuable contribution to the City of Ashland.

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

According to the State of Oregon Employment Department, Ashland has an employed work force of approximately 9,000. When governments and non-profits beyond the scope of licensing are included, the total work force is an estimated 10,329. Recent changes in the economy are beginning to appear in the City in flattened or reduction in revenue. Examples are the Transient Occupancy Tax and Food and Beverage Tax revenue (for all business activities as presented in tables in the Statistical section). Transient Occupancy Tax revenue increased 8.6% even though the rate was increased 28% in October 2008. Staff originally projected a 12% to 14% revenue increase from the mid-year change. Food & Beverage tax revenue decreased for a second year with 1.6% down in 2008 and a 4.6% decrease in 2009.

In 2008-2009 the City issued \$6.9 million dollars in building permits, which is a decrease of both commercial and residential permits issued.

The estimated consumer economy is \$228 million according to the 1997 US Economic Census, an increase of 13% over the \$202 million estimated in 1992. Using city tax collection information, visitor accommodations (over \$16 million) and food service (over \$15 million) accounted for 23% of the economy. The success of these aspects can be greatly attributed to tourism generated by cultural attractions, the largest of which is the Oregon Shakespeare Festival Association (OSFA), a nationally renowned theater company presenting eleven plays over a season from February through October to an estimated attendance over 350,000. OSFA employs 5% of the total work force in the City limits, and has an estimated impact on the local economy of over \$100 million based on the 2.9 multiplier provided by the 1997 economic census.

## **INITIATIVES**

The City Council has adopted a Community Values Statement and identified several major goals in 2008 to meet the needs of citizens and community and worked toward a broader base of input from the Community in 2009. The goals reflect the City's commitment of ensuring that its citizens are able to live and work in an enviable environment.

## **2009 CAFR Introductory section**

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The Community Values Statement is:

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

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

The adopted goals include:

- Develop a City-led Comprehensive Economic Development Strategy with an Emphasis on Local Economy, Diverse Population, Risks of Over-Reliance on Single-Industry, and Living Wage
- Develop City-Employee Continuity Strategy
- Develop a City-Wide Transportation Strategy
- Complete a City-Wide Visioning Plan
- Develop plan to establish fiscal stability, manage costs, prioritize services, and insure key revenue streams
- Generate Net Increase in Affordable/Workforce Housing by a Minimum of 200 units by 2010
- Increase Effectiveness in Conservation programs and identify Specific targets in Energy and Resource Consumption
- Implement Program to Provide Workforce Housing for City Employees
- Develop a Long-Term Plan for all City Facilities and Properties
- Develop a Strategy for the Railroad Property
- Complete Downtown Planning Process

## **FINANCIAL INFORMATION**

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

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

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

Tests were made of the government's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulation related to non-major federal financial assistance programs, the audit for the year ended June 30, 2009, disclosed no material internal control weaknesses or material violations of laws and regulations.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriations budget resolution approved by the City Council. All funds are included in the annual appropriated budget. The annual 2008-2009 budget was prepared on a fund basis with department, program and line item detail.

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

**Significant Impacts.** The City's investment policy objectives are to preserve capital, maintain liquidity and diversification, and to attain a market rate of return throughout budgetary and economic cycles. Investments are valued at fair value as required by GASBS 31. Changes in the economy and investment market are prompting a review of the City's policy. As of June 30, 2009 the fair value of the investment in the Local Government Investment Pool was 99.11% of the pool shares as reported in Oregon Short Term Fund audited financial statements. This resulted in recognizing a loss of \$102,571 due to a reduced value of the shares owned by the City at that time.

The City provides life and health coverage to its employees and their dependants. The City pays 95% for employees with management and all five bargaining units paying 5% of their premium. Other optional supplemental insurances are available to employees and are paid entirely by the individuals electing to carry them. The rising cost of employee benefits, especially health care and retirement, has promoted the City to contract with a consultant to review its compensation and classification system. The study included input from many of the represented and management employees for comparison to competitive employers in Oregon and northern California. The results of the review will provide meaningful information to manage costs in the coming years.

An actuarial review of other post employment benefit programs was performed during the year and the results from the study are incorporated within this report on pages 58 through 61 in the Notes to Basic Financial Statements section.

**OTHER INFORMATION**

**Tax Limitation.** Article IX of the Oregon Constitution contains various limitations of property taxes levied by local jurisdictions. The Constitution calls for taxes imposed upon property to be segregated into two categories: one to fund the public school system and community college and the other for local governments. The citizens of the State of Oregon approved a property tax limitation in November 1991 referred to as Measure 5. This constitutional amendment divides property taxes into an education category and an all other local government category. The education category property taxes were limited to \$15.00 per thousand of real market value (RMV) initially, and have been lowered to \$5.00 per thousand. The local government category is limited to \$10.00 per thousand. The 2008-2009 local government tax rate in the City of Ashland was \$4.42, well within the limitation. Voter approved general obligation debt is not subject to the \$10.00 limitation.

In November 1996 the citizens of the State of Oregon approved a property tax limitation referred to as Measure 47. Prior to enactment, this measure was repealed and replaced at a special election May 20, 1997, by Measure 50. Measure 50, after the 1996-1997 fiscal year, changed the property tax limitation on levies, rates assessment and equalization. Measure 50 includes a reduction of property tax to previous levels and a limit on the growth in assessed valuation, which will result in a limit on a tax increase in subsequent years. Specifically, Measure 50 rolled back the assessed value of each unit of property for the tax year 1997-98 to its 1995-96 "real market value" less ten percent. The Measure limited increases in assessed value in future years to 3% per year. The Measure also establishes a new permanent tax rate for each taxing district. Ashland's permanent rate for the operating levies is set at \$4.2865, although the City chose to levy only \$4.0790 of this amount in 2008-2009. The Measure also provides for voter approved Local Options for levies outside the limits. In May 1997, Ashland voters approved the three-year Ashland Youth Activities Levy as a Local Option Levy at a rate of \$0.97. The levy was renewed in May 2000 and again in May 2003 at a maximum rate of \$1.38. The 2003 renewal ended in fiscal year 2008.

**Recent Court Cases.** Two recent court cases have brought into focus the potential impact legislative or judicial changes may have on the City. An Oregon Court of Appeals decision in the case of *Clarke v. Oregon Health Sciences University* has raised questions about the tort cap limits that are part of the Oregon Tort Claims Act and liability coverage in Oregon. This case may change the protection that Oregon public entities have relied on in ORS 30.270 and may allow public entity staff members to be sued individually. Also, an Oregon Supreme Court opinion in the *Urhausen v. City of Eugene* regarding the constitutionality of special tax levies allowed under ORS 310.155(3) may have an impact on the similar Youth Activity Levy approved by Ashland citizens in 2003. As a result the School District moved to a separate local option levy and the Youth Activity Levy sunset on June 30, 2008, without renewal.

**Awards.** The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for fiscal year ended June 30, 2008. This was the seventeenth year the City had submitted its report for review. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. This award is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we intend to submit it to the GFOA to determine its eligibility for another certificate.

In addition, the City of Ashland received the GFOA's Award for Distinguished Budget Presentation for its annual 2008-2009 budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, as an operational guide, as a financial plan and as a communication device.

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

Sincerely,



Martha Bennett  
City Administrator

Lee Tuneberg  
Administrative Services and Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ashland  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

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



A handwritten signature in black ink, appearing to read "M. L. R.", written over the printed name.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written over the printed name.

Executive Director

**CITY OF ASHLAND  
ELECTED CITY OFFICIALS  
June 30, 2009**

<u>Name</u>	<u>Position</u>
John Stromberg 252 Ridge Road Ashland, OR 97520	Mayor
Pam B. Turner P.O. Box 1299 Ashland, OR 97520	Municipal Judge
Barbara Christensen 759 Willow Street Ashland, OR 97520	Recorder/Treasurer
David Chapman 390 Orchard Street Ashland, OR 97520	Council Member
Kate Jackson 359 Kearney Street Ashland, OR 97520	Council Member
Greg Lemhouse 2850 Wedgewood Ashland, OR 97520	Council Member
Eric Navickas 363 Iowa Ashland, OR 97520	Council Member
Russ Silbiger 562 Ray Lane Ashland, OR 97520	Council Member
Carol Voisin 908 Fox Street Ashland, OR 97520	Council Member

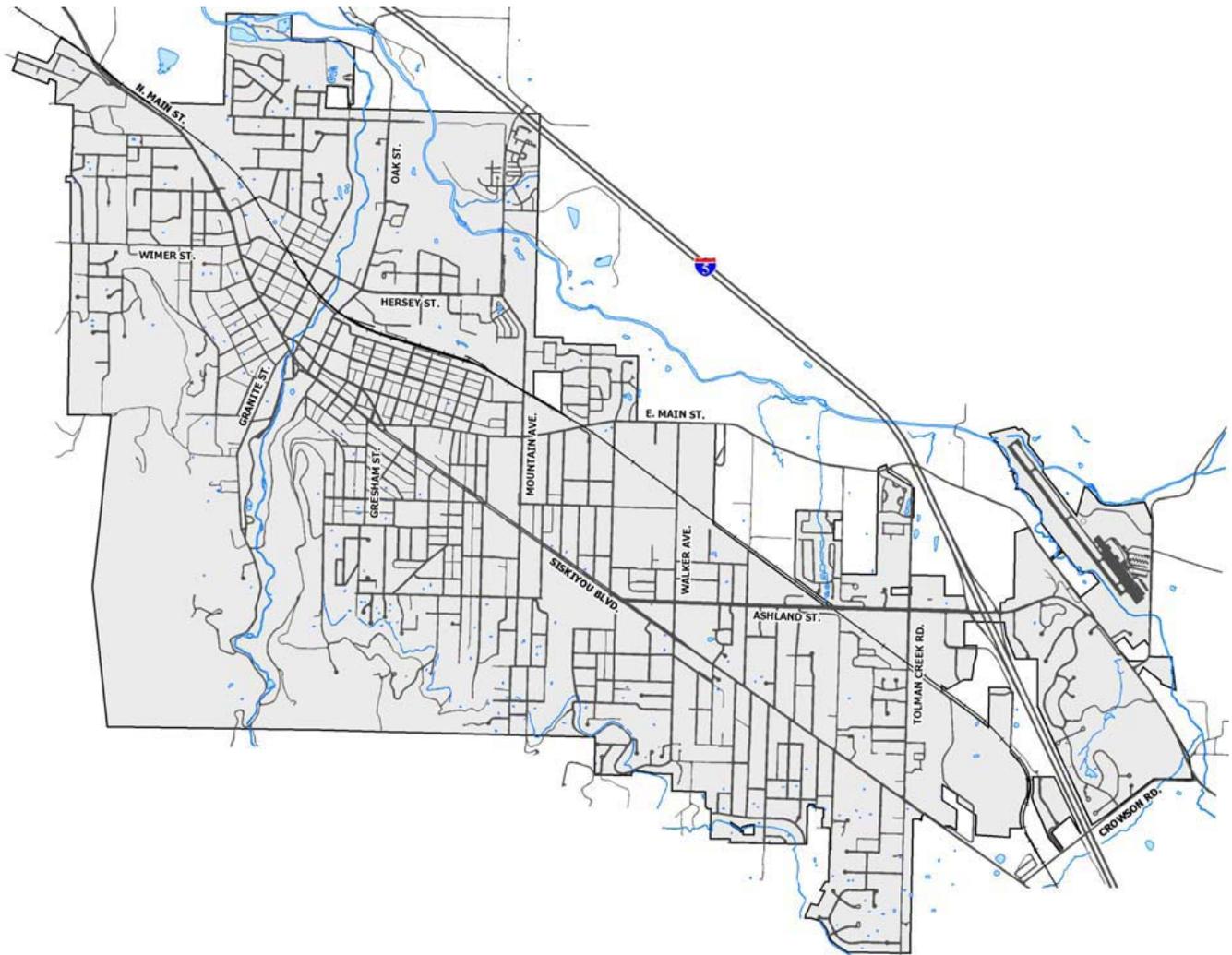
**CITY OF ASHLAND  
APPOINTED CITY OFFICIALS  
June 30, 2009**

<u>Name</u>	<u>Position</u>
Martha Bennett 223 Eastbrook Way Ashland, OR 97520	City Administrator
Richard Appicello P.O. Box 1333 Ashland, OR 97520	City Attorney
Michael Ainsworth 920 Beswick Way Ashland, OR 97520	Interim Information Technology Director
Mike Faught 4015 Payne Rd. Medford, OR 97504	Public Works Director
Terry Holderness 50 Pine Street Ashland, OR 97520	Police Chief
John Karns 440 Wiley Street Ashland, OR 97520	Fire Chief
William Molnar 155 Hillcrest Street Ashland, OR 97520	Community Development Director
Darlow "Lee" Tuneberg 327 Starflower Lane Ashland, OR 97520	Administrative Services/ Finance Director / Budget Officer
Richard Wanderscheid 1280 Kirk Lane Ashland, OR 97520	Electric Director

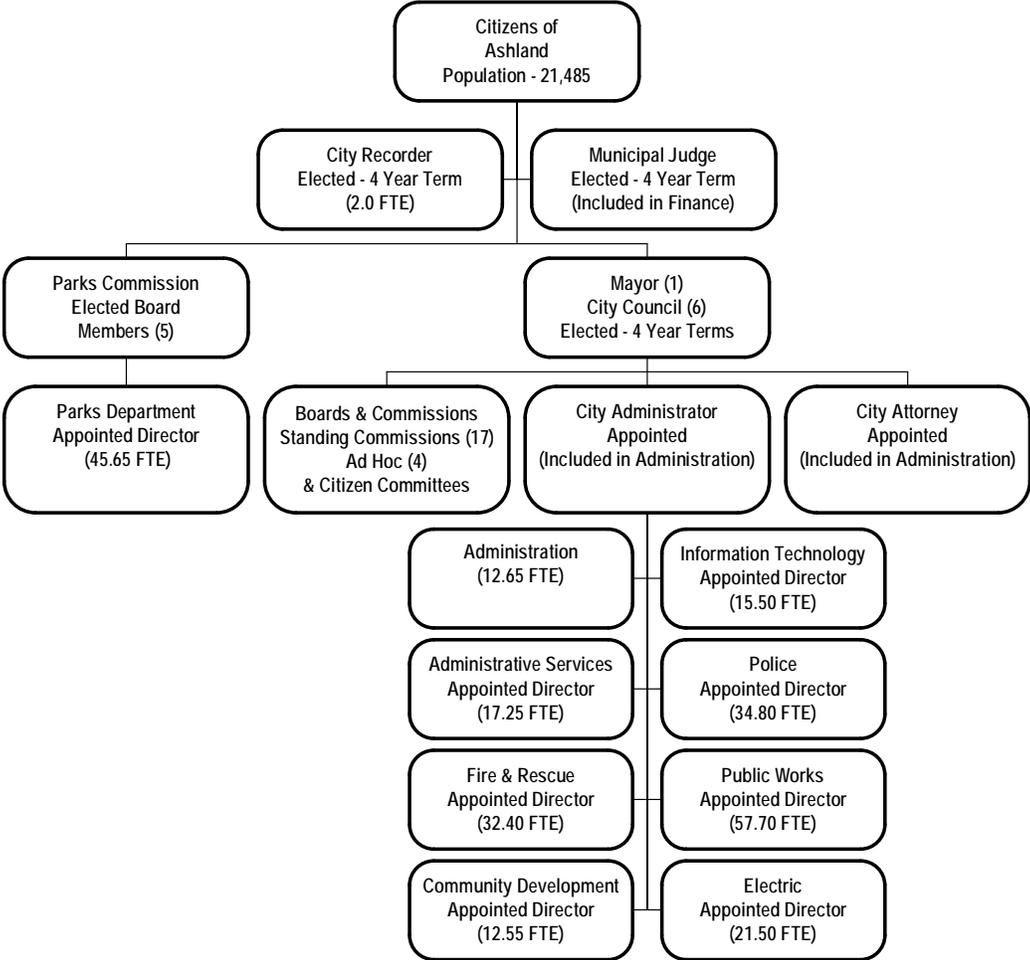
# CITY OF ASHLAND



## Vicinity Map 2009



**City of Ashland  
252.00 FTE  
Adopted**





# CITY OF ASHLAND

November 6, 2009

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

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

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

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

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

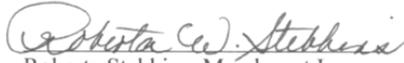
Based upon the above, we accept the 2008-2009 Comprehensive Annual Financial Report (CAFR) and the related audit reports of the independent certified public accountants for the City of Ashland and the Ashland Parks and Recreation Commission and recommend the respective CAFR and auditor's reports be accepted by the Council and the Commission.

Respectfully submitted,

The Audit Committee

  
Guy Nutter, Member at Large, Chair

  
Dee Anne Everson, Member  
Representing Budget Committee

  
Roberta Stebbins, Member at Large

  
Barbara Christensen, City Recorder/  
Treasurer Ex-Officio Member

  
Russ Silbiger, Council Liaison

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D.L. Tuneberg, Director  
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