

**CITY OF
ASHLAND**



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For year ended June 30, 2007

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



INTRODUCTORY SECTION

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INTRODUCTORY SECTION



CITY OF ASHLAND

November 20, 2007

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, 2007, is hereby submitted as mandated by state statutes. These statutes require that the City of Ashland issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants licensed by the State of Oregon to conduct municipal audits. This report must be published within six months of the close of each fiscal year and responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and the results of operations of the various funds, account groups and component unit of the City of Ashland. All disclosures necessary to enable the reader to gain an understanding of the City of Ashland's activities have been included.

This is the fifth year that the City has prepared the Comprehensive Annual Financial Report (CAFR) to meet the requirements of the Governmental Accounting Standards Board Statement Number 34, basic financial statements and management's discussion and analysis for state and local governments (GASBS 34).

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

The independent auditor concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion and that the City's financial statements for the year ended June 30, 2007 are presented in conformity with Generally Accepted Accounting Principals (GAAP).

The independent auditor's report is presented as the first component of the financial section of this report.

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

The 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 21,430. The government has all powers necessary or convenient for the conduct of its municipal affairs, including the power to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

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

The City Administrator has responsibility for all functions with the exception of the Parks Commission. The City Administrator recommends the appointment or dismissal of department heads (Fire Chief, Police Chief, Public Works Director, Community Development Director, 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.

Ashland currently enjoys a favorable economic environment and local indicators point to continued stability. The City's economic base depends primarily on higher education and tourism. In addition, the U.S. Fish and Wildlife National Forensics Laboratory is located in Ashland. 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. The City of Ashland's Transient Occupancy Tax and Food and Beverage Tax revenue (for all business activities as presented in tables in the Statistical section) reflect increases of 10.3% and 7.5% respectively over the previous year.

In 2006-2007 the City issued \$23 million dollars in building permits, which is a decrease of both commercial and residential permits issued. Active residential electric customers rose from 9,356 in 2006, to 9,914 in June 30, 2007. This single-year increase of 6% is higher than Ashland's growth in population of 1.2%. Non-residential accounts grew at 4 %.

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 to meet the service needs of citizens. The goals within the 2006-2007 budget reflect the City's commitment of ensuring that its citizens are able to live and work in an enviable environment. The Community Values Statement is:

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

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

A few of the 2006-2007 Goals:

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

- Develop performance measures program for all city departments. **Ongoing.**
- Enhance revenue and services from AFN to strengthen its viability. **Accomplished in November 2006.**
- Establish Street Financing task force to study needs of system citywide and financing needs. **Ongoing.**

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

- Continue to help commissions and committees become more effective through resources and training opportunities. **Ongoing.**
- Consider update of City Charter. **Council evaluated changes and submitted a revised Charter for public vote in November 2006. In May 2007, the Citizens of Ashland did not approve the revised Charter.**

Economic Strategy - The City encourages a variety of economic activities in the City, while continuing to reaffirm the economic goals of Ashland citizens and

existing businesses. Economic development in Ashland should serve the purpose of maintaining and improving the local quality of life.

- Produce a working economic development plan. **Ongoing.**

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

- Enhance water supply and conservation to meet targets. **Ongoing.**

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

- Review, update and analyze City's Transportation System Plan. **Ongoing**

FINANCIAL INFORMATION

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

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

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

As part of the City's single audit, described earlier, tests were made of the government's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not sufficient to support an opinion on the City's internal control system or its compliance with laws and regulation related to non-major federal financial assistance programs, the audit for the year

end June 30, 2007, 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 2007-2008 budget was prepared on a fund basis with department, program and line item detail.

Cash Management. Cash temporarily left idle during the year was invested in demand deposits, certificates of deposit, treasury notes, treasury bills, and the State of Oregon Local Government Investment Pool. The City's investment policy objectives are to preserve capital, maintain liquidity and diversification, and to attain a market rate of return throughout budgetary and economic cycles. This program is managed by the City Recorder/ Treasurer. All bank balances were collateralized by federal depository insurance or certificates of participation in the collateral pool issued by the Treasurer of the State of Oregon as the collateral pool manager.

Risk Management. The City has an ongoing risk management program. As part of this comprehensive program, which was started in 1980, resources are accumulated in the Insurance Services Fund to meet potential losses. Various risk control techniques, including employee accident prevention training and employee wellness programs, have been implemented to minimize workers compensation and health insurance claims. The City provides life and health coverage to its employees and their dependants. The City pays 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. General liability claims up to \$50,000 and workers compensation claims are being self-insured.

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

OTHER INFORMATION

Tax Limitation. Article IX of the Oregon Constitution contains various limitations of property taxes levied by local jurisdictions. The Constitution calls for taxes imposed upon property to be segregated into two categories: one to fund the public school system and community college and the other for local governments. The citizens of the State of Oregon approved a property

tax limitation in November 1991 referred to as Measure 5. This constitutional amendment divides property taxes into an education category and an all other local government category. The education category property taxes were limited to \$15.00 per thousand of real market value (RMV) initially, and have been lowered to \$5.00 per thousand. The local government category is limited to \$10.00 per thousand. The 2006-2007 local government tax rate in the City of Ashland was \$5.56, well within the limitation. Voter approved general obligation debt is not subject to the \$10.00 limitation.

In November 1996 the citizens of the State of Oregon approved a property tax limitation referred to as Measure 47. Prior to enactment, this measure was repealed and replaced at a special election May 20, 1997, by Measure 50. Measure 50, after the 1996-1997 fiscal year, changed the property tax limitation on levies, rates assessment and equalization. Measure 50 includes a reduction of property tax to previous levels and a limit on the growth in assessed valuation, which will result in a limit on a tax increase in subsequent years. Specifically, Measure 50 rolled back the assessed value of each unit of property for the tax year 1997-98 to its 1995-96 “real market value” less ten percent. The Measure limited increases in assessed value in future years to 3% per year. The Measure also establishes a new permanent tax rate for each taxing district. Ashland’s permanent rate for the operating levies is set at \$4.2865, although the City chose to levy only \$3.9747 of this amount in 2006-2007. 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 was for five years.

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 is moving forward with a local option levy and the Youth Activity Levy will sunset June 30, 2008, without renewal.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Pauly, Rogers and Co., P.C. was selected by the City’s Audit Committee. In addition to meeting the requirements set forth in the state statutes, the audit was also designed to meet requirements of the federal Single Audit Amendments of 1996 and the related OMB Circular A-133. Generally accepted auditing standards and the

standards set forth in the General Accounting Office's *Government Auditing Standards* were used by the auditors in conducting the engagement. The independent auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of its report. The auditor's reports related specifically to the Single Audit Act are included in the grant compliance section.

Awards. The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for fiscal year ended June 30, 2006. This was the fifteenth 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 2006-2007 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 my sincere appreciation for the contribution made with special thanks to the Accounting Division and Finance Administration staff for their dedicated efforts in maintaining the accounting systems, audit preparation and report writing.

Sincerely,

Lee Tuneberg
Administrative Services 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, 2006

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.



President

Executive Director

**CITY OF ASHLAND
ELECTED CITY OFFICIALS
June 30, 2007**

Name

Position

John Morrison
249 Wimer Street #40
Ashland, OR 97520

Mayor

David Chapman
390 Orchard Street
Ashland, OR 97520

Council Member

Alice Hardesty
575 Dogwood Way
Ashland, OR 97520

Council Member

Cate Hartzell
881 East Main Street
Ashland, OR 97520

Council Member

Kate Jackson
359 Kearney Street
Ashland, OR 97520

Council Member

Eric Navickas
363 Iowa
Ashland, OR 97520

Council Member

Russ Silbiger
562 Ray Lane
Ashland, OR 97520

Council Member

Barbara Christensen
759 Willow Street
Ashland, OR 97520

Recorder/Treasurer

Pam B. Turner
P.O. Box 1299
Ashland, OR 97520

Municipal Judge

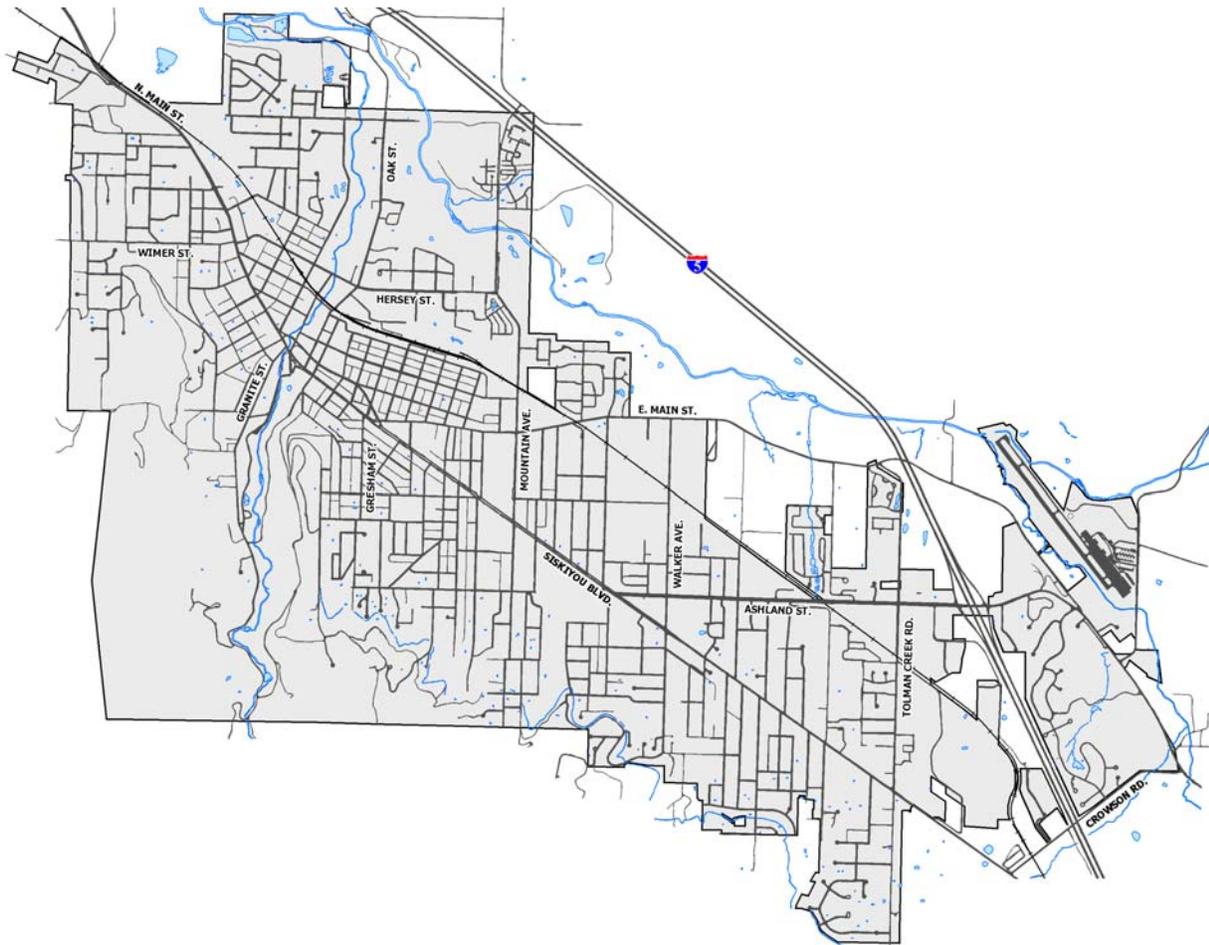
CITY OF ASHLAND
APPOINTED CITY OFFICIALS
June 30, 2007

<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	Interim City Attorney
Paula Brown P.O. Box 1079 Ashland, OR 97520	Public Works Director
Joseph Franell P.O. Box 2853 White City, OR 97503	Information Technology Director
Terry Holderness 50 Pine Street Ashland, OR 97520	Police Chief
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
Keith Woodley 571 Oak Knoll Drive Ashland, OR 97520	Fire Chief

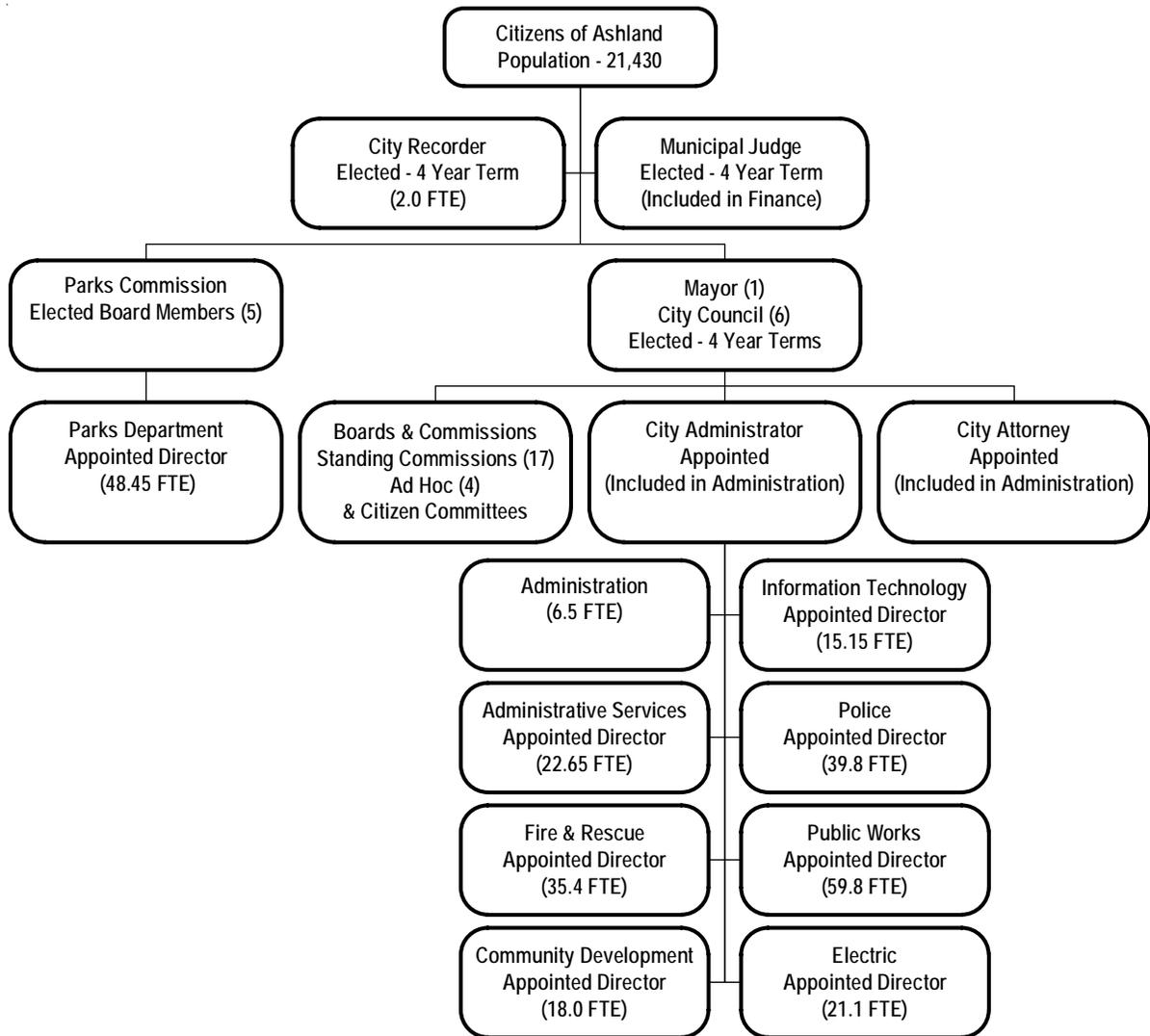
CITY OF ASHLAND



Vicinity Map 2007



City of Ashland
268.85 FTE
Adopted





CITY OF
ASHLAND

October 29, 2007

The City Council
City of Ashland, Oregon

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

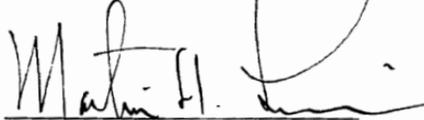
The Committee also discusses with the City's auditors the City's financial accounting and reporting processes, including the preparation of the financial statements. In addition, the Committee discusses including the safeguarding of the City's assets and other resources against unauthorized acquisition,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

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

Based on the Committee's discussions with the City's auditors, we accept the City's 2006-2007 Comprehensive Annual Financial Report (CAFR) and the related audit reports of the independent certified public accountants. Based on our acceptance, we recommend the CAFR and auditor's reports be accepted by the City Council.

Respectfully submitted,

The Audit Committee



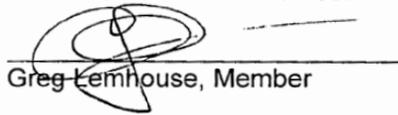
Martin Levine, CPA, Member



Guy Nutter, Member



Barbara Christensen, City Recorder/
Treasurer Ex-Officio Member



Greg Lemhouse, Member

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

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





FINANCIAL SECTION





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

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

October 17, 2007

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. The financial statements of Ashland Parks and Recreation Commission were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Ashland, Jackson County, Oregon, at June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 17, 2006, on our consideration of City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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



PAULY, ROGERS AND CO., P.C.

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, 2007. Certain information has been provided for the Ashland Parks & Recreation Commission which qualifies as a component unit of the City. Please read Management's Discussion and Analysis (MD&A) in conjunction with the transmittal letter included in the introductory section of this report and the City's Financial Statements, which follow.

Financial Highlights

- The total net assets of the City of Ashland (total assets less total liabilities) at the fiscal year end of June 30, 2007 is \$105,372,602.
- The City's total net assets increased this year by \$887,418 or 0.8%.
- The City's governmental funds reported combined ending fund balances totaling \$6,912,679, an increase of \$1,160,531 for the year. Proprietary funds combined ending fund balances increased by \$14,204,098 to a total of \$66,715,689, primarily due to a transfer of debt.
- The unreserved fund balance for the General Fund was \$2,038,534 or 15.4 percent of total General Fund expenditures.
- The City of Ashland transferred the 2004 Telecommunications Fund General Obligation debt of \$15.5 million and related accrued interest from Business-type Activities presentations to Governmental Activities presentations to reflect the payment of the obligation with city-wide resources including taxes rather than solely by charges for services in the Telecommunications fund.

Figure 1 City of Ashland
Sources of Revenue for Fiscal Year 2007

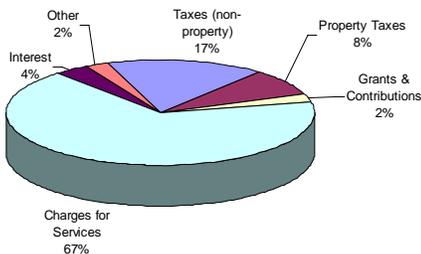
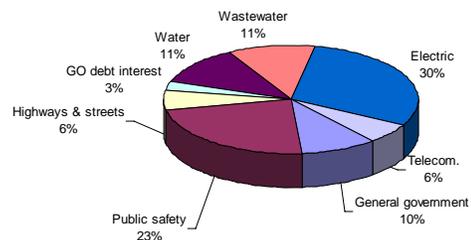


Figure 2 City of Ashland
Program Expenses for Fiscal Year 2007



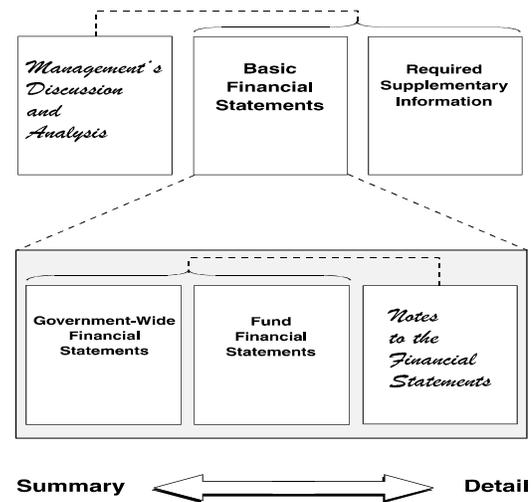
Overview of the Financial Statements

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.

Figure 3, Required Components of the City of Ashland's Annual Financial Report



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

Type of Statements	Government-wide	Governmental Funds	Fund Statements Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business 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.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in this fund are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were \$105,372,602 at June 30, 2007. (See Table A below and the Statement of Net Assets on page 19).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
Current Assets:							
Cash and cash equivalents	\$ 10,923	\$ 9,274	\$ 9,837	\$ 12,952	\$ 20,760	\$ 22,226	-6.6%
Receivables, net	2,531	2,354	2,105	2,204	4,636	4,558	1.7%
Inventories - supplies and materials	36	32	806	800	842	832	1.2%
Deferred charges			1,340	1,721	1,340	1,721	-22.1%
Internal balances	(1,587)	(1,320)	1,587	1,320	-	-	n/a
Restricted assets:							
Cash and cash equivalents	542	452			542	452	19.9%
Total current assets:	<u>12,445</u>	<u>10,792</u>	<u>15,675</u>	<u>18,997</u>	<u>28,120</u>	<u>29,789</u>	-5.6%
Noncurrent assets:							
Capital assets	84,841	82,373	110,634	107,666	195,475	190,039	2.9%
Less accumulated depreciation	(35,789)	(33,507)	(31,502)	(28,803)	(67,291)	(62,310)	8.0%
Total noncurrent assets	<u>49,052</u>	<u>48,866</u>	<u>79,132</u>	<u>78,863</u>	<u>128,184</u>	<u>127,729</u>	0.4%
Total Assets	<u>61,497</u>	<u>59,658</u>	<u>94,807</u>	<u>97,860</u>	<u>156,304</u>	<u>157,518</u>	-0.8%
Current liabilities:							
Accounts payable and accrued liabilities	3,080	2,590	1,708	2,267	4,788	4,857	-1.4%
Deferred revenue	-	13			-	13	-100.0%
Total current liabilities	<u>3,080</u>	<u>2,603</u>	<u>1,708</u>	<u>2,267</u>	<u>4,788</u>	<u>4,870</u>	-1.7%
Long-term liabilities:							
Claims payable	21,268	6,321	24,877	41,842	46,145	48,163	-4.2%
Total Liabilities	<u>24,348</u>	<u>8,924</u>	<u>26,585</u>	<u>44,109</u>	<u>50,933</u>	<u>53,033</u>	-4.0%
Net Assets:							
Invested in capital assets	27,969	42,670	54,265	37,021	82,234	79,691	3.2%
Restricted	3,489	2,842	4,315	6,166	7,804	9,008	-13.4%
Unrestricted	5,692	5,222	9,643	10,564	15,335	15,786	-2.9%
Total Net Assets	<u>\$ 37,150</u>	<u>\$ 50,734</u>	<u>\$ 68,223</u>	<u>\$ 53,751</u>	<u>\$ 105,373</u>	<u>\$ 104,485</u>	0.8%

At June 30, 2007, approximately 80% (\$6.2 million) of the City's restricted net assets represent proceeds from systems development charges as compared to \$5.9 million or 65.7% the prior year. These proceeds, when spent, are restricted for capital assets or related debt. The \$15.3 million of unrestricted net asset at June 30, 2007, is 2.85% smaller than the prior year and represents resources available to fund the programs of the City next year.

Changes in net assets. The City's total revenues increased \$1.957 million (4.6%) to \$44.4 million during the year. Significant revenue changes were:

- A decrease in Charges for service of \$338,000 (-1.1%) primarily due to outsourcing cable television services and holding other charges flat,
- Increases in total grants & contributions of \$357,000 (49.3%) including funds for a fire training trailer,
- An increase in property taxes of \$500,000 to fund debt and other programs,
- \$200,000 more in other taxes including food & beverage and transient occupancy tax revenues, and
- Increased other revenues from interest earnings (\$827,000) and other miscellaneous sources totaling \$411,000.

Of the total \$44.4 million, 66.8% or \$29.7 million is from Charges for services and \$3.77 million or 8% is from grants, interest earnings and other non-tax sources. Only 23.1% or \$10.3 million comes from the various sources of taxes. (See Table B below and the Statement of Activities on pages 20 and 21.) Tax revenues represented 24.1% of total revenues in the prior year.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
Program revenues:							
Charges for services	\$ 8,657	\$ 7,821	\$ 21,031	\$ 22,205	\$ 29,688	\$ 30,026	-1.1%
Operating grants & contributions	217	142	168	80	385	222	73.4%
Capital grants & contributions	696	502	-	-	696	502	38.6%
General revenues:							
Property taxes	3,557	2,971	-	86	3,557	3,057	16.4%
Other taxes	5,786	5,633	1,620	1,573	7,406	7,206	2.8%
Interest	407	257	1,195	518	1,602	775	106.7%
Other	1,085	617	-	57	1,085	674	61.0%
Total revenues	20,405	17,943	24,014	24,519	44,419	42,462	4.6%
Program expenses:							
General government	4,287	2,818			4,287	2,818	52.1%
Public safety	10,083	7,903			10,083	7,903	27.6%
Highways and streets	2,584	2,420			2,584	2,420	6.8%
Interest on long-term debt	1,139	637			1,139	637	78.8%
Water			4,956	4,974	4,956	4,974	-0.4%
Wastewater			4,895	4,398	4,895	4,398	11.3%
Electric			12,904	12,832	12,904	12,832	0.6%
Telecommunications			2,683	4,183	2,683	4,183	-35.9%
Total expenses	18,093	13,778	25,438	26,387	43,531	40,165	8.4%
Increase (Decrease) in net assets before transfers and disposals	2,312	4,165	(1,424)	(1,868)	888	2,297	-61.3%
Interfund transfer	(15,896)	1,425	15,896	(1,425)	-	-	
Increase (Decrease) in net assets	(13,584)	5,590	14,472	(3,293)	888	2,297	-61.3%
Net Assets - 6/30/2006	50,734	45,144	53,751	57,044	104,485	102,188	2.2%
Recognition of prior infrastructure							
Net Assets - 6/30/2007	<u>\$ 37,150</u>	<u>\$ 50,734</u>	<u>\$ 68,223</u>	<u>\$ 53,751</u>	<u>\$ 105,373</u>	<u>\$ 104,485</u>	0.8%

The total cost of all programs and services was \$43.5 million which is 8.4% more than 2006's \$40.2 million. Governmental Activities increased \$4.3 million (as compared to 2006's \$5.3 million decrease) and Business-type Activities decreased \$0.9 million which is similar to the prior year reduction. The current year included increases in operational (fuel, staffing, debt service) and project costs whereas FY 2005-2006 decreased in many areas due to capitalized project costs offsetting expenses. Current year impacts were open positions and project delays, all resulting in significant changes in capital and operational expenditures between years. This, combined with the revenue levels mentioned above, resulted in a \$887,418 increase in net assets for the current year as opposed to a \$2.3 increase in the prior year.

As mentioned above, the overall change in Net Assets during the year is an increase of \$0.888 million or 0.8%. In the prior year (2006) the City experienced a \$2.3 million

increase in net assets and a \$2.7 million decrease in 2005. The three years combined indicate stability in the City's financial position.

The small increase for 2006-2007 represents a consistent growth between revenue streams and expenditures in most areas balancing total revenues with total program and project expenditures. The city received more in Taxes and Operating and Capital grants and contributions than the prior year while meeting expenditures requirements in General Government operations. Utility revenues were consistent with program activities even though rate increases were not implemented until late in the year.

Governmental Activities

- The cost of all governmental activities in FY 2006-2007 was \$18.1 million or 31.3% (\$4.3 million) more than the prior year but was more consistent with FY 2004-2005. FY 2006-2007 included \$800,000 more in Public Safety, \$800,000 more in debt service, \$350,000 more in equipment replacement and \$315,000 facility maintenance costs than in FY 2005-2006.
- The amount that citizens paid for these activities through property taxes was \$3,557,262 or approximately \$587,000 more than the prior year representing an 19.7% increase, in part due to an added smaller amount for debt service approved during the budget process.
- Those who directly benefited from the offered programs paid \$836,000 (10.6%) more than the prior year's \$7.8 million which equates to 51.0% of the cost (excluding interest on long term debt) for FY 2006-2007 as compared to 59.5% in the prior year.
- Grants and contributions revenues increased from \$644,000 to \$913,000 between the two years resulting in a 5.0% ratio to total governmental expenses for 2006-07 as compared to 4.6% in the prior year. Part of this was a federal grant for a fire training trailer of approximately \$312,000 in FY 2006-2007. The availability of grant and contributions (and related costs) can change significantly each year.

The Property Tax revenue increase was due to allowable increases for assessed value on property, new construction and improvements, normally referred to as growth, plus the debt service amounts levied. Other tax revenues increased \$200,000 including increased franchise revenues from utilities, transient occupancy tax revenues, state subventions (such as gas tax) and other user taxes such as food and beverage tax proceeds..

Net Assets for Governmental Activities as identified in Table B decreased \$13.6 million or 26.7% to \$37,149,800 due to the transfer of General Obligation debt from business type activities as mentioned above. Without the transfer the change between years would have been a 4.6% increase.

Reducing reserves had been a goal of the City and prior budgets reflected such activity. This approach for funding new or elevated programs will not be possible in the coming years. Management's focus for FY 2006-2007 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 average for the last three years has been very close to that goal.

Table C presents the cost of each of the City's largest Governmental Activities as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The table shows that, again this year, only General Government (primarily Internal Service funds, Street Fund 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 \$890,000 as compared to \$1,838,000 more in revenues than expenses in the prior year. Public Safety (Police and Fire services in the General Fund) and Highways and Streets had "positive" net costs that required funding through General Revenues like taxes and fund balance in FY 2006-2007 as in the prior year. Changes between years are common and most often are due to timing of capital projects and receipt of related financing proceeds, grants or other intergovernmental monies.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2007	2006		2007	2006	
General Government	\$ 4,287	\$ 2,818	52.1%	\$ (890)	\$ (1,838)	51.6%
Public Safety	10,083	7,903	27.6%	7,988	6,346	25.9%
Highways and Streets	2,584	2,419	6.8%	285	168	69.6%

Business-type Activities

Program revenues of the City's Business-type Activities totaled \$21,332,399 or 93.4% of related expenses for FY 2006-2007 as compared to \$22,205,195 or 97.0% of the prior year. Revenues were fairly consistent between years with decreased activity in Telecommunications due to out-sourcing cable television operations. The more significant impact was increased operational costs for all enterprises during the year with no rate increases for services that reduced the percent of revenue to costs 3.6% between years. The City received more grant revenues for business-type projects than the prior year but less than previous years.

All four utilities presented in Table D recorded program revenues less than expenses resulting in net costs in FY 2006-2007. The Wastewater Fund was fairly consistent with the net cost including debt service of \$1.7 million on the treatment plant that is primarily paid for by Food and Beverage Tax revenue. Telecommunications improved between years with 54.7% less net cost, representing the discontinuation of cable television services by the City and shifting the infrastructure debt load out of the fund. The Water and Wastewater funds' net cost increases are directly related to increasing costs during the year with charges for services held constant. The Electric Fund's net cost was consistent between years due to a decrease in the cost of wholesale power offsetting other operational cost increases when rates were not changed.

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

	Total Cost of Services			Net Cost of Services		
	<u>2007</u>	<u>2006</u>	% Change	<u>2007</u>	<u>2006</u>	% Change
Water	\$ 4,956	\$ 4,975	-0.4%	\$ 623	\$ 399	56.1%
Wastewater	4,896	4,398	11.3%	2,254	1,558	44.7%
Electric	12,905	12,832	0.6%	709	700	1.3%
Telecommunications	2,683	4,183	-35.9%	654	1,444	-54.7%

FINANCIAL ANALYSIS OF THE CITY OF ASHLAND'S FUNDS

Total ending fund balance for city funds decreased 8.3% or \$2.2 million to \$24,962,642 during FY 2006-2007. With the Parks and Recreation Commission (component unit of the city) fund balances, the total is \$26,411,615 at June 30, 2007, and represents 21.7% more than budgeted. Actual exceeded budget by 43% at the end of FY 2005-2006. 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 reduction in the actual amount of ending fund balance above budget is caused by many things including inflationary costs exceeding growth in demands for and payment for services. Other considerations are:

- Utility rates were held constant for most of the year while operational costs for staff, fuel, materials and purchased services increased.
- Budgets were under spent (programs or projects undone) due to key positions being vacant during the year.
- Capital projects that were completed were paid for with reserves rather than financed as anticipated in the budget.
- Most of the Contingency budgeted in a fund going unused.

Revenues from governmental fund types totaled \$19.9 million, which is \$2 million more than the preceding year while expenditures were \$1.6 million more for the same activities. General Fund's ending balance is \$41,000 higher than the prior year and \$1.3 million above the budgeted amount due to program activities being less than anticipated, staff positions unfilled, departments under spending their budgets and not all of Contingency being used. The General Fund started FY 2006-2007 with a \$1.0 million larger carry forward from 2005-2006 than anticipated for many of the same reasons.

Other significant changes in governmental fund types, were increases in Taxes (\$800,000), and Miscellaneous revenues of \$470,000 including donations and gains on disposal of old equipment. Charges for services increased \$835,000 between years primarily due to franchise fees and other internal charges. This helped to offset less chargeable activity in the General Fund than the prior year such as fewer building permits and related charges and municipal court cases that did not result in similar revenue as the year before.

Capital intensive funds (all enterprise funds) maintained acceptable ending fund balances but those funds anticipating bonds or loans for capital improvements were well below budgeted amounts if the projects were done since no borrowing occurred in FY 2006-2007. The Water Fund is a good example of using reserves to pay for approved capital improvements instead of issuing bonds to finance the projects. In part, this is due to some capital expenditures not being needed at this time keeping reserves in place. The Wastewater and Electric fund revenues were similar to the prior year but capital expenditures and some other costs were well below the budgeted amounts. In the Electric Fund reduced wholesale power costs offset other increases contributing to a better-than-budgeted ending fund balance. The Telecommunications Fund balance increased from \$518,687 to \$963,896 even with a change in services. The fund did not receive an operational transfer for the first time in its history and is beginning to contribute toward the general obligation debt service used to construct its system.

The Debt Service and Cemetery Trust fund balances remained consistent and above targets reflecting balanced revenues and expenditures. The Internal Service funds (Central Service, Insurance Services and Equipment funds) maintained fund balances above budget to assist in keeping internal charges constant.

General Fund Budgetary Highlights

During the year the City revised its budget by transfer of appropriation, reducing Contingency by \$43,000 but not changing the overall appropriation level. Actual expenditures were 14.2% or \$2,177,438 below final budget amounts (excluding Contingency) as compared to FY 2005-2006's 7.7% or \$1,037,571 unspent. The most significant variation was the City not being able to use proceeds from the sale of property to expend the budgeted \$1,000,000 for affordable housing. Doing so would have caused the two years to be very similar.

The Police Department spent 87.7% of its adopted budget leaving \$654,334 for carry forward primarily due to less staff and related impact on programs. Several other departments under spent their budgets contributing approximately \$500,00 to the Ending Fund Balance carry forward. The primary reason for most of these variances are reduced staffing in the form of unfilled positions, related benefit savings and unexpended program monies reliant upon staff available to coordinate the work.

On the other hand, resources varied greatly between revenue categories and resulted in a \$386,731 increase over the prior year. Increased general taxes and franchise revenues from utilities played a significant role in this change.

The net effect of the above changes was expenses exceeding revenues by \$204,599 when a shortfall of \$497,896 was budgeted for a positive variance of \$293,297.

With transfers between funds the fund balance increased \$40,778 or just 0.2% of the Beginning Fund Balance. The total includes the repayment of the \$214,877 loan to the Community Development Block Grant Fund to restore federal monies that were used to buy The Grove community center. This was made possible by the sale of surplus property pledged to do so in FY 2004-2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City recorded an net investment of \$128 million (\$82,234,146 net of related debt) in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table E). This is an increase of \$400,000 in Net Assets after an increase in depreciation of \$5.2 million as shown in the Notes on page 46 and 47.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2006
	2007	2006	2007	2006	2007	2006	
Land	\$ 9,829	\$ 8,560	\$ 1,881	\$ 1,945	\$ 11,710	\$ 10,505	11.5%
Buildings and improvements	19,563	19,563	21,782	21,782	41,345	41,345	0.0%
Equipment	13,184	12,405	674	636	13,858	13,041	6.3%
Infrastructure	42,122	41,047	81,141	80,305	123,263	121,352	1.6%
Construction in progress	143	798	5,156	2,998	5,299	3,796	
Totals at historical cost	<u>84,841</u>	<u>82,373</u>	<u>110,634</u>	<u>107,666</u>	<u>195,475</u>	<u>190,039</u>	2.9%
Total accumulated depreciation	35,789	33,509	31,502	28,803	67,291	62,312	8.0%
Net capital assets	<u>\$ 49,052</u>	<u>\$ 48,864</u>	<u>\$ 79,132</u>	<u>\$ 78,863</u>	<u>\$ 128,184</u>	<u>\$ 127,727</u>	0.4%

Even though expenditures on capital assets during FY 2006-2007 were small in comparison to prior years and to the total for Net Capital Assets, there were significant adjustments between categories as the city reviewed asset records and adjusted or reclassified individual items. The Total historical cost amount shown in the table above, represents a net increase (including additions and deductions) of 0.36% over last year.

The City's fiscal year 2008 capital budget estimates spending \$8.9 million on capital projects including construction of a new water line and line replacement, wastewater and street improvements. Bond proceeds, some cash reserves and systems development charge balances will be used to fund these capital projects. Reserves in the Equipment Fund will be used to purchase 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 46.

Long Term Debt

The City has not issued any bonds since it 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."

Bond Ratings

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

At year-end the City had \$41.8 million in bonds and notes outstanding as shown in Table F. This is \$1.6 million or 3.8% 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 2007-2006
	2007	2006	2007	2006	2007	2006	
Bonds payable	\$ 18,575	\$ 3,280	\$ 850	\$ 16,500	\$ 19,425	\$ 19,780	-1.8%
Notes payable	2,639	2,917	19,712	20,702	22,351	23,619	-5.4%
Total bonds & notes	<u>\$ 21,214</u>	<u>\$ 6,197</u>	<u>\$ 20,562</u>	<u>\$ 37,202</u>	<u>\$ 41,776</u>	<u>\$ 43,399</u>	-3.7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Growth in assessed value used for the 2008 budget preparation was projected at 3% per the Measure 50 limitation and 2% for new construction.
- Projections for new construction for 2008 is up \$36.9 million or 2%.
- General Fund budgeted spending for 2008 increases over 2007's budget of \$15.8 million by \$300,000 to \$16.1 million. This is a 2.0% increase.

These indicators were taken into account when adopting the General Fund budget for 2007. The amounts available for appropriation in the General Fund budget was estimated to be \$15 million in resources and a working capital carry over of \$2.2 million. The actual carry forward for the General Fund budget is \$2.37 million.

General Fund Tax revenues are projected to increase \$1.3 million (13.6% over actual for 2008) to \$10.65 million yet property taxes are a small part of the total thus most of the increase is budgeted in the Electric User, Transient Occupancy and Franchise taxes. The City will use these increases to finance programs currently offered.

The largest increments in budgeted expenditures for 2008 are increased benefit and retirement costs for staffing, internal charges and fuel-related and operating costs. The citizens approved adding interim financing for library operations via a local option levy for 2008 and 2009. The estimated tax revenue and cost is approximately \$400,000 per year. No other new major programs or initiatives were added to the 2008 budget.

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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
ASSETS				
Assets:				
Cash and cash equivalents	\$ 10,922,900	\$ 9,836,733	\$ 20,759,633	\$ 1,409,665
Receivables (net of allowance for uncollectibles)	2,530,776	2,105,403	4,636,179	641,876
Inventories	36,173	806,047	842,220	
Deferred charges		1,340,389	1,340,389	
Internal Balances	(1,587,111)	1,587,111	-	
Restricted assets:				
Cash and cash equivalents	542,190	-	542,190	
Capital Assets:				
Land	9,829,360	1,880,638	11,709,998	
Buildings	19,563,238	21,782,187	41,345,425	12,082,645
Machinery and equipment	13,183,769	673,607	13,857,376	1,757,067
Infrastructure	42,121,600	81,141,248	123,262,848	536,322
Construction in progress	143,017	5,156,412	5,299,429	
Accumulated Depreciation	(35,789,232)	(31,502,402)	(67,291,634)	(5,116,067)
Total assets	\$ 61,496,680	\$ 94,807,373	\$ 156,304,053	\$ 11,311,508
Liabilities:				
Accounts payable and other current liabilities	\$ 2,683,604	\$ 1,554,049	\$ 4,237,653	\$ 263,784
Accrued interest payable	396,208	153,639	549,847	
Noncurrent liabilities:				
Due within one year	925,973	1,379,209	2,305,182	21,259
Due in more than one year	20,341,095	23,497,674	43,838,769	63,778
Total liabilities	24,346,880	26,584,571	50,931,451	348,821
Net Assets				
Invested in capital assets, net of related debt	27,969,339	54,254,807	82,224,146	9,259,967
Restricted for:				
System development	1,930,458	4,315,088	6,245,546	
Debt service	479,262		479,262	
Asset Forfeiture	329,180		329,180	
Perpetual care: Nonexpendable	749,918		749,918	
Unrestricted	5,691,643	9,652,907	15,344,550	1,702,720
Total net assets	\$ 37,149,800	\$ 68,222,802	\$ 105,372,602	\$ 10,962,687

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, 2007

<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	\$ 4,287,280	\$ 5,125,207	\$ 35,144	\$ 17,377
Public Safety	10,082,938	1,600,538	182,281	312,000
Highways and Streets	2,583,641	1,931,698		366,549
Interest on long-term debt	1,139,346			
Total governmental activities	<u>18,093,205</u>	<u>8,657,443</u>	<u>217,425</u>	<u>695,926</u>
Business-type Activities:				
Water	4,955,737	4,197,061	135,828	
Wastewater	4,895,541	2,641,422		
Electric	12,904,663	12,163,467	32,233	
Telecommunications	2,682,968	2,029,467		
Total business-type activities	<u>25,438,909</u>	<u>21,031,417</u>	<u>168,061</u>	<u>-</u>
Total primary government	<u>\$43,532,114</u>	<u>\$29,688,860</u>	<u>\$ 385,486</u>	<u>\$ 695,926</u>
Component Unit:				
Ashland Parks and Recreation	<u>\$ 7,312,946</u>	<u>\$ 888,857</u>	<u>\$ 19,796</u>	<u>\$ -</u>

General Revenues:
Property taxes
Utility users tax
Users Taxes
State subventions - unrestricted
Unrestricted interest earnings
Interfund Transfers
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
\$ 890,448		\$ 890,448	\$ -
(7,988,119)		(7,988,119)	-
(285,394)		(285,394)	-
<u>(1,139,346)</u>		<u>(1,139,346)</u>	<u>-</u>
<u>(8,522,411)</u>	<u>-</u>	<u>(8,522,411)</u>	<u>-</u>
	(622,848)	(622,848)	-
	(2,254,119)	(2,254,119)	-
	(708,963)	(708,963)	-
	<u>(653,501)</u>	<u>(653,501)</u>	<u>-</u>
<u>-</u>	<u>(4,239,431)</u>	<u>(4,239,431)</u>	<u>-</u>
<u>(8,522,411)</u>	<u>(4,239,431)</u>	<u>(12,761,842)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,404,293)</u>
3,557,262	322	3,557,584	5,826,859
2,345,323		2,345,323	
1,952,810	1,619,849	3,572,659	
1,486,776		1,486,776	
406,964	1,194,688	1,601,652	107,140
(15,896,208)	15,896,208	-	
<u>1,085,266</u>		<u>1,085,266</u>	
<u>(5,061,807)</u>	<u>18,711,067</u>	<u>13,649,260</u>	<u>5,933,999</u>
<u>(13,584,218)</u>	<u>14,471,636</u>	<u>887,418</u>	<u>(470,294)</u>
<u>50,734,018</u>	<u>53,751,166</u>	<u>104,485,184</u>	<u>11,432,981</u>
<u>\$37,149,800</u>	<u>\$68,222,802</u>	<u>\$ 105,372,602</u>	<u>\$ 10,962,687</u>

CITY OF ASHLAND, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General	Street	Other Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 2,182,659	\$ 2,706,456	\$ 1,609,615	\$ 6,498,730
Receivables (net of allowance for uncollectibles)	1,306,846	254,028	913,787	2,474,661
Due from other funds			-	-
Cash - restricted			542,190	542,190
Total assets	\$ 3,489,505	\$ 2,960,484	\$ 3,065,592	\$ 9,515,581
 LIABILITIES, AND EQUITY				
Liabilities:				
Accounts payable	\$ 624,927	\$ 450,914	\$ 47,807	\$ 1,123,648
Deferred revenue	405,307	132,350	770,040	1,307,697
Due to other agencies			-	-
Due to other funds			80,000	80,000
Liabilities payable from restricted assets	91,557			91,557
Total liabilities	1,121,791	583,264	897,847	2,602,902
 Fund Balances:				
Reserved for:				
Reserved for system development charges		1,761,561	168,896	1,930,457
Reserved for debt service			559,263	559,263
Reserved for Asset Forfeiture	329,180			329,180
Reserved for perpetual care			749,918	749,918
Unreserved, reported in:				
General Fund	2,038,534			2,038,534
Special revenue funds		615,659	(24,661)	590,998
Capital projects funds			714,329	714,329
Total fund balances	2,367,714	2,377,220	2,167,745	6,912,679
Total liabilities and fund balances	\$ 3,489,505	\$ 2,960,484	\$ 3,065,592	\$ 9,515,581

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, 2007

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

Fund Balances	\$	6,912,679
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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		45,703,682
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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		(21,213,708)
Accrued Interest on Liabilities		(396,205)

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

Accrued Vacation and Sick Leave		(380,712)
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred Revenue		1,307,696
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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		5,216,368
Total Net Assets	\$	37,149,800

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

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended June 30, 2007

	General Fund	Street Fund	Other Governmental Funds	Total Primary Government
Revenues:				
Taxes	\$ 9,374,285	\$ 215,198	\$ 1,031,232	\$ 10,620,715
Fees, Licenses and Permits	847,665			847,665
Intergovernmental	861,596	1,356,358	388,878	2,606,832
Charges for Services	1,465,804	1,593,411	1,387,163	4,446,378
System Development Charges		52,548	65,973	118,521
Assessments		108,864		108,864
Fines and Forfeitures	169,558			169,558
Interest on Investments	130,971	103,283	76,224	310,478
Miscellaneous	164,332	159,272	395,874	719,478
Total Revenues	13,014,210	3,588,934	3,345,344	19,948,488
Expenditures:				
General Government	2,991,632		1,360,796	4,352,428
Public Safety	10,227,177			10,227,177
Highways and Streets		2,675,758		2,675,758
Debt Service			1,622,412	1,622,412
Total Expenditures	13,218,809	2,675,758	2,983,208	18,877,775
Excess(Deficiency) of Revenues over Expenditures	(204,599)	913,176	362,136	1,070,713
Other financing sources (uses):				
Interfund Loan	214,877		(125,059)	89,818
Transfer in	31,000		905,934	936,934
Transfers out	(500)		(936,434)	(936,934)
Total other financing sources (uses)	245,377	-	(155,559)	89,818
Net Change in Fund Balance	40,778	913,176	206,577	1,160,531
Fund Balance, July 1, 2006	2,326,936	1,464,044	1,961,168	5,752,148
Fund Balance, June 30, 2007	\$ 2,367,714	\$ 2,377,220	\$ 2,167,745	\$ 6,912,679

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, 2007

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	\$ 1,160,531
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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.	213,681
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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	143,695
Assumption of Business Type Debt	(15,896,208)
General Obligation Bonds & Notes Payable	483,066

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

Property Taxes	28,176
Special Assessments	110,902
Other	(48,427)

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

Internal Service Fund Change in Net Assets	220,366
Change in Net Assets	\$ (13,584,218)

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

CITY OF ASHLAND, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
ASSETS						
Current assets:						
Cash and investments	\$ 3,006,376	\$ 4,418,413	\$ 1,572,982	\$ 838,962	\$ 9,836,733	\$ 4,424,170
Interest and accounts receivable, net	420,724	541,312	775,152	188,790	1,925,978	650
Notes and contracts receivable			179,425		179,425	55,465
Interfund receivable	80,000				80,000	
Inventories	246,476	12,751	546,820		806,047	36,173
Deferred charges	171,965		-	-	171,965	
Total current assets	<u>3,925,541</u>	<u>4,972,476</u>	<u>3,074,379</u>	<u>1,027,752</u>	<u>13,000,148</u>	<u>4,516,458</u>
Capital assets						
	33,153,714	49,068,739	19,323,363	9,088,275	110,634,091	10,573,006
Accumulated depreciation	(11,377,310)	(8,334,862)	(9,317,396)	(2,472,833)	(31,502,401)	(7,224,936)
Capital assets, net	<u>21,776,404</u>	<u>40,733,877</u>	<u>10,005,967</u>	<u>6,615,442</u>	<u>79,131,690</u>	<u>3,348,070</u>
Other assets						
Deferred costs (net of amortization)				1,168,424	1,168,424	
Total noncurrent assets	<u>21,776,404</u>	<u>40,733,877</u>	<u>10,005,967</u>	<u>7,783,866</u>	<u>80,300,114</u>	<u>3,348,070</u>
Total assets	<u>\$ 25,701,945</u>	<u>\$ 45,706,353</u>	<u>\$ 13,080,346</u>	<u>\$ 8,811,618</u>	<u>\$ 93,300,262</u>	<u>\$ 7,864,528</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 287,501	\$ 78,128	\$ 447,596	\$ 35,831	\$ 849,056	\$ 350,554
Accrued salaries, vacation and payroll taxes	112,352	74,832	165,854	52,341	405,379	295,651
Accrued interest payable	42,496	111,143		-	153,639	
Other liabilities	102,376		197,238		299,614	494,842
Notes/bonds payable, current portion	354,575	1,024,634			1,379,209	
Total current liabilities	<u>899,300</u>	<u>1,288,737</u>	<u>810,688</u>	<u>88,172</u>	<u>3,086,897</u>	<u>1,141,047</u>
Long-term liabilities:						
Notes payable						-
Revenue bonds payable, net	3,980,000	18,687,249			22,667,249	-
General obligation bonds payable, net	830,425				830,425	-
Total long-term liabilities	<u>4,810,425</u>	<u>18,687,249</u>	<u>-</u>	<u>-</u>	<u>23,497,674</u>	<u>-</u>
Total liabilities	<u>5,709,725</u>	<u>19,975,986</u>	<u>810,688</u>	<u>88,172</u>	<u>26,584,571</u>	<u>1,141,047</u>
Net Assets:						
Net assets (deficit):						
Invested in capital assets, net of related debt	16,611,404	21,021,994	10,005,967	6,615,442	54,254,808	3,348,070
Restricted for system development	2,319,057	1,996,031			4,315,088	
Restricted for debt service					-	
Unrestricted	1,061,759	2,712,339	2,263,691	2,108,004	8,145,793	3,375,411
Total net assets	<u>19,992,220</u>	<u>25,730,367</u>	<u>12,269,658</u>	<u>8,723,446</u>	<u>66,715,689</u>	<u>6,723,481</u>
Total liabilities and net assets	<u>\$ 25,701,945</u>	<u>\$ 45,706,353</u>	<u>\$ 13,080,346</u>	<u>\$ 8,811,618</u>	<u>\$ 93,300,260</u>	<u>\$ 7,864,528</u>
Total net assets					\$ 66,715,689	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,507,113	
Net assets of business-type activities					<u>\$ 68,222,802</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, 2007

	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund	Total	Governmental Activities Internal Service Funds
Operating revenues:						
Charges for services	\$ 4,197,061	\$ 2,641,422	\$ 12,163,467	\$ 2,029,467	\$ 21,031,417	\$ 7,260,320
Miscellaneous	114,370	74,088	58,573	53,951	300,982	397,977
Total operating revenues	<u>4,311,431</u>	<u>2,715,510</u>	<u>12,222,040</u>	<u>2,083,418</u>	<u>21,332,399</u>	<u>7,658,297</u>
Operating expenses:						
Cost of sales and services	3,802,355	2,895,654	11,348,073	1,964,142	20,010,225	6,955,604
Depreciation and amortization	680,648	1,000,231	414,891	713,265	2,809,035	428,418
Total operating expenses	<u>4,483,003</u>	<u>3,895,885</u>	<u>11,762,964</u>	<u>2,677,407</u>	<u>22,819,260</u>	<u>7,384,022</u>
Operating income (loss)	<u>(171,572)</u>	<u>(1,180,375)</u>	<u>459,076</u>	<u>(593,989)</u>	<u>(1,486,861)</u>	<u>274,275</u>
Nonoperating income (expenses):						
Taxes	322	1,594,280		25,569	1,620,171	20,721
Intergovernmental	135,828		32,233		168,061	
Interest income	203,541	239,195	90,007	25,598	558,341	192,902
Tax equivalents	(288,291)	(186,986)	(1,117,462)		(1,592,739)	
Gain (loss) on disposal of assets		-			-	
Interfund Transfers		-		15,896,208	15,896,208	
Interest expense	(165,538)	(793,546)		-	(959,084)	
Total nonoperating income (expenses)	<u>(114,138)</u>	<u>852,943</u>	<u>(995,222)</u>	<u>15,947,375</u>	<u>15,690,958</u>	<u>213,623</u>
Change in net assets	(285,710)	(327,432)	(536,146)	15,353,386	14,204,098	487,898
Total net assets - beginning	<u>20,277,930</u>	<u>26,057,796</u>	<u>12,805,804</u>	<u>(6,629,940)</u>	<u>52,511,590</u>	<u>6,235,583</u>
Total net assets - ending	<u>\$ 19,992,220</u>	<u>\$ 25,730,364</u>	<u>\$ 12,269,658</u>	<u>\$ 8,723,446</u>	<u>\$ 66,715,688</u>	<u>\$ 6,723,481</u>
Change in net assets					\$ 14,204,098	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					267,538	
Change in net assets of business-type activities - Statement of Activities					<u>\$ 14,471,636</u>	

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

CITY OF ASHLAND, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended June 30, 2007

	Business-type Activities - Enterprise Funds				Total	Governmental Activities Internal Service Funds
	Water Fund	Wastewater Fund	Electric Fund	Telecom- munications Fund		
Cash flows from operating activities:						
Receipts from customers and users	\$ 4,231,092	\$ 2,745,723	\$12,344,660	\$ 2,189,348	\$21,510,823	\$ 7,671,507
Payments to suppliers	(2,316,794)	(2,201,942)	(9,540,034)	(1,105,791)	(15,164,561)	(2,775,234)
Payments to employees	(1,374,451)	(784,308)	(1,997,197)	(657,813)	(4,813,769)	(4,204,871)
Net cash from operating activities	<u>539,847</u>	<u>(240,527)</u>	<u>807,429</u>	<u>425,744</u>	<u>1,532,493</u>	<u>691,402</u>
Cash flows from noncapital financing activities:						
Proceeds from (payment of) interfund and other loans					-	
Transfers	-	-	-	-	-	-
Taxes collected	322	1,594,280	-	25,569	1,620,171	
Net cash from noncapital financing activities	<u>322</u>	<u>1,594,280</u>	<u>-</u>	<u>25,569</u>	<u>1,620,171</u>	<u>-</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(2,913,895)	(155,329)	-	(5,750)	(3,074,974)	(399,893)
Proceeds from issuance of debt					-	
Proceeds from intergovernmental income					-	
Principal paid on bonds, contracts and notes	(485,000)	(990,373)			(1,475,373)	
Interest paid on debt	(165,538)	(793,546)	-	-	(959,084)	
Tax Equivalents	(288,291)	(186,986)	(1,009,558)	-	(1,484,835)	
Net cash from capital and related financing activities	<u>(3,852,724)</u>	<u>(2,126,234)</u>	<u>(1,009,558)</u>	<u>(5,750)</u>	<u>(6,994,266)</u>	<u>(399,893)</u>
Cash flows from investing activities:						
Interest from investments and Other income	339,369	239,195	122,240	25,598	726,402	213,623
Net increase (decrease) in cash and investments	<u>(2,973,186)</u>	<u>(533,286)</u>	<u>(79,889)</u>	<u>471,161</u>	<u>(3,115,200)</u>	<u>505,132</u>
Cash and investments, beginning of year	<u>5,979,562</u>	<u>4,951,699</u>	<u>1,652,871</u>	<u>367,801</u>	<u>12,951,933</u>	<u>3,919,038</u>
Cash and investments, end of year	<u>\$ 3,006,376</u>	<u>\$ 4,418,413</u>	<u>\$ 1,572,982</u>	<u>\$ 838,962</u>	<u>\$ 9,836,733</u>	<u>\$ 4,424,170</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (171,572)	\$ (1,180,375)	\$ 459,076	\$ (593,989)	\$ (1,486,861)	\$ 274,275
Depreciation and amortization	680,648	1,000,231	414,891	713,265	2,809,035	428,418
Change in assets and liabilities:						
(Increase) decrease in:						
Receivables	(80,339)	30,213	122,620	105,930	178,424	13,209
Inventories	(19,083)	3,892	8,141	590	(6,460)	(4,552)
Deferred charges	14,752			256,202	270,954	
Increase (decrease) in:						
Accounts payable and accrued liabilities	168,693	(71,558)	(130,505)	(45,723)	(79,093)	179,997
Other liabilities	(53,252)	(22,930)	(66,794)	(10,531)	(153,507)	(199,945)
Net cash from operating activities	<u>\$ 539,847</u>	<u>\$ (240,527)</u>	<u>\$ 807,429</u>	<u>\$ 425,744</u>	<u>\$ 1,532,492</u>	<u>\$ 691,402</u>

Noncash Transaction:

In 2006-07 the Telecommunications transferred \$15,896,208 of bonded debt and accrued interest into the governmental funds.

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

CITY OF ASHLAND, OREGON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
June 30, 2007

	Agency Fund
	Mt. Ashland
	Ski Area
	Agency Fund
 ASSETS	
Cash and investments	\$ 27,356
Total assets	27,356
 LIABILITIES	
Due to Mt. Ashland Association	27,356
Total liabilities	27,356
Change in net assets	-
Beginning net assets	-
Net Assets:	\$ -

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



**NOTES TO BASIC
FINANCIAL STATEMENTS**



CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

Governmental Accounting Standards Boards Statement 34 (GASBS 34). The new presentation of financial information required by GASBS 34 for Basic Financial Statements and Supplementary Information are described below and in the Management's Discussion and Analysis located earlier in this document.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 judgements, are recorded only when the payment is due.

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

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The City reports the following major proprietary funds:

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Additionally, the City reports the following fund types:

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

Additionally, the City reports the following fiduciary fund types:

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

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

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

payment-in-lieu of taxes and other charges between the City's various utility funds and the other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The enterprise and internal service funds are charges to customers for sales and services. Where applicable, enterprises also recognize as operating revenue the portion of System Development Charges intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources to the limits of the policies and statutes governing them first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

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

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Investments (continued)

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

2. Receivables and Payables

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

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

All trade and property taxes receivable are shown at net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 8 percent of outstanding property taxes at June 30, 2007.

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Certain proceeds of the Water enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts not in the City's control and their use is limited by applicable bond covenants. The "Cash in transit" and "Cash with escrow agent" are used to segregate resources for provision of current and noncurrent debt service obligations.

5. Capital Assets

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

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (continued)

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

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

6. Compensated Absences

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

7. Long-Term Obligations

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

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long Term Obligations (continued)

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

8. Reservations of Fund Equity

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted for all funds on a basis consistent with generally accepted accounting principles for governmental funds, except the Mt. Ashland Ski Area Agency Fund. The City Council resolution adopting the budget and authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are at the department (organizational unit) level for funds with more than one department and by total personal services, materials and services, capital outlay, debt service, transfers, and contingency for those funds with only one department or function. The 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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

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 2006-2007, the City made three appropriation transfers, as well as one supplemental budget by adoption of resolutions.

B. Excess of Expenditures Over Appropriations

Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2007.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

	Total Primary Government	Component Unit <hr/> Parks and Recreation	Total
Petty Cash	\$ 3,510	\$ 750	\$ 4,260
Deposits with financial institutions	1,623,011		1,623,011
Investments	19,702,658	1,408,915	21,111,573
	<hr/> <u>\$ 21,329,179</u>	<hr/> <u>\$ 1,409,665</u>	<hr/> <u>\$ 22,738,844</u>
 Governmental - unrestricted	 \$ 20,972,643		
Governmental - restricted:			
Asset Forfeiture	329,180		
Fiduciary	27,356		
	<hr/> <u>\$ 21,329,179</u>		

DEPOSITS

State statutes require that the City obtain from its depositories a certificate of participation for the full amount of the City's deposits that exceed FDIC coverage. The depositories are required to pledge, with an independent collateral pool manager, as agent for the City,

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

securities in the City's name at least equal to twenty-five percent of the face value of the certificate of participation issued to the City. Not all of the City's deposits at year-end were covered, as required by law, by federal depository insurance or by certifications of participation backed by securities held by financial institutions acting as agents for the City in the City's name.

Deposits consist of bank demand deposits. The carrying amount of deposits is \$1,623,011. The total bank balance per the bank statements is \$2,145,191. Of these deposits, \$201,000 is covered by federal depository insurance and \$125,000 is collateralized by securities held by financial institutions acting as agents for the City in the City's name, and the remaining is uninsured and uncollateralized. At June 30, 2007, the collateral was insufficient to meet the requirements of Oregon Law.

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, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
Certificates of Deposit	\$ 500,000	\$ 500,000	\$ -	\$ -
US Government Securities	2,000,000	1,000,000	1,000,000	
State Treasurer's investment pool	18,611,573	18,611,573		
Total	\$21,111,573	\$20,111,573	\$1,000,000	\$ -

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

Investments are valued at fair value as required by GASB 31. There is no material difference between fair value of the City's position in the State Treasurer's Local Governmental Investment Pool and the value of the pool shares at June 30, 2007.

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.

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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (continued)

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, 2007 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%

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:

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (continued)

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
General Fund	\$ 165,983
Debt Service Fund	36,248
Installment notes receivable	420,862
Rehabilitation Loans	125,588
Deferred SDC Loans	187,341
Ambulance billing	113,838
Business Licenses	125,486
Special Assessments not yet due:	
Unbonded-Street Fund	132,350
	\$1,307,696

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u> <u>& Reclasses</u>	<u>Retirements</u> <u>& Reclasses</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 8,559,612	\$ 1,273,498	\$ 3,750	\$ 9,829,360
Construction in progress	798,323	419,104	1,074,410	143,017
Total capital assets, not being depreciated	9,357,935	1,692,602	1,078,160	9,972,377
Buildings	19,563,238	-	-	19,563,238
Improvements other than buildings	41,047,189	1,074,411	-	42,121,600
Machinery and equipment	12,405,182	1,003,281	224,694	13,183,769
Total capital assets, being depreciated	73,015,609	2,077,692	224,694	74,868,607
Less accumulated depreciation for:				
Buildings	(3,738,290)	(430,979)	-	(4,169,269)
Improvements other than buildings	(20,492,055)	(1,304,799)	-	(21,796,854)
Machinery and equipment	(9,276,605)	(771,198)	224,694	(9,823,109)
Total accumulated depreciation	(33,506,950)	(2,506,976)	224,694	(35,789,232)
Total capital assets being depreciated, net	39,508,659	(429,284)	-	39,079,375
Governmental activities capital assets, net	\$ 48,866,594	\$ 1,263,318	\$ 1,078,160	\$ 49,051,752

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

	Balance June 30, 2006	Additions & Reclasses	Retirements & Reclasses	Balance June 30, 2007
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 1,945,108	\$ -	\$ 64,470	\$ 1,880,638
Construction in progress	2,998,341	2,770,287	612,216	5,156,412
Total capital assets, not being depreciated	4,943,449	2,770,287	676,686	7,037,050
Buildings	21,782,187	-	-	21,782,187
Machinery and equipment	636,103	37,504	-	673,607
Improvements other than buildings	80,305,281	879,401	43,434	81,141,248
Total capital assets, being depreciated	102,723,571	916,905	43,434	103,597,042
Less accumulated depreciation:				
Buildings	(2,043,273)	(435,139)	-	(2,478,412)
Machinery and equipment	(513,041)	(46,875)	-	(559,916)
Improvements other than buildings	(26,247,021)	(2,258,711)	41,658	(28,464,074)
Total accumulated depreciation	(28,803,335)	(2,740,725)	41,658	(31,502,402)
Total capital assets being depreciated, net	73,920,236	(1,823,820)	1,776	72,094,640
Business-type activities capital assets, net	\$ 78,863,685	\$ 946,467	\$ 678,462	\$ 79,131,690

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

Governmental activities:	
General government	\$ 649,395
Public Safety	1,302,174
Highways and Streets	555,406
	<u>\$ 2,506,975</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (continued)

Construction Commitments

The government has active construction projects as of June 30, 2007. The projects include construction of various infrastructure improvements and additions to the transportation, storm water, water, wastewater and telecommunications systems. The City has remaining commitments under construction contracts of approximately \$1,077,098 at June 30, 2007.

D. Interfund Receivable, Payable and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 31,000	\$ 500
Nonmajor Governmental	905,934	936,434
Total	\$ 936,934	\$ 936,934

Receivable Fund	Payable Fund	Amount
Water	Nonmajor Governmental	\$ 80,000
		\$ 80,000

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt

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

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

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

Promissory Notes outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Government activities	5.5-8.5%	\$ 439,031
Government activities	8.00%	196,617
Government activities	4.40%	952,194
Government activities	5.00%	802,738
Government activities	4.68%	248,127
Business-type activities	4.20%	<u>19,711,883</u>
		<u><u>\$22,350,591</u></u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

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

Promissory note debt service requirement to maturity is as follows:

Year ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 310,548	\$ 128,015	\$ 1,024,634	\$ 763,426	\$ 1,335,182	\$ 891,441
2009	582,356	112,816	1,060,081	722,768	1,642,437	835,584
2010	295,859	85,884	1,096,753	680,704	1,392,612	766,588
2011	297,284	71,797	1,134,694	637,185	1,431,978	708,982
2012	236,894	58,990	1,173,947	592,162	1,410,841	651,152
2013-2017	411,047	184,199	6,507,753	2,228,995	6,918,800	2,413,194
2018-2022	219,617	118,479	7,714,021	845,386	7,933,638	963,865
2023-2027	288,121	49,975			288,121	49,975
2028-2029						
	<u>\$ 2,641,726</u>	<u>\$ 810,155</u>	<u>\$ 19,711,883</u>	<u>\$ 6,470,626</u>	<u>\$ 22,353,609</u>	<u>\$ 7,280,781</u>

2. General Obligation Bonds

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

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

Purpose	Interest Rates	Amount
Government activities	3.7-6.02%	\$ 15,500,000
Government activities	5.0-5.875%	435,000
Government activities	3.75-4.65%	80,000
Government activities	3.5-5.0%	2,560,000
Business-type activities	5.0-7.0%	50,000
Business-type activities-refunding	3.75-4.65%	800,000
		<u>\$ 19,425,000</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

2. General Obligation Bonds (continued)

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). The bond covenants pledged surplus revenues from AFN and the City's Electric Fund to be first in line to pay debt service but they are also backed by the full faith and credit of the City of Ashland. 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.

Future maturities of bond principal and interest at June 30, 2007, are as follows:

Year Ending June 30,	1977 Water GO Bonds		1997 Flood and Refunding GO Bonds		2004 Full Faith and Credit	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 25,000	\$ 5,000	\$ 225,000	\$ 34,708	\$ 195,000	\$ 860,849
2009	25,000	5,000	150,000	26,458	450,000	848,303
2010			160,000	19,558	605,000	826,378
2011			170,000	12,048	630,000	798,744
2012			175,000	4,069	660,000	767,666
2013-2017					3,880,000	3,265,026
2018-2022					5,160,000	1,984,173
2023-2027					3,920,000	363,428
2028-2029						
	<u>\$ 50,000</u>	<u>\$ 10,000</u>	<u>\$ 880,000</u>	<u>\$ 96,839</u>	<u>\$ 15,500,000</u>	<u>\$ 9,714,567</u>

Year Ending June 30,	2000 GO Bonds		2005 GO Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 140,000	\$ 22,990	\$ -	\$ 112,725	\$ 585,000	\$ 1,036,271
2009	145,000	15,710	100,000	112,725	870,000	1,008,195
2010	150,000	8,025	110,000	109,225	1,025,000	963,186
2011			275,000	105,375	1,075,000	916,167
2012			290,000	95,750	1,125,000	867,485
2013-2017			1,035,000	340,625	4,915,000	3,605,651
2018-2022			750,000	76,000	5,910,000	2,060,173
2023-2027					3,920,000	363,428
2028-2029						
	<u>\$ 435,000</u>	<u>\$ 46,725</u>	<u>\$ 2,560,000</u>	<u>\$ 952,425</u>	<u>\$ 19,425,000</u>	<u>\$ 10,820,556</u>

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Revenue Bonds

The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original issue in 1994 was for construction of a 3.5 million gallon reservoir and upgrade of existing and addition of distribution infrastructure. In 2003 the remaining \$2.75 million of these bonds were defeased with the issuance of \$5.625 million for infrastructure construction and refunding of the original issue. Revenue bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
Water	2.0-4.0%	\$4,315,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2008	\$ 335,000	\$ 127,406
2009	335,000	120,288
2010	345,000	112,206
2011	360,000	102,944
2012	370,000	92,444
2013-2017	1,475,000	300,478
2018-2022	895,000	126,003
2023-2027	200,000	4,000
2028-2029		
	\$4,315,000	\$ 985,768

4. Advance and Current Refundings

The government issued \$2,040,000 in 1992 and \$1,720,010 in 1997 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,870,000 and \$1,625,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$265,010. This amount was netted against the new debt and amortized over the life of the refunded debt, which was shorter than the life of the new debt issued.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

3. Advance and Current Refundings (continued)

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.

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."

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Debt (continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions and Adjustments	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation	\$ 3,280,000	\$ 15,500,000	\$ 205,000	\$ 18,575,000	\$ 565,425
Total bonds payable	3,280,000	15,500,000	205,000	18,575,000	565,425
Notes and Contracts	2,916,774	-	278,066	2,638,708	310,548
Claims and judgements	124,360	8,212	79,212	53,360	50,000
Government activities					
Long-term liabilities	<u>\$ 6,321,134</u>	<u>\$ 15,508,212</u>	<u>\$ 562,278</u>	<u>\$ 21,267,068</u>	<u>\$ 925,973</u>
Business-type Activities:					
Bonds Payable:					
General obligation	\$ 16,500,000	\$ (15,500,000)	\$ 150,000	\$ 850,000	\$ 19,575
Revenue	4,640,000	-	325,000	4,315,000	335,000
Total bonds payable	21,140,000	(15,500,000)	475,000	5,165,000	354,575
Notes and Contracts	20,702,256	-	990,373	19,711,883	1,024,634
Business-type Activities					
Long-term liabilities	<u>\$ 41,842,256</u>	<u>\$ (15,500,000)</u>	<u>\$ 1,465,373</u>	<u>\$ 24,876,883</u>	<u>\$ 1,379,209</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 \$135,653 of internal service fund compensated absences, and \$494,842 of internal service fund claims and judgements are included in the above amounts.

F. Restricted Assets

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

	General Government	Business-type Activities
Unused System Development Charges:		
Street Fund	\$ 1,761,561	\$ -
Capital Improvements Fund	168,896	
Water Fund		2,319,057
Wastewater Fund		1,996,031
	<u>\$ 1,930,457</u>	<u>\$ 4,315,088</u>

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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:	\$ 524,407	\$ 498,761	\$ 524,407	\$ 498,761	\$ 124,690
Business-Type Activities:	239,704	389,803	239,704	389,803	97,451
Total Compensated Absences Payable	<u>\$ 764,111</u>	<u>\$ 888,564</u>	<u>\$ 764,111</u>	<u>\$ 888,564</u>	<u>\$ 222,141</u>

IV. OTHER INFORMATION

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; workers' compensation; and post retirement benefits for which the government is self-insured to defined levels. The government has established limited risk management programs for liability and workers compensation. The government purchases re-insurance above defined loss levels in each program. Premiums are paid into the Insurance Services internal service fund by all other funds, component units, and potential component units, and are available to pay claims, claim reserves, and administrative costs of the programs. These interfund and agency premiums are used to offset the amount of claims expenditures reported. As of June 30, 2006, 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.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (continued)

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, 2007	Year ended June 30, 2006
Unpaid claims, beginning of fiscal year	\$ 124,360	\$ 378,822
Incurred claims (including IBNRs)	8,212	71,000
Claim Payments	(79,212)	(325,462)
Unpaid claims, end of fiscal year	\$ 53,360	\$ 124,360

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

IV. OTHER INFORMATION (CONTINUED)

B Contingent Liabilities (continued)

Association estimates the cost of reclamation to be \$293,144 at June 30, 2007, 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.

C. Other Postemployment Benefits

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

For fiscal year 2007, costs advanced funded total \$314,370, and are recorded in the Insurance Services Fund. The City has funded the estimated amount of benefits that will be payable in the future to eligible retirees. At present, the entire estimated liability is fully funded, and the City expects to fully fund future increases in this liability.

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefits (continued)

Fiscal Year	Number of Retirees Covered	Benefits Paid
2006-07	15	\$ 28,525
2005-06	17	24,095
2004-05	16	23,903
2003-04	16	24,014
2002-03	15	21,251
2001-02	15	20,400
2000-01	14	16,928
1999-00	13	11,212
1998-99	14	13,146
1997-98	19	18,744
1996-97	15	12,338
1995-96	13	10,222

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

D. Employee Retirement System and Pension Plan

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

Funding policy. Plan members are required to contribute 6% of their annual covered salary. The City is required by ORS 238.225 to contribute at an actuarially determined rate(s). In 2003 the Oregon Legislature revised OPERF operations and how benefits for existing and new employees is calculated and funded. Accordingly, employers may now have two rates to use in calculating the amount owed to fund the liabilities of employees benefits in OPERF and the new plan established in 2003 called Oregon Public Service Retirement Plan (OPSRP) and the current rates are 10.39% and 8.04% respectively of annual

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

IV. OTHER INFORMATION (CONTINUED)

D. Employee Retirement System and Pension Plan (continued)

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 2006-2007, the City’s annual pension cost of \$2,524,947 was equal to the City’s required and actual contributions. This consisted of \$706,985 picked up and paid by the City on behalf of employees, and \$1,817,962 paid by the City. The required contribution was determined as part of the December 31, 2003, actuarial valuation, using the entry are actuarial cost method. The Unfunded Actuarial Liability, if any, is amortized as a level percentage of covered payroll over a twenty year period on an open basis. The actuarial assumptions include (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases of 4.25% per year attributable to general wage adjustments, with additional increases for promotion and longevity that vary by age and services, and (c) 2% per year cost-of-living adjustments. The underlying rate of inflation is 3.5% per year.

Three-Year Trend Information for PERS:

<u>GASB Statement No. 27 Required Disclosures</u>			
<u>Three Year Trend Information</u>			
Fiscal Year Ending	Annual Pension Cost (C of A)	Percentage of C of A Contributed	Net Pension Obligation
06/30/2007	\$ 2,524,947	100%	-
06/30/2006	1,958,234	100%	-
06/30/2005	1,771,341	100%	-

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

IV. OTHER INFORMATION (CONTINUED)

E. Deferred Charges

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

The balance is as follows at June 30, 2007:

Startup Costs	\$ 1,861,076
Less accumulated amortization	<u>692,652</u>
	<u><u>\$ 1,168,424</u></u>





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, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 9,374,285	\$ 9,742,360	\$ 9,742,360	\$ (368,075)
Fees, licenses and permits	847,665	1,713,541	1,713,541	(865,876)
Intergovernmental	861,596	863,994	863,994	(2,398)
Charges for Services	1,465,804	1,654,456	1,654,456	(188,652)
Fines and Forfeitures	169,558	157,000	157,000	12,558
Interest on Investments	130,971	60,000	60,000	70,971
Miscellaneous	164,332	1,107,000	1,107,000	(942,668)
Total Revenues	13,014,210	15,298,351	15,298,351	(2,284,141)
Expenditures:				
General Government:				
Administration	117,366	253,780	253,780	136,414
Administrative Services:				
Band	47,946	61,554	61,554	13,608
Social Services	113,350	115,360	115,360	2,010
Economic Development	504,414	504,650	509,650	5,236
Public Works:				
Cemetery	314,390	355,375	355,375	40,985
Community Development:				
Planning	1,144,690	2,313,591	2,313,591	1,168,901
Building	742,606	801,756	801,756	59,150
Miscellaneous	6,870	7,000	7,000	130
Total General Government	2,991,632	4,413,066	4,418,066	1,426,434
Public Safety:				
Police	4,671,440	5,325,774	5,325,774	654,334
Municipal Court	378,765	395,035	395,035	16,270
Fire and Rescue	5,176,972	5,262,372	5,300,372	123,400
Total Public Safety	10,227,177	10,983,181	11,021,181	794,004
Contingency		400,000	357,000	357,000
Total Expenditures	13,218,809	15,796,247	15,796,247	2,577,438
Excess (Deficiency) of Revenues over Expenditures	(204,599)	(497,896)	(497,896)	293,297
Other financing sources (uses):				
Interfund Loan (CDBG)	214,877	215,000	215,000	123
Transfer In (Cemetery Fund)	31,000	19,000	19,000	12,000
Transfers Out	(500)	(500)	(500)	-
Total other financing sources	245,377	233,500	233,500	12,123
Net Change in Fund Balance	40,778	(264,396)	(264,396)	305,174
Fund Balance, July 1, 2006	2,326,936	1,311,419	1,311,419	1,015,517
Fund Balance, June 30, 2007	\$ 2,367,714	\$ 1,047,023	\$ 1,047,023	\$ 1,320,691

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STREET FUND
For the year ended June 30, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 215,198	\$ 250,000	\$ 250,000	\$ (34,802)
Intergovernmental	1,356,358	2,230,566	2,230,566	(874,208)
Charges for Services	1,593,411	1,766,500	1,766,500	(173,089)
System Development Charges	52,548	562,100	562,100	(509,552)
Assessments	108,864	250,000	250,000	(141,136)
Interest on Investments	103,283	40,000	40,000	63,283
Miscellaneous	159,272	5,000	5,000	154,272
Total Revenues	<u>3,588,934</u>	<u>5,104,166</u>	<u>5,104,166</u>	<u>(1,515,232)</u>
Expenditures:				
Highways and Streets:				
Operations and Maintenance	1,967,072	4,060,268	4,060,268	2,093,196
Storm Water	580,711	739,870	739,870	159,159
Transportation SDC's	57,384	274,850	274,850	217,466
Storm Water SDC's	33,412	47,500	57,500	24,088
Local Improvement Districts	37,179	343,498	343,498	306,319
Total Highways and Streets	<u>2,675,758</u>	<u>5,465,986</u>	<u>5,475,986</u>	<u>2,800,228</u>
Contingency		153,000	143,000	
Total Expenditures	<u>2,675,758</u>	<u>5,618,986</u>	<u>5,618,986</u>	<u>2,800,228</u>
Excess (Deficiency) of Revenues over Expenditures	<u>913,176</u>	<u>(514,820)</u>	<u>(514,820)</u>	<u>1,284,996</u>
Other financing sources (uses):				
Bond Proceeds		5,647,100	5,647,100	(5,647,100)
Total other financing sources (uses)	<u>-</u>	<u>5,647,100</u>	<u>5,647,100</u>	<u>(5,647,100)</u>
Net Change in Fund Balance	913,176	5,132,280	5,132,280	(4,219,104)
Fund Balance, July 1, 2006	<u>1,464,044</u>	<u>1,176,487</u>	<u>1,176,487</u>	<u>287,557</u>
Fund Balance, June 30, 2007	<u>\$ 2,377,220</u>	<u>\$ 6,308,767</u>	<u>\$ 6,308,767</u>	<u>\$ (3,931,547)</u>

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



**CITY OF ASHLAND, OREGON
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2007**

	Governmental Fund Types				Permanent Fund Type	Total Other
	CDBG Fund	Airport Fund	Debt Service Fund	Capital Improvements Fund	Cemetery Trust Fund	Governmental (Compilation Only)
ASSETS						
Cash and cash equivalents	\$ 229,824	\$ 48,267	\$ -	\$ 585,839	\$ 745,685	\$ 1,609,615
Receivables (net of allowance for uncollectibles)		17,378	401,683	490,493	4,233	913,787
Cash - restricted			542,190			542,190
Total assets	\$ 229,824	\$ 65,645	\$ 943,873	\$ 1,076,332	\$ 749,918	\$ 3,065,592
LIABILITIES AND FUND BALANCES						
Accounts payable	\$ 2,914	\$ 10,306	\$ -	\$ 34,587	\$ -	\$ 47,807
Deferred revenue			384,610	385,430		770,040
Due to other Funds						
Liabilities payable from restricted assets						
Total liabilities	2,914	10,306	384,610	420,017	-	817,847
Fund Balances:						
Reserved for:						
Reserved for system development charges				168,896		168,896
Reserved for debt service			559,263			559,263
Reserved for perpetual care				749,918		749,918
Unreserved:						
Special revenue funds		55,339				55,339
Capital projects funds	226,910			487,419		714,329
Total equity and other credits	226,910	55,339	559,263	656,315	749,918	2,247,745
Total liabilities and fund balances	\$ 229,824	\$ 65,645	\$ 943,873	\$ 1,076,332	\$ 749,918	\$ 3,065,592

CITY OF ASHLAND, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the year ended June 30, 2007

	<u>Governmental Fund Types</u>				<u>Permanent Fund Type</u>	<u>Total Other Governmental (Compilation Only)</u>
	<u>CDBG Fund</u>	<u>Airport Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements Fund</u>	<u>Cemetery Nonexpendable Trust Fund</u>	
Revenues:						
Taxes			\$ 636,451	\$ 394,781		\$ 1,031,232
Intergovernmental	371,501	17,377				388,878
Charges for Services		98,779	99,029	1,163,787	25,568	1,387,163
System Development Charges				65,973		65,973
Interest on Investments		2,805	17,292	20,706	35,421	76,224
Miscellaneous	216,670		29,302	149,902		395,874
Total Revenues	<u>588,171</u>	<u>118,961</u>	<u>782,074</u>	<u>1,795,149</u>	<u>60,989</u>	<u>3,345,344</u>
Expenditures:						
General Government	365,860	83,424		911,512		1,360,796
Debt Service		35,072	1,587,340			1,622,412
Total Expenditures	<u>365,860</u>	<u>118,496</u>	<u>1,587,340</u>	<u>911,512</u>	<u>-</u>	<u>2,983,208</u>
Excess (Deficiency) of Revenues over Expenditures	<u>222,311</u>	<u>465</u>	<u>(805,266)</u>	<u>883,637</u>	<u>60,989</u>	<u>362,136</u>
Other financing sources (uses):						
Interfund Loan	(214,877)			(125,059)		(339,936)
Transfer in			905,434		500	905,934
Transfers out				(905,434)	(31,000)	(936,434)
Total other financing sources (uses)	<u>(214,877)</u>	<u>-</u>	<u>905,434</u>	<u>(1,030,493)</u>	<u>(30,500)</u>	<u>(370,436)</u>
Net Change in Fund Balance	7,434	465	100,168	(146,856)	30,489	(8,300)
Fund Balance, July 1, 2006	<u>4,599</u>	<u>54,874</u>	<u>459,095</u>	<u>803,171</u>	<u>719,429</u>	<u>2,041,168</u>
Fund Balance, June 30, 2007	<u>\$ 12,033</u>	<u>\$ 55,339</u>	<u>\$ 559,263</u>	<u>\$ 656,315</u>	<u>\$ 749,918</u>	<u>\$ 2,032,868</u>
				Reconciliation to Net Assets		
						\$ 214,877
						(80,000)
						<u>\$ 2,167,745</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, 2007

	<u>Actual</u>	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Intergovernmental	\$ 371,501	\$ 421,250	\$ 421,250	\$ (49,749)
Miscellaneous	216,670	215,000	215,000	1,670
Total Revenues	<u>588,171</u>	<u>636,250</u>	<u>636,250</u>	<u>(48,079)</u>
Expenditures:				
General government:				
Personal Services	35,485	35,485	35,485	-
Material and Services	<u>330,375</u>	<u>385,765</u>	<u>385,765</u>	<u>55,390</u>
Total general government	<u>365,860</u>	<u>421,250</u>	<u>421,250</u>	<u>55,390</u>
Contingency		-	-	
Total Expenditures	<u>365,860</u>	<u>421,250</u>	<u>421,250</u>	<u>55,390</u>
Excess (Deficiency) of Revenues over Expenditures	<u>222,311</u>	<u>215,000</u>	<u>215,000</u>	<u>7,311</u>
Other financing sources (uses):				
Interfund Loans	<u>(214,877)</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>(123)</u>
Total other financing sources (uses)	<u>(214,877)</u>	<u>(215,000)</u>	<u>(215,000)</u>	<u>(123)</u>
Net Change in Fund Balance	7,434	-	-	7,434
Fund Balance, July 1, 2006	<u>4,599</u>	<u>-</u>	<u>-</u>	<u>4,599</u>
Fund Balance, June 30, 2007	<u>\$ 12,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,033</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, 2007**

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 17,377	\$ -	\$ -	\$ 17,377
Charges for services	98,779	100,000	100,000	(1,221)
Interest on investments	2,805	1,500	1,500	1,305
Miscellaneous	-	2,000	2,000	(2,000)
Total Revenues	<u>118,961</u>	<u>103,500</u>	<u>103,500</u>	<u>15,461</u>
Expenditures:				
General government:				
Materials and services	83,424	111,532	111,532	28,108
Total general government	83,424	111,532	111,532	28,108
Debt Service	35,072	35,173	35,173	101
Contingency	-	5,000	5,000	5,000
Total Expenditures	<u>118,496</u>	<u>151,705</u>	<u>151,705</u>	<u>33,209</u>
Excess (Deficiency) of Revenues over Expenditures	465	(48,205)	(48,205)	48,670
Net Change in Fund Balance	465	(48,205)	(48,205)	48,670
Fund Balance, July 1, 2006	<u>54,874</u>	<u>60,587</u>	<u>60,587</u>	<u>(5,713)</u>
Fund Balance, June 30, 2007	<u>\$ 55,339</u>	<u>\$ 12,382</u>	<u>\$ 12,382</u>	<u>\$ 42,957</u>

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

For the year ended June 30, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 636,451	\$ 648,562	\$ 648,562	\$ (12,111)
Charges for services	99,029	40,000	40,000	59,029
Special assessments	-	2,000	2,000	(2,000)
Interest on investments	17,292	5,000	5,000	12,292
Miscellaneous	29,302	29,300	29,300	2
Total Revenues	782,074	724,862	724,862	57,212
Expenditures:				
Debt Service:				
Bancroft	-	-	-	-
General Obligation	1,148,490	1,217,016	1,217,016	68,526
Notes and Contracts	438,850	439,154	439,154	304
Total Expenditures	1,587,340	1,656,170	1,656,170	68,830
Excess (Deficiency) of Revenues over Expenditures	(805,266)	(931,308)	(931,308)	126,042
Other financing sources (uses):				
Transfers in	905,434	905,434	905,434	-
Total other financing sources (uses)	905,434	905,434	905,434	-
Net Change in Fund Balance	100,168	(25,874)	(25,874)	126,042
Fund Balance, July 1, 2006	459,095	174,776	174,776	284,319
Fund Balance, June 30, 2007	\$ 559,263	\$ 148,902	\$ 148,902	\$ 410,361

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, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 394,781	\$ 400,000	\$ 400,000	\$ (5,219)
Charges for services	1,163,787	1,105,061	1,105,061	58,726
System Development	65,973	103,800	103,800	(37,827)
Interest on investments	20,706	25,800	25,800	(5,094)
Miscellaneous	149,902	2,100	2,100	147,802
Total Revenues	1,795,149	1,636,761	1,636,761	158,388
Expenditures:				
General government:				
Personal Services	147,120	152,407	152,407	5,287
Material and Services	366,633	394,750	394,750	28,117
Capital Outlay	397,759	3,056,000	3,056,000	2,658,241
Total cost of service	911,512	3,603,157	3,603,157	2,691,645
Contingency		50,000	50,000	
Total Expenditures	911,512	3,653,157	3,653,157	2,691,645
Excess (Deficiency) of Revenues over Expenditures	883,637	(2,016,396)	(2,016,396)	2,850,033
Other financing sources (uses):				
Transfers out	(905,434)	(905,434)	(905,434)	-
Interfund Loan	(125,059)	(530,000)	(530,000)	(404,941)
Loan Proceeds	-	4,500,000	4,500,000	4,500,000
Total other financing sources (uses)	(1,030,493)	3,064,566	3,064,566	4,095,059
Net Change in Fund Balance	(146,856)	1,048,170	1,048,170	(1,195,026)
Fund Balance, July 1, 2006	803,171	632,358	632,358	170,813
Fund Balance, June 30, 2007	\$ 656,315	\$ 1,680,528	\$ 1,680,528	\$ (1,024,213)

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, 2007

	<u>Actual</u>	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Charges for services	\$ 25,568	\$ 17,800	\$ 17,800	\$ 7,768
Interest on investments	35,421	19,000	31,000	4,421
Miscellaneous	-	-	-	-
Total Revenues	<u>60,989</u>	<u>36,800</u>	<u>48,800</u>	<u>12,189</u>
Other financing sources (uses):				
Transfers in	500	500	500	-
Transfers out	(31,000)	(19,000)	(31,000)	-
Total other financing sources (uses)	<u>(30,500)</u>	<u>(18,500)</u>	<u>(30,500)</u>	<u>-</u>
Net Change in Fund Balance	30,489	18,300	18,300	12,189
Fund Balance, July 1, 2006	<u>719,429</u>	<u>716,912</u>	<u>716,912</u>	<u>2,517</u>
Fund Balance, June 30, 2007	<u>\$ 749,918</u>	<u>\$ 735,212</u>	<u>\$ 735,212</u>	<u>\$ 14,706</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, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 322	\$ -	\$ -	\$ 322
Intergovernmental	135,828	-	-	135,828
Charges for Services	3,829,222	4,255,000	4,255,000	(425,778)
System Developments Charges	367,839	600,000	600,000	(232,161)
Interest on Investments	203,541	189,000	189,000	14,541
Miscellaneous	114,370	10,000	10,000	104,370
Total Revenues	<u>4,651,122</u>	<u>5,054,000</u>	<u>5,054,000</u>	<u>(402,878)</u>
Expenditures:				
Cost of Services:				
Forest Land Management	194,055	196,000	196,000	1,945
Public Works Water Supply	2,222,287	3,020,879	3,020,879	798,592
Public Works Water Treatment	969,087	1,400,354	1,400,354	431,267
Public Works Water Distribution	2,398,149	3,264,112	3,264,112	865,963
Public Works Reimbursement SDC's	408,155	467,670	467,670	59,515
Public Works Improvements SDC's	570,241	702,580	733,580	163,340
Public Works Debt SDC's	123,711	123,932	123,932	221
Electric:				
Water Conservation	162,323	172,005	172,005	9,682
Total cost of service	<u>7,048,007</u>	<u>9,347,532</u>	<u>9,378,532</u>	<u>2,330,525</u>
Debt Service	540,770	544,457	544,457	3,687
Contingency		152,000	121,000	121,000
Total Expenditures	<u>7,588,778</u>	<u>10,043,989</u>	<u>10,043,989</u>	<u>2,455,211</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,937,656)</u>	<u>(4,989,989)</u>	<u>(4,989,989)</u>	<u>2,052,333</u>
Other financing sources (uses):				
Transfer In	-	-	-	-
Loan Proceeds	-	6,000,000	6,000,000	(6,000,000)
Total other financing sources (uses)	<u>-</u>	<u>6,000,000</u>	<u>6,000,000</u>	<u>(6,000,000)</u>
Net Change in Fund Balance	(2,937,656)	1,010,011	1,010,011	(3,947,667)
Fund Balance, July 1, 2006	<u>6,179,246</u>	<u>4,391,296</u>	<u>4,391,296</u>	<u>1,787,950</u>
Fund Balance, June 30, 2007	<u>\$ 3,241,590</u>	<u>\$ 5,401,307</u>	<u>\$ 5,401,307</u>	<u>\$ (2,159,717)</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 21,776,404			
Accrued Interest	(42,496)			
Compensated Absences	(80,244)			
Deferred Charges	171,966			
GO Bonds Payable	(840,000)			
Revenue Bonds Payable	(4,315,000)			
	<u>\$ 19,912,220</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
WASTEWATER FUND
For the year ended June 30, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 1,594,280	\$ 1,600,000	\$ 1,600,000	\$ (5,720)
Charges for Services	2,432,868	2,964,000	2,964,000	(531,132)
System Developments Charges	208,554	250,000	250,000	(41,446)
Interest on Investments	239,195	149,000	149,000	90,195
Miscellaneous	74,088	-	-	74,088
Total Revenues	<u>4,548,985</u>	<u>4,963,000</u>	<u>4,963,000</u>	<u>(414,015)</u>
Expenditures:				
Cost of Services:				
Public Works Wastewater Collection	1,450,736	2,240,657	2,240,657	789,921
Public Works Wastewater Treatment	1,724,667	2,022,260	2,022,260	297,593
Public Works Reimbursement SDC's	-	192,160	192,160	192,160
Public Works Improvements SDC's	20,083	108,090	108,090	88,007
Total cost of service	<u>3,195,486</u>	<u>4,563,167</u>	<u>4,563,167</u>	<u>1,367,681</u>
Debt Service	1,793,096	1,793,196	1,793,196	100
Contingency		149,000	149,000	149,000
Total Expenditures	<u>4,988,582</u>	<u>6,505,363</u>	<u>6,505,363</u>	<u>1,516,781</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(439,597)</u>	<u>(1,542,363)</u>	<u>(1,542,363)</u>	<u>1,102,766</u>
Other financing sources (uses):				
Interfund Loan	-	130,000	130,000	-
Total other financing sources (uses)	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Net Change in Fund Balance	(439,597)	(1,412,363)	(1,412,363)	972,766
Fund Balance, July 1, 2006	<u>5,301,598</u>	<u>4,447,802</u>	<u>4,447,802</u>	<u>853,796</u>
Fund Balance, June 30, 2007	<u>\$ 4,862,001</u>	<u>\$ 3,035,439</u>	<u>\$ 3,035,439</u>	<u>\$ 1,826,562</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 40,733,876			
Accrued Interest	(111,143)			
Compensated Absences	(42,488)			
Notes Payable	(19,711,883)			
	<u>\$ 25,730,363</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
ELECTRIC FUND
For the year ended June 30, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Intergovernmental	\$ 32,233	\$ 67,000	\$ 67,000	\$ (34,767)
Charges for Services	12,163,467	12,532,000	12,532,000	(368,533)
Interest on Investments	90,007	51,000	51,000	39,007
Miscellaneous	219,346	61,000	61,000	158,346
Total Revenues	<u>12,505,053</u>	<u>12,711,000</u>	<u>12,711,000</u>	<u>(205,947)</u>
Expenditures:				
Cost of Services:				
Electric supply	6,082,762	6,557,504	6,557,504	474,742
Electric distribution	5,011,023	5,189,851	5,189,851	178,828
Electric transmission	889,288	1,048,600	1,048,600	159,312
Conservation	459,253	976,645	976,645	517,392
Total cost of service	<u>12,442,326</u>	<u>13,772,600</u>	<u>13,772,600</u>	<u>1,330,274</u>
Contingency		381,000	381,000	381,000
Total Expenditures	<u>12,442,326</u>	<u>14,153,600</u>	<u>14,153,600</u>	<u>1,711,274</u>
Excess (Deficiency) of Revenues over Expenditures	<u>62,726</u>	<u>(1,442,600)</u>	<u>(1,442,600)</u>	<u>1,505,326</u>
Other financing sources (uses):				
Other financing sources	-	500,000	500,000	(500,000)
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>(500,000)</u>
Net Change in Fund Balance	62,726	(942,600)	(942,600)	1,005,326
Fund Balance, July 1, 2006	<u>2,116,269</u>	<u>2,128,492</u>	<u>2,128,492</u>	<u>(12,223)</u>
Fund Balance, June 30, 2007	<u>\$ 2,178,995</u>	<u>\$ 1,185,892</u>	<u>\$ 1,185,892</u>	<u>\$ 993,103</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 10,005,967			
Compensated Absences	(94,728)			
Deferred Revenue	179,424			
	<u>\$ 12,269,658</u>			

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
TELECOMMUNICATIONS FUND
For the year ended June 30, 2007

	<u>Actual</u>	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Taxes	\$ 25,569	\$ 18,000	\$ 18,000	\$ 7,569
Charges for Services	2,029,467	1,738,000	1,738,000	291,467
Interest on Investments	25,598	2,000	2,000	23,598
Miscellaneous	53,951	16,000	16,000	37,951
Total Revenues	<u>2,134,585</u>	<u>1,774,000</u>	<u>1,774,000</u>	<u>360,585</u>
Expenditures:				
Cost of Services:				
IT - Customer Relations\Promotions	59,373	223,608	123,608	64,235
IT - Cable Television	572,237	478,746	578,746	6,509
IT - Internet	757,376	776,310	776,310	18,934
IT - High Speed Data	300,390	301,179	301,179	789
Total cost of service	1,689,376	1,779,843	1,779,843	90,467
Contingency		100,000	100,000	100,000
Total Expenditures	<u>1,689,376</u>	<u>1,879,843</u>	<u>1,879,843</u>	<u>190,467</u>
Excess (Deficiency) of Revenues over Expenditures	<u>445,209</u>	<u>(105,843)</u>	<u>(105,843)</u>	<u>551,052</u>
Net Change in Fund Balance	445,209	(105,843)	(105,843)	551,052
Fund Balance, July 1, 2006	<u>518,687</u>	<u>323,454</u>	<u>323,454</u>	<u>195,233</u>
Fund Balance, June 30, 2007	<u>\$ 963,896</u>	<u>\$ 217,611</u>	<u>\$ 217,611</u>	<u>\$ 746,285</u>
Reconciliation to Net Assets:				
Capital Assets, Net	\$ 7,783,866			
Compensated Absences	(24,316)			
	<u>\$ 8,723,446</u>			

CITY OF ASHLAND, OREGON
CONSOLIDATING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2007

	Central Services Fund	Insurance Services Fund	Equipment Fund	Totals
ASSETS				
Current assets:				
Cash and investments	\$1,096,970	\$1,469,463	\$1,857,737	\$ 4,424,170
Interest and accounts receivable, net	389		261	650
Notes receivable		55,465		55,465
Inventories	2,314		33,859	36,173
Total current assets	<u>1,099,673</u>	<u>1,524,928</u>	<u>1,891,857</u>	<u>4,516,458</u>
Fixed assets	294,620		10,278,386	10,573,006
Accumulated depreciation	<u>(228,762)</u>		<u>(6,996,174)</u>	<u>(7,224,936)</u>
Capital assets, net	<u>65,858</u>	-	<u>3,282,212</u>	<u>3,348,070</u>
Total assets	<u><u>\$1,165,531</u></u>	<u><u>\$1,524,928</u></u>	<u><u>\$5,174,069</u></u>	<u><u>\$ 7,864,528</u></u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Accounts payable	\$ 163,839	\$ 55,636	\$ 131,079	\$ 350,554
Accrued salaries, vacation and payroll taxes	274,949		20,702	295,651
Other liabilities				-
Accrued claims and adjustments		<u>494,842</u>		<u>494,842</u>
Total current liabilities	<u>438,788</u>	<u>550,478</u>	<u>151,781</u>	<u>1,141,047</u>
Net assets:				
Invested in capital assets, net of related debt	65,858	-	3,282,212	3,348,070
Unreserved	<u>660,885</u>	<u>974,450</u>	<u>1,740,076</u>	<u>3,375,411</u>
Total fund equity:	<u>726,743</u>	<u>974,450</u>	<u>5,022,288</u>	<u>6,723,481</u>
Total liabilities and net assets	<u><u>\$1,165,531</u></u>	<u><u>\$1,524,928</u></u>	<u><u>\$5,174,069</u></u>	<u><u>\$ 7,864,528</u></u>

CITY OF ASHLAND, OREGON
CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the year ended June 30, 2007

	Central Service Fund	Insurance Services Fund	Equipment Fund	Totals
Operating revenues:				
Service Charges and fees	\$ 5,247,843	\$ 629,027	\$ 1,383,450	\$ 7,260,320
Miscellaneous	277,778	38,644	81,555	397,977
Total Revenues	<u>5,525,621</u>	<u>667,671</u>	<u>1,465,005</u>	<u>7,658,297</u>
Operating expenses:				
Cost of Service	5,313,465	668,898	973,241	6,955,604
Depreciation	12,228		416,190	428,418
Total operating expenses	<u>5,325,693</u>	<u>668,898</u>	<u>1,389,431</u>	<u>7,384,022</u>
Operating income (loss)	<u>199,928</u>	<u>(1,227)</u>	<u>75,574</u>	<u>274,275</u>
Nonoperating income (expense):				
Taxes	20,721			20,721
Interest income	46,469	65,867	80,566	192,902
Total nonoperating income (expense)	<u>67,190</u>	<u>65,867</u>	<u>80,566</u>	<u>213,623</u>
Change in Net Assets	267,118	64,640	156,140	487,898
Net Assets, July 1, 2006	<u>459,625</u>	<u>909,810</u>	<u>4,866,148</u>	<u>6,235,583</u>
Net Assets, July 1, 2007	<u>\$ 726,743</u>	<u>\$ 974,450</u>	<u>\$ 5,022,288</u>	<u>\$ 6,723,481</u>

CITY OF ASHLAND, OREGON
COMBINING INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS
For the year ended June 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Central Services</u>	<u>Insurance Services</u>	<u>Equipment Fund</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$5,560,430	\$ 642,333	\$1,468,744	\$ 7,671,507
Payments to suppliers	(1,393,085)	(747,818)	(634,331)	(2,775,234)
Payments to employees	<u>(3,934,218)</u>		<u>(270,653)</u>	<u>(4,204,871)</u>
Net cash from operating activities	<u>233,127</u>	<u>(105,485)</u>	<u>563,760</u>	<u>691,402</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	<u>(57,470)</u>		<u>(342,423)</u>	<u>(399,893)</u>
Net cash from capital and related financing activities	<u>(57,470)</u>	-	<u>(342,423)</u>	<u>(399,893)</u>
Cash flows from investing activities:				
Interest from investments and Other income	<u>67,190</u>	<u>65,867</u>	<u>80,566</u>	<u>213,623</u>
Net increase (decrease) in cash and investments	<u>242,847</u>	<u>(39,618)</u>	<u>301,903</u>	<u>505,132</u>
Cash and investments, beginning of year	<u>854,123</u>	<u>1,509,081</u>	<u>1,555,834</u>	<u>3,919,038</u>
Cash and investments, end of year	<u><u>\$1,096,970</u></u>	<u><u>\$1,469,463</u></u>	<u><u>\$1,857,737</u></u>	<u><u>\$ 4,424,170</u></u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 199,928	\$ (1,227)	\$ 75,574	\$ 274,275
Depreciation and amortization	12,228		416,190	428,418
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	34,809	(25,338)	3,738	13,209
Inventories	(1,190)		(3,362)	(4,552)
Increase (decrease) in:				
Accounts payable and accrued liabilities	80,354	23,844	75,799	179,997
Other liabilities	<u>(93,002)</u>	<u>(102,764)</u>	<u>(4,179)</u>	<u>(199,945)</u>
Net cash from operating activities	<u><u>\$ 233,127</u></u>	<u><u>\$ (105,485)</u></u>	<u><u>\$ 563,760</u></u>	<u><u>\$ 691,402</u></u>

CITY OF ASHLAND, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
CENTRAL SERVICES FUND
For the year ended June 30, 2007

	Actual	Budget Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues:				
Taxes	\$ 20,721	\$ 15,000	\$ 15,000	\$ 5,721
Charges for Services	5,247,843	5,582,694	5,582,694	(334,851)
Interest on Investments	46,469	18,000	18,000	28,469
Miscellaneous	277,778	85,000	85,000	192,778
Total Revenues	<u>5,592,811</u>	<u>5,700,694</u>	<u>5,700,694</u>	<u>(107,883)</u>
Expenditures:				
Cost of Services:				
Administration Department	976,554	998,925	1,047,125	70,571
Administrative Services Department	1,845,912	1,919,524	1,994,524	148,612
IT - Computer Services Division	890,412	982,388	982,388	91,976
City Recorder Division	270,596	269,768	276,268	5,672
Public Works - Administration and Engineering	1,260,241	1,488,463	1,488,463	228,222
Contingency		171,000	41,300	41,300
Total Expenditures	<u>5,243,715</u>	<u>5,830,068</u>	<u>5,830,068</u>	<u>586,353</u>
Net Change in Fund Balance	349,096	(129,374)	(129,374)	(694,236)
Fund Balance, July 1, 2006	<u>439,010</u>	<u>222,167</u>	<u>222,167</u>	<u>216,843</u>
Fund Balance, June 30, 2007	<u>\$ 788,106</u>	<u>\$ 92,793</u>	<u>\$ 92,793</u>	<u>\$ (477,393)</u>
Reconciliation to Net Assets				
Accrued Compensated Absences	(127,220)			
Capital Assets, Net	65,857			
	<u>\$ 726,743</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, 2007

	<u>Actual</u>	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Charges for Services	\$ 629,027	\$ 617,485	\$ 617,485	\$ 11,542
Interest on Investments	65,867	37,000	37,000	28,867
Miscellaneous	38,644	-	-	38,644
Total Revenues	<u>733,538</u>	<u>654,485</u>	<u>654,485</u>	<u>79,053</u>
Expenditures:				
Cost of Services:				
Personal Services	145,561	400,000	400,000	254,439
Materials and Services	523,337	661,291	661,291	137,954
Total cost of Services	668,898	1,061,291	1,061,291	392,393
Contingency		32,000	32,000	32,000
Total Expenditures	<u>668,898</u>	<u>1,093,291</u>	<u>1,093,291</u>	<u>424,393</u>
Other financing sources (uses):				
Interfund Loan	-	400,000	400,000	(400,000)
Total other financing sources (uses)	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>(400,000)</u>
Net Change in Fund Balance	64,640	(38,806)	(38,806)	(345,340)
Fund Balance, July 1, 2006	<u>1,060,790</u>	<u>530,834</u>	<u>530,834</u>	<u>529,956</u>
Fund Balance, June 30, 2007	<u>\$ 1,125,430</u>	<u>\$ 492,028</u>	<u>\$ 492,028</u>	<u>\$ 184,616</u>
Reconciliation to Net Assets				
Accrued claims and judgments	(150,980)			
	<u>\$ 974,450</u>			

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

EQUIPMENT FUND

For the year ended June 30, 2007

	<u>Actual</u>	<u>Budget Amounts</u>		<u>Variance with Final Budget - Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Charges for Services	\$ 1,383,450	\$ 1,318,161	\$ 1,318,161	\$ 65,289
Interest on Investments	80,566	44,000	44,000	36,566
Miscellaneous	81,555	50,000	50,000	31,555
Total Revenues	<u>1,545,571</u>	<u>1,412,161</u>	<u>1,412,161</u>	<u>133,410</u>
Expenditures:				
Cost of Services:				
Personal Services	243,499	266,474	266,474	22,975
Materials and Services	<u>479,423</u>	<u>519,957</u>	<u>519,957</u>	<u>40,534</u>
Total cost of service	722,922	786,431	786,431	63,509
Capital Outlay	581,967	1,415,000	1,415,000	833,033
Contingency	<u> </u>	<u>42,000</u>	<u>42,000</u>	<u>42,000</u>
Total Expenditures	<u>1,304,889</u>	<u>2,243,431</u>	<u>2,243,431</u>	<u>938,542</u>
Net Change in Fund Balance	240,682	(831,270)	(831,270)	(805,132)
Fund Balance, July 1, 2006	<u>1,510,170</u>	<u>1,450,069</u>	<u>1,450,069</u>	<u>60,101</u>
Fund Balance, June 30, 2007	<u>\$ 1,750,852</u>	<u>\$ 618,799</u>	<u>\$ 618,799</u>	<u>\$ (745,031)</u>
Reconciliation to Net Assets				
Accrued Compensated Absence	(10,776)			
Capital Assets, Net	<u>3,282,212</u>			
	<u>\$ 5,022,288</u>			

CITY OF ASHLAND, OREGON
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
BY SOURCE
June 30, 2007

Governmental funds capital assets:

Land	\$ 9,730,590
Buildings and improvements	19,244,728
Improvements other than buildings	41,677,195
Machinery and equipment	3,495,727
Construction in progress	119,737

Total capital assets \$ 74,267,977

Investments in governmental funds capital assets by source:

General and Capital Projects Funds	\$ 17,210,887
Special Revenue Funds	36,290,262
Component Unit	7,152,481
Leased to Other Agencies	13,614,347

Total investments in governmental funds capital assets \$ 74,267,977

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, 2007

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		124,461		1,606,543
Leased to Other Agencies	253,000	8,744,018	3,957,949	659,380		13,614,347
Other - Unclassified	181,505	2,035,844	790,298	183,248		3,190,895
Total General government	1,879,940	12,922,691	4,748,247	1,345,227	-	20,896,105
Public Safety:						
Police	80,000	614,700		463,845		1,158,545
Fire	998,440	3,268,416	300,000	1,269,671		5,836,527
Total Public Safety	1,078,440	3,883,116	300,000	1,733,516	-	6,995,072
Highway and Streets:						
Public Thoroughfares	452,235	630,075	34,901,237	186,978	119,737	36,290,262
Total Highways and Streets	452,235	630,075	34,901,237	186,978	119,737	36,290,262
Airports	176,566	1,029,780	1,727,711			2,934,057
Culture and Recreation	6,143,409	779,066		230,006		7,152,481
Total Governmental Funds						
Capital Assets	<u>\$ 9,730,590</u>	<u>\$ 19,244,728</u>	<u>\$ 41,677,195</u>	<u>\$ 3,495,727</u>	<u>\$ 119,737</u>	<u>\$ 74,267,977</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, 2007

	Original Issue	Bond Principal Transactions	
		Outstanding June 30, 2006	Issued
<u>General Obligation Bonds</u>			
Water Bonds, issued December 1, 1977, interest at 5.00% to 7.00%	\$ 560,000	\$ 60,000	\$ -
Flood and Refunding Bonds, issued December 1, 1997, interest at 3.65% to 6.00%	2,800,000	1,095,000	-
Flood and Fire Station Bonds, issued June 1, 2000 interest variable	3,310,000	565,000	-
Ashland Fiber Network Bonds, issued August 11, 2004, interest at 3.70% to 6.02%	15,500,000	15,500,000	-
Refunding Bonds, issued December 1, 2005 interest variable	2,560,000	2,560,000	-
<u>Revenue Bonds</u>			
Water, Series 2003, issued June 1, 2003, interest at 2.00% to 4.00%	5,625,000	4,640,000	-
	<u>\$30,355,000</u>	<u>\$ 24,420,000</u>	<u>\$ -</u>

CITY OF ASHLAND, OREGON
SCHEDULE OF BOND PRINCIPAL AND BOND INTEREST TRANSACTIONS
For the year ended June 30, 2007 (continued)

Bond Principal Transactions			Interest Transactions			
<u>Matured</u>	<u>Paid</u>	<u>Outstanding June 30, 2007</u>	<u>Outstanding June 30, 2006</u>	<u>Matured</u>	<u>Paid</u>	<u>Outstanding June 30, 2007</u>
\$ 10,000	\$ 10,000	\$ 50,000	\$ 8,800	\$ 2,063	\$ 2,063	\$ 4,263
215,000	215,000	880,000	-	44,334	44,334	-
130,000	130,000	435,000	-	-	-	-
-	-	15,500,000	-	864,454	864,454	-
-	-	2,560,000	-	112,725	112,725	-
325,000	325,000	4,315,000	-	133,191	133,191	-
<u>\$ 680,000</u>	<u>\$ 680,000</u>	<u>\$ 23,740,000</u>	<u>\$ 8,800</u>	<u>\$1,156,766</u>	<u>\$1,156,766</u>	<u>\$ 4,263</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, 2007

	Taxes Uncollected July 1, 2006	Add Levy Extended by Assessor	Add (Deduct) Discounts Interest Cancellations Adjustments	Deduct Interest and Tax Collections	Taxes Uncollected June 30, 2007
2006-07	\$ -	\$ 9,865,147	\$ (293,478)	\$ 9,142,734	\$ 428,935
2005-06	234,859		16,479	154,710	96,628
2004-05	85,571	-	1,171	43,090	43,652
2003-04	47,181	-	(2,094)	25,870	19,217
2002-03	24,659	-	(7,261)	9,910	7,488
Prior years	23,023	-	(7,655)	1,980	13,388
	<u>\$ 415,293</u>	<u>\$ 9,865,147</u>	<u>\$ (292,838)</u>	<u>\$ 9,378,294</u>	<u>\$ 609,308</u>

Taxes receivable and tax collections classified by fund:

Primary government:

	Collections to June 30, 2007	Taxes Uncollected June 30, 2007
General Fund	\$ 2,892,635	\$ 186,936
Debt Service Fund	636,451	40,823
Enterprise Fund: Water Fund	322	

Component unit:

Parks and Recreation:		
Parks and Recreation Fund	3,537,669	229,222
Ashland Youth Activities Serial Levy Fund	2,311,217	152,327
	<u>\$ 9,378,294</u>	<u>\$ 609,308</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, 2007

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

	<u>Collections</u>	<u>Other Taxes</u>	<u>Tax Revenues GAAP Basis</u>
Primary government:			
General Fund	\$2,892,635	\$6,481,650	\$ 9,374,285
Special Revenue Funds:			
Street Fund	-	215,198	215,198
Debt Service Funds:			
Debt Service Fund	636,451	-	636,451
Capital Projects Fund:			
Capital Improvement Fund	-	394,781	394,781
Enterprise Funds:			
Water Fund	322	-	322
Wastewater Fund	-	1,594,280	1,594,280
Component unit:			
Parks and Recreation:			
Parks and Recreation Fund	3,537,669	-	3,537,669
Special Revenue Fund:			
Ashland Youth Activities Serial Levy Fund	<u>2,311,217</u>	<u>-</u>	<u>2,311,217</u>
	<u>\$9,378,294</u>	<u>\$8,685,909</u>	<u>\$ 18,064,203</u>



STATISTICAL SECTION
Total Reporting Entity
(Unaudited)



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

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

Financial Trends	<u>Page</u>
These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.	98 - 107
 Revenue Capacity	
These tables contain information that may assist the reader is assessing the viability of the City's revenue sources.	108 - 117
 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.	118 - 125
 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.	126 - 127
 Operating Information	
These tables contain service and infrastructure indicators that can help the reader understand how the information in the City's financial statements relates to the services the City provides and the activities it performs.	128 - 135

Source:

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

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

ASSETS	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:					
Cash and cash equivalents	\$ 10,922,900	\$ 9,274,073	\$ 9,123,663	\$ 6,312,364	\$ 8,961,587
Receivables (net of allowance for uncollectibles)	2,530,776	2,353,604	2,354,558	2,430,662	2,669,101
Inventories	36,173	31,621	42,894	16,602	1,728
Internal Balances	(1,587,111)	(1,319,579)	(1,378,719)	1,222,273	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	542,190	451,672	428,719	413,078	260,813
Capital Assets:					
Land	9,829,360	8,559,612	8,287,911	8,261,273	8,343,858
Buildings and Improvements	19,563,238	19,563,238	30,138,810	29,933,056	7,420,827
Machinery and equipment	13,183,769	12,405,182	11,771,045	9,345,294	3,610,916
Infrastructure	42,121,600	41,047,189	15,986,209	15,720,372	9,951,054
Construction in progress	143,017	798,324	9,744,570	9,789,517	12,327,224
Accumulated Depreciation	(35,789,232)	(33,506,950)	(31,952,088)	(28,220,545)	-
Total assets	\$ 61,496,680	\$ 59,657,986	\$ 54,547,572	\$ 55,223,946	\$ 53,547,108
Liabilities:					
Accounts payable and other current liabilities	\$ 2,683,604	\$ 2,590,134	\$ 2,652,837	\$ 2,734,135	\$ 2,798,840
Unearned revenue	396,208	12,700	26,392	94,404	335,303
Noncurrent liabilities:					
Due within one year	925,973	590,000	908,822	783,485	750,750
Due in more than one year	20,341,095	5,731,134	5,815,074	6,357,569	6,530,911
Total liabilities	24,346,880	8,923,968	9,403,125	9,969,593	10,415,804
Net Assets					
Invested in capital assets, net of related debt	27,969,339	42,669,821	37,631,383	37,948,847	34,601,570
Restricted for:					
System development	1,930,458	1,663,317	1,537,765	1,197,249	1,594,538
Debt service	479,262	459,095	423,842	433,278	(47,412)
Perpetual care: Nonexpendable	749,918	719,429	702,629	684,476	679,646
Unrestricted	6,020,823	5,222,356	4,848,828	4,990,503	6,302,962
Total net assets	\$ 37,149,800	\$ 50,734,018	\$ 45,144,447	\$ 45,254,353	\$ 43,131,304

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

ASSETS	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:					
Cash and cash equivalents	\$ 9,836,733	\$ 12,951,933	\$ 15,066,503	\$ 9,286,593	\$ 7,961,325
Receivables (net of allowance for uncollectibles)	2,105,403	2,203,826	2,057,466	1,883,966	1,893,686
Inventories	806,047	799,588	851,200	821,407	828,978
Deferred charges	1,340,389	1,721,312	1,819,860	1,921,810	2,082,204
Internal Balances	1,587,111	1,319,579	1,378,719	(1,222,273)	-
Restricted assets:					
Capital Assets:					
Land	1,880,638	1,945,107	1,945,107	1,971,745	1,945,107
Buildings and Improvements	21,782,187	21,782,188	23,113,448	23,157,904	22,595,341
Machinery and equipment	673,607	636,103	675,297	2,833,165	722,977
Infrastructure	81,141,248	80,305,280	79,057,892	79,121,637	60,513,768
Construction in progress	5,156,412	2,998,341	4,472,229	4,563,158	3,428,686
Accumulated Depreciation	(31,502,402)	(28,803,335)	(26,616,727)	(25,236,582)	-
Total assets	\$ 94,807,373	\$ 97,859,922	\$ 103,820,994	\$ 99,102,530	\$ 101,972,072
Liabilities:					
Accounts payable and other current liabilities	\$ 1,554,049	\$ 1,678,775	\$ 2,343,307	\$ 1,960,591	\$ 1,486,328
Accrued interest payable	153,639	587,720	819,171	307,538	307,634
Unearned revenue	-	-	-	4,000	323,308
Noncurrent liabilities:					
Due within one year	1,379,209	1,475,373	1,437,257	2,388,750	2,300,805
Due in more than one year	23,497,674	40,366,883	42,177,256	34,841,659	36,927,296
Total liabilities	26,584,571	44,108,751	46,776,991	39,502,538	41,345,371
Net Assets					
Invested in capital assets, net of related debt	54,264,807	42,661,428	39,032,733	44,754,393	49,967,778
Restricted for:					
System development	4,315,088	4,251,713	4,636,560	4,020,207	3,441,297
Debt service	-	1,913,648	1,913,648	1,281,341	1,913,648
Unrestricted	9,642,907	4,924,382	11,461,062	9,544,051	5,303,978
Total net assets	\$ 68,222,802	\$ 53,751,171	\$ 57,044,003	\$ 59,599,992	\$ 60,626,701

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

	2007	2006	2005	2004	2003
Program Revenues:					
General Government					
Charges for Services	\$ 5,058,193	\$ 4,110,436	\$ 4,453,046	\$ 4,269,353	\$ 4,667,720
Operating Grants and Contributions	35,144	141,500	358,309	811,075	132,171
Capital Grants and Contributions	17,377	299,171	948,845	3,859	156,141
Capital System Development Charges	67,014	105,193	154,200	107,687	130,486
Public Safety					
Charges for Services	1,600,538	1,556,909	1,769,625	1,693,838	1,599,037
Operating Grants and Contributions	182,281	-	71,245	101,877	34,536
Capital Grants and Contributions	312,000	-	53,443	79,460	-
Highways and Streets					
Charges for Services	1,662,360	1,659,421	1,593,663	1,491,256	1,146,124
Operating Grants and Contributions	-	-	1,243	-	-
Capital Grants and Contributions	366,549	202,982	463,695	1,075,598	2,849,793
Capital System Development Charges	269,338	388,654	509,175	376,951	430,806
	<u>9,570,794</u>	<u>8,464,266</u>	<u>10,376,489</u>	<u>10,010,954</u>	<u>11,146,814</u>
Program Expenses:					
General Government	4,287,280	2,818,129	5,202,781	2,982,532	6,543,127
Public Safety	10,082,938	7,903,054	9,235,540	8,454,075	7,914,876
Highways and Streets	2,583,641	2,419,380	4,221,022	4,637,272	3,985,835
Interest on long-term debt	1,139,346	637,146	311,527	370,491	339,082
	<u>18,093,205</u>	<u>13,777,709</u>	<u>18,970,870</u>	<u>16,444,370</u>	<u>18,782,920</u>
Net (Expense) Revenue:					
General Government	890,448	1,838,171	557,419	2,101,755	(1,456,609)
Public Safety	(7,988,119)	(6,346,145)	(7,341,227)	(6,578,900)	(6,281,303)
Highways and Streets	(285,394)	(168,323)	(2,162,421)	(1,693,467)	440,888
Interest on long-term debt	(1,139,346)	(637,146)	(311,527)	(370,491)	(339,082)
	<u>(8,522,411)</u>	<u>(5,313,443)</u>	<u>(9,257,756)</u>	<u>(6,541,103)</u>	<u>(7,636,106)</u>
General Revenues:					
Property Taxes	3,557,262	2,970,566	2,658,995	2,626,369	2,206,505
Utility Users Tax	2,345,323	2,323,390	2,277,178	2,102,550	1,929,092
Users Taxes	1,952,810	1,784,302	1,753,477	1,808,047	1,567,079
State Subventions - unrestricted	1,486,776	1,817,175	1,360,724	1,277,933	1,128,521
Unrestricted Interest Earnings	406,964	256,648	146,041	62,543	115,947
Capital Assets Transfers	(15,896,208)	1,425,346	-	-	-
Miscellaneous	1,085,266	617,542	288,060	590,682	280,289
Gain (loss) on Disposal of Assets	-	-	-	(868,437)	-
Transfers:	-	-	-	-	(200,000)
Total General Revenues and Transfers	<u>(5,061,807)</u>	<u>11,194,969</u>	<u>8,484,475</u>	<u>7,599,687</u>	<u>7,027,433</u>
Change in Net Assets	(13,584,218)	5,881,526	(773,281)	1,058,584	(608,673)
Net Assets - Beginning	50,734,018	45,144,447	45,254,353	43,131,304	43,739,977
Recognition of Prior Infrastructure	-	-	-	956,778	-
Net Assets - Ending	<u>\$ 37,149,800</u>	<u>\$ 51,025,973</u>	<u>\$ 44,481,072</u>	<u>\$ 45,146,666</u>	<u>\$ 43,131,304</u>

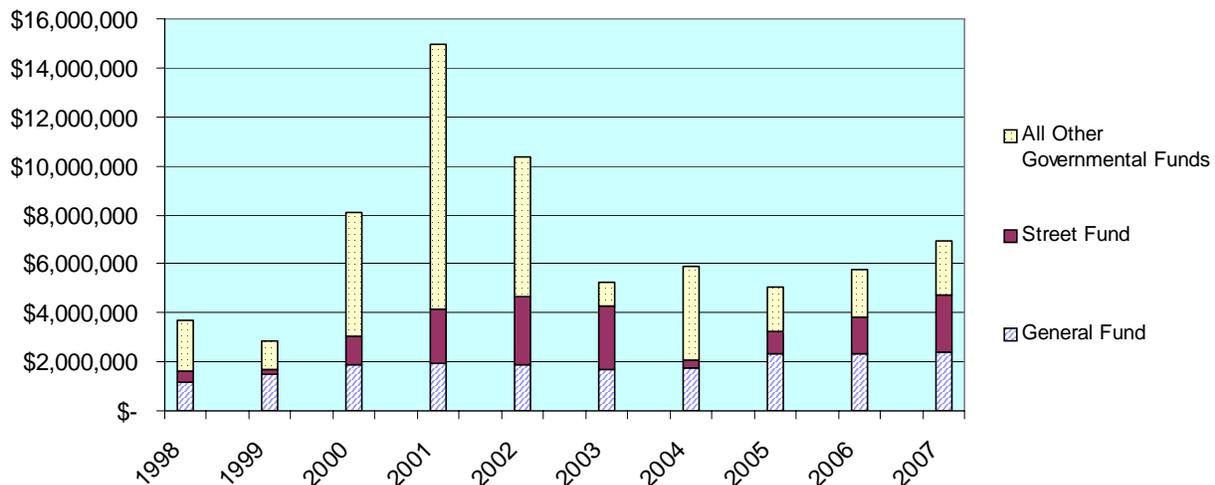
CITY OF ASHLAND, OREGON
CHANGES IN NET ASSETS
Business - type Activities
For the Fiscal Year Ended June 30,

	2007	2006	2005	2004	2003
Program Revenues:					
Water					
Charges for Services	\$ 3,829,222	\$ 4,092,206	\$ 3,557,350	\$ 3,678,974	\$ 3,075,622
Capital Grants and Contributions	135,828	43,622	81,504	129,721	110,147
Capital System Development Charges	367,839	439,306	662,911	574,540	528,553
Wastewater					
Charges for Services	2,432,868	2,428,775	2,458,233	2,368,237	2,218,249
Capital System Development Charges	208,554	410,910	513,489	432,273	408,843
Electric					
Charges for Services	12,163,467	12,095,363	12,283,303	11,962,925	10,220,661
Operating Grants and Contributions	32,233	36,043	42,656	7,165	137,483
Telecommunications					
Charges for Services	2,029,467	2,738,635	2,642,055	2,403,436	1,969,079
	<u>21,199,478</u>	<u>22,284,860</u>	<u>22,241,501</u>	<u>21,557,271</u>	<u>18,668,637</u>
Program Expenses:					
Water	4,955,737	4,974,536	5,910,251	4,177,640	5,331,263
Wastewater	4,895,541	4,397,923	4,524,112	4,615,409	5,665,728
Electric	12,904,663	12,831,758	12,445,069	11,638,094	11,395,422
Telecommunications	2,682,968	4,182,956	4,238,644	3,706,854	3,662,002
	<u>25,438,909</u>	<u>26,387,173</u>	<u>27,118,076</u>	<u>24,137,997</u>	<u>26,054,415</u>
Net (Expense) Revenue					
Water	(622,848)	(399,402)	(1,608,486)	205,595	(1,616,941)
Wastewater	(2,254,119)	(1,558,238)	(1,552,390)	(1,814,899)	(3,038,636)
Electric	(708,963)	(700,352)	(119,110)	331,996	(1,037,278)
Telecommunications	(653,501)	(1,444,321)	(1,596,589)	(1,303,418)	(1,692,923)
	<u>(4,239,431)</u>	<u>(4,102,313)</u>	<u>(4,876,575)</u>	<u>(2,580,726)</u>	<u>(7,385,778)</u>
General Revenues:					
Property Taxes	322	86,335	74,551	179,302	176,523
Users Taxes	1,619,849	1,573,251	1,454,132	1,346,863	1,280,190
Unrestricted Interest Earnings	1,194,688	518,138	352,983	166,529	300,418
Capital Assets Transfers	15,896,208	(1,425,346)	-	-	-
Miscellaneous	-	57,103	438,920	847,330	499,947
Gain (loss) on Disposal of Assets	-	-	-	(986,004)	-
Transfers:					
Total General Revenues and Transfers	<u>18,711,067</u>	<u>809,481</u>	<u>2,320,586</u>	<u>1,554,020</u>	<u>2,457,078</u>
Change in Net Assets	14,471,636	(3,292,832)	(2,555,989)	(1,026,706)	(4,928,700)
Net Assets - Beginning	<u>53,751,166</u>	<u>57,044,003</u>	<u>59,599,992</u>	<u>60,626,698</u>	<u>65,555,401</u>
Net Assets - Ending	<u>\$ 68,222,802</u>	<u>\$ 53,751,171</u>	<u>\$ 57,044,003</u>	<u>\$ 59,599,992</u>	<u>\$ 60,626,701</u>

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund					
Unreserved, reported in:					
General Fund	\$ 2,367,714	\$ 2,326,936	\$ 2,308,388	\$ 1,755,143	\$ 1,715,220
Total General Fund	<u>2,367,714</u>	<u>2,326,936</u>	<u>2,308,388</u>	<u>1,755,143</u>	<u>1,715,220</u>
Street Fund					
Reserved for:					
Reserved for system development charges	1,761,561	1,597,642	1,472,090	1,197,249	1,594,538
Unreserved, reported in:					
Special revenue Funds	615,659	(133,598)	(556,062)	(881,403)	934,212
Total Street Fund	<u>2,377,220</u>	<u>1,464,044</u>	<u>916,028</u>	<u>315,846</u>	<u>2,528,750</u>
All Other Governmental Funds					
Reserved for:					
Reserved for system development charges	168,896	65,675	65,675	1,197,249	-
Reserved for debt service	559,263	459,095	423,842	433,278	282,293
Reserved for perpetual care	749,918	719,429	702,629	684,476	679,646
Unreserved, reported in:					
General Fund	-	-	-	1,755,143	-
Special revenue Funds	(24,661)	130,126	2,942	(663,026)	(298)
Capital projects funds	714,329	586,843	635,387	429,873	67,583
Total All Other Governmental Funds	<u>2,167,745</u>	<u>1,961,168</u>	<u>1,830,475</u>	<u>3,836,993</u>	<u>1,029,224</u>
Total Governmental Funds	<u>\$ 6,912,679</u>	<u>\$ 5,752,148</u>	<u>\$ 5,054,891</u>	<u>\$ 5,907,982</u>	<u>\$ 5,273,194</u>

Fund Balance Comparison
Governmental Funds
Last Ten Years



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

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 1,865,212	\$ 1,962,295	\$ 1,888,103	\$ 1,480,891	\$ 1,148,195
<u>1,865,212</u>	<u>1,962,295</u>	<u>1,888,103</u>	<u>1,480,891</u>	<u>1,148,195</u>
1,348,177	1,079,784	654,291	300,324	206,600
1,436,880	1,080,273	521,787	(81,660)	272,197
<u>2,785,057</u>	<u>2,160,057</u>	<u>1,176,078</u>	<u>218,664</u>	<u>478,797</u>
1,348,177	1,182,176	1,037,219	454,534	628,143
136,978	103,883	225,841	374,915	235,377
-	-	-	-	-
-	-	-	-	-
1,423,536	954,654	547,823	(48,887)	655,720
2,833,606	8,599,456	3,217,748	384,796	513,822
<u>5,742,297</u>	<u>10,840,169</u>	<u>5,028,631</u>	<u>1,165,358</u>	<u>2,033,062</u>
<u>\$ 10,392,566</u>	<u>\$ 14,962,521</u>	<u>\$ 8,092,812</u>	<u>\$ 2,864,913</u>	<u>\$ 3,660,054</u>

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

	2007	2006	2005	2004	2003
Revenues:					
Taxes	\$ 10,620,715	\$ 9,454,799	\$ 9,057,868	\$ 8,714,013	\$ 7,906,257
Fees, licenses and permits	847,665	1,106,317	1,489,379	1,156,285	1,472,877
Intergovernmental	2,606,832	2,168,873	3,252,504	3,349,802	4,190,546
Special assessments	108,864	360,860	222,408	170,860	214,606
Charges for services	4,564,898	3,817,938	4,165,663	3,717,342	3,665,166
Fines and forfeitures	169,558	137,460	133,170	120,749	107,607
Interest on investments	310,478	197,960	112,531	51,967	115,947
Miscellaneous	719,478	554,076	62,546	563,988	191,096
Total revenues	19,948,488	17,798,283	18,496,069	17,845,006	17,864,102
Expenditures:					
General government	3,423,269	3,081,984	3,317,996	3,610,326	2,769,315
Public safety	10,227,177	9,152,421	8,630,755	8,468,294	7,914,876
Highways and streets	2,245,609	2,191,178	2,079,150	1,923,050	2,036,222
Culture and recreation		-	-	-	-
Capital Outlay	1,359,308	1,889,998	2,403,697	4,736,857	8,793,175
Debt service	1,622,412	820,218	846,573	917,680	779,527
Principal	533,630	523,769	497,493	537,325	440,445
Interest	1,088,782	296,449	349,079	380,354	339,083
Ratio of Debt service to noncapital expenditures	10.21%	5.69%	6.03%	6.55%	6.13%
Total expenditures	18,877,775	17,135,799	17,278,171	19,656,207	22,293,115
Excess (deficiency) of revenues over expenditures	1,070,713	662,484	1,217,898	(1,811,201)	(4,429,013)
Other financing sources (uses):					
Proceeds from debt issuance	-	2,761,180	-	-	1,621,875
Interfund Loans	89,818	-	-	375,000	600,000
Transfers in	936,934	347,780	154,360	318,393	361,108
Transfers out	(936,934)	(347,780)	(154,360)	(318,393)	(561,108)
Total other financing sources (uses)	89,818	2,761,180	-	375,000	2,021,875
Net Change in Fund Balance	\$ 1,160,531	\$ 3,423,664	\$ 1,217,898	\$ (1,436,201)	\$ (2,407,138)

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

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
\$ 7,558,510	\$ 6,934,972	\$ 6,262,184	\$ 6,212,932	\$ 6,021,073
1,256,617	865,019	780,708	599,202	497,393
2,183,896	6,704,367	1,658,050	2,142,086	1,490,137
193,999	164,263	259,002	327,011	255,836
3,613,534	3,336,396	3,095,292	1,597,564	1,590,292
188,006	121,919	163,949	163,872	209,568
310,385	808,711	175,560	331,626	213,501
439,863	155,895	106,732	116,240	243,058
<u>15,744,810</u>	<u>19,091,542</u>	<u>12,501,477</u>	<u>11,490,533</u>	<u>10,520,858</u>
2,620,298	2,462,368	2,214,215	2,497,598	1,891,430
7,513,892	6,823,528	6,374,244	5,622,387	4,996,842
2,852,552	1,924,020	1,413,591	1,654,203	1,449,866
-	-	-	-	48,589
7,896,316	1,261,320	1,110,158	2,324,391	2,196,475
716,069	802,089	611,393	650,449	894,126
442,513	485,064	419,282	403,278	527,534
273,557	317,025	192,111	247,171	366,592
5.51%	7.16%	6.11%	6.65%	10.66%
<u>21,599,127</u>	<u>13,273,325</u>	<u>11,723,601</u>	<u>12,749,028</u>	<u>11,477,328</u>
<u>(5,854,317)</u>	<u>5,818,217</u>	<u>777,876</u>	<u>(1,258,495)</u>	<u>(956,470)</u>
900,000	25,012	3,140,000	-	-
-	-	-	-	-
725,771	341,480	392,929	1,442,666	464,903
<u>(966,408)</u>	<u>(298,980)</u>	<u>(367,500)</u>	<u>(719,166)</u>	<u>(426,500)</u>
<u>659,363</u>	<u>67,512</u>	<u>3,165,429</u>	<u>723,500</u>	<u>38,403</u>
<u>\$ (5,194,954)</u>	<u>\$ 5,885,729</u>	<u>\$ 3,943,305</u>	<u>\$ (534,995)</u>	<u>\$ (918,067)</u>

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

Fund Balances	2007 Adopted	2006 Adopted	2005 Adopted	2004 Adopted	2003 Adopted
City Component					
General Fund	\$ 1,047,023	\$ 1,051,983	\$ 936,568	\$ 1,315,669	\$ 1,238,814
Community Development Block Grant Fund	-	-	-	-	-
Street Fund	6,308,766	733,073	1,976,046	1,065,590	1,764,790
Airport Fund	12,382	37,660	42,315	4,000	6,140
Capital Improvements Fund	1,680,528	3,609,193	389,839	429,000	1,150,300
Debt Service Fund	148,902	569,205	695,484	264,900	540,000
Water Fund	5,401,307	2,158,888	3,524,870	2,784,125	4,478,680
Wastewater Fund	3,035,439	3,899,968	4,463,795	1,726,251	754,800
Electric Fund	1,185,892	1,405,027	1,812,094	763,763	443,533
Telecommunications Fund	217,611	70,187	954,723	269,910	97,036
Central Services Fund	92,793	10,000	113,758	145,824	142,675
Insurance Services Fund	492,028	417,936	471,538	156,500	91,500
Equipment Fund	618,799	856,499	965,561	908,740	452,640
Cemetery Trust Fund	735,212	699,876	681,408	684,500	653,000
Total City Component	20,976,682	15,519,495	17,027,999	10,518,772	11,813,908
Parks Component					
Parks and Recreation Fund	667,250	993,667	965,822	815,000	782,294
Youth Activities Levy Fund	-	125,306	2,166	2,000	9,000
Parks Capital Improvements Fund	44,866	112,569	169,965	234,000	185,000
Total Parks Component	712,116	1,231,542	1,137,953	1,051,000	976,294
Total Budget	\$ 21,688,798	\$ 16,751,037	\$ 18,165,952	\$ 11,569,772	\$ 12,790,202

For the Fiscal Year Ended June 30,	2007	2006	2005	2004	2003
Fund Balances	Actual	Actual	Actual	Actual	Actual
City Component					
General Fund	\$ 2,367,714	\$ 2,326,936	\$ 2,093,388	\$ 1,755,145	\$ 1,715,220
Community Development Block Grant Fund	226,910	4,599	(8,492)	33,018	(32,433)
Street Fund	2,377,220	1,464,044	1,186,028	315,846	2,528,750
Airport Fund	55,339	54,874	122,942	218,377	32,135
Capital Improvements Fund	656,315	803,171	924,554	396,855	67,583
Debt Service Fund	559,263	459,095	423,842	433,278	282,293
Water Fund	3,241,590	6,179,246	6,458,230	5,002,748	4,662,028
Wastewater Fund	4,862,001	5,301,598	5,664,182	1,541,125	2,356,054
Electric Fund	2,178,995	2,116,269	2,527,430	1,539,766	1,497,827
Telecommunications Fund	963,896	518,687	898,750	62,635	388,018
Central Services Fund	726,743	439,010	185,137	569,013	947,953
Insurance Services Fund	974,450	1,060,790	1,036,331	934,499	145,978
Equipment Fund	5,022,288	1,510,170	1,489,055	1,224,311	1,121,598
Cemetery Trust Fund	749,918	719,429	702,629	684,476	679,646
Total City Component	24,962,642	22,957,918	23,704,006	14,711,092	16,392,650
Parks Component					
Parks and Recreation Fund	1,180,912	1,507,367	1,621,679	1,558,332	1,403,171
Youth Activities Levy Fund	72,671	35,374	103,733	122,588	36,403
Parks Capital Improvements Fund	195,390	165,326	207,375	300,331	367,733
Total Parks Component	1,448,973	1,708,067	1,932,787	1,981,251	1,807,307
Total Budget	\$ 26,411,615	\$ 24,665,985	\$ 25,636,793	\$ 16,692,343	\$ 18,199,957

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

2002 Adopted	2001 Adopted	2000 Adopted	1999 Adopted	1998 Adopted
\$ 1,079,348	\$ 1,152,000	\$ 679,000	\$ 549,000	\$ 345,000
-	-	-	-	-
1,377,392	804,322	378,000	100,000	250,000
8,000	23,000	22,000	15,000	15,000
1,782,000	3,611,000	2,588,000	2,255,000	1,081,000
238,000	293,000	427,000	399,000	504,000
1,448,010	3,032,000	1,804,000	1,619,000	1,851,000
2,004,896	3,036,000	2,380,000	7,110,000	6,389,000
989,946	108,000	1,580,000	1,340,000	1,084,000
38,130	-	-	-	-
119,283	-	-	-	-
110,500	230,000	242,000	725,000	529,000
121,778	72,000	786,000	814,000	1,357,000
89,000	685,000	680,000	664,000	649,000
9,406,283	13,046,322	11,566,000	15,590,000	14,054,000
805,300	735,715	577,000	180,000	240,000
9,000	-	-	34,000	52,000
148,000	-	195,000	564,000	521,000
962,300	735,715	772,000	778,000	813,000
\$ 10,368,583	\$ 13,782,037	\$ 12,338,000	\$ 16,368,000	\$ 14,867,000

2002 Actual	2001 Actual	2000 Actual	1999 Actual	1998 Actual
\$ 1,865,212	\$ 1,962,295	\$ 1,888,103	\$ 1,480,895	\$ 1,143,000
(35,904)	(142,463)	3,744	3	-
2,785,057	2,160,057	1,176,078	218,663	287,000
22,560	16,844	22,292	32,771	45,000
2,833,606	8,701,848	3,600,676	539,004	1,120,000
136,978	103,883	225,841	625,738	493,000
1,985,298	3,905,152	4,708,031	3,243,350	3,222,000
9,190,945	9,198,221	10,454,701	8,358,755	5,944,000
1,069,861	1,249,047	1,560,301	1,500,976	1,731,000
1,982,175	119,745	1,902,118	-	-
823,405	436,624	96,609	68,154	120,000
204,263	299,415	502,000	630,294	1,135,000
783,340	526,894	253,019	370,944	1,682,000
72,823	669,517	663,140	660,698	650,000
23,719,619	29,207,079	27,056,653	17,730,245	17,572,000
1,168,934	1,023,774	1,196,511	1,966,643	1,003,000
36,341	125,706	125,191	133,769	41,000
280,337	151,955	295,000	536,494	570,000
1,485,612	1,301,435	1,616,702	2,636,906	1,614,000
\$ 25,205,231	\$ 30,508,514	\$ 28,673,355	\$ 20,367,151	\$ 19,186,000

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

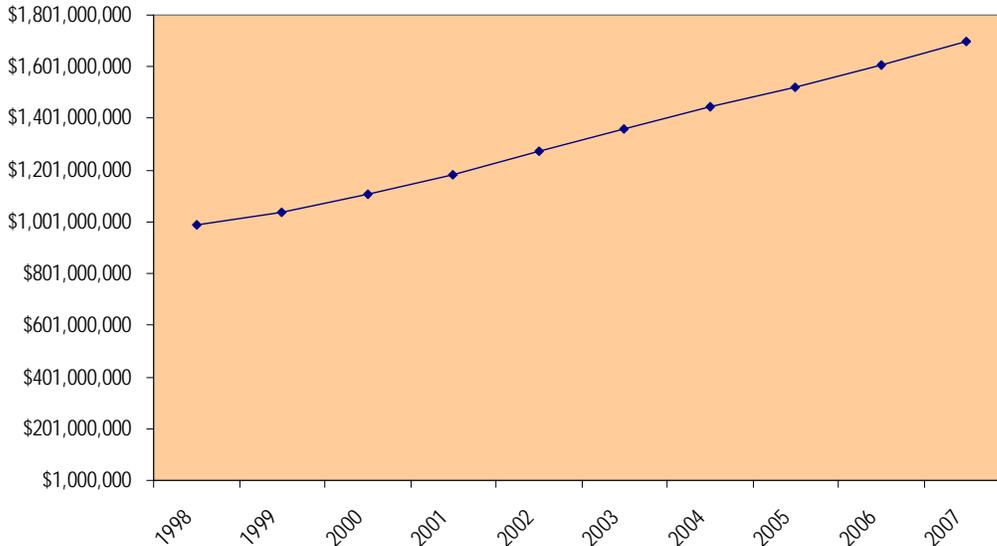
Fiscal Year Ended June 30,	Real Property	Mobile Home	Personal ¹	Utilities	Total	Property Tax Rate	Taxable ratio (True Cash Value to Assessed)
2007	\$ 1,700,020,579	\$ 5,498,040	\$ 40,468,280	\$ 20,509,400	\$ 1,766,496,299	\$ 5.56	46.6%
2006	1,610,148,502	5,301,570	38,820,610	20,344,260	1,674,614,942	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%
2000	1,106,322,240	4,241,270	26,183,680	20,989,320	1,157,736,510	4.81	94.0%
1999	1,039,559,010	4,439,960	25,093,370	19,043,890	1,088,136,230	4.92	87.0%
1998	989,442,520	4,186,640	24,490,630	17,563,860	1,035,683,650	5.18	83.0%

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

¹ Includes Non-Profit Housing

Source: County Assessor tax roll property values

**Real Property Value
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

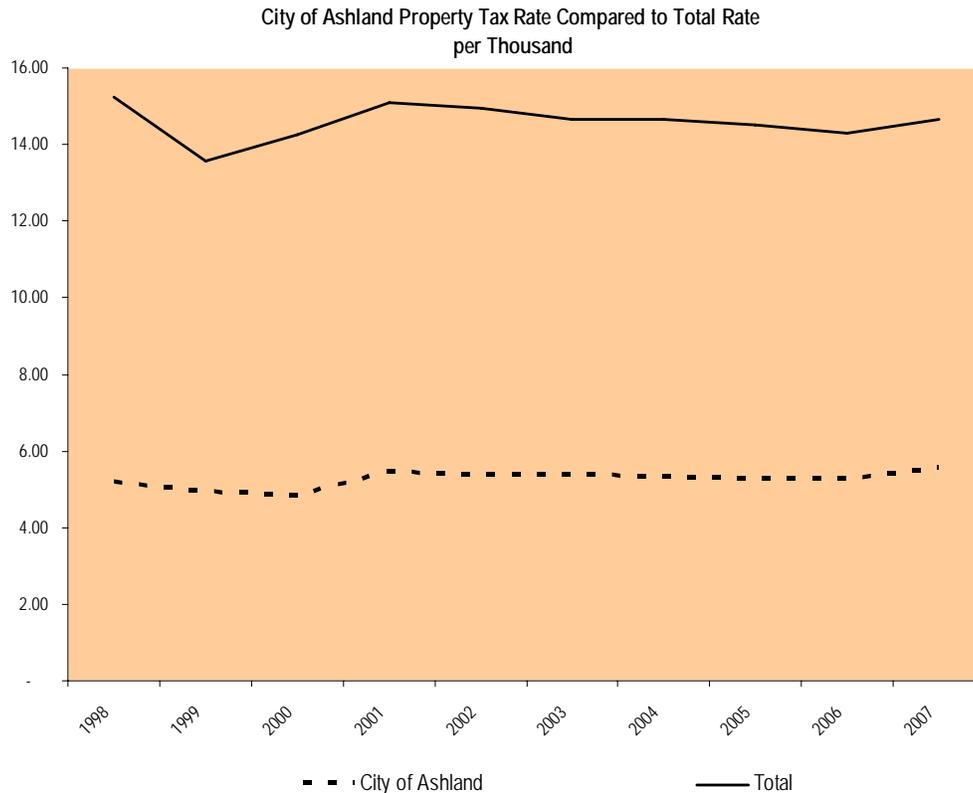
Fiscal Year Ended June 30,	City of Ashland	Jackson County Vector Control	Jackson County ²	Rogue Valley Transit District	Net General Government Tax Rate	Jackson County Education Service District	School District 5	RCC ³	Ballot Measure 5 School Support Compression ¹	Net School Support Tax Rate	Total
2007	\$ 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
2000	4.81	0.04	2.25	0.18	7.28	1.95	5.03			6.98	14.26
1999	4.92	0.04	2.01	0.18	7.15	0.35	6.08			6.43	13.58
1998	5.18	0.04	2.00	0.18	7.40	0.88	13.93		(6.99)	7.82	15.22

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

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

³ Rogue Community College

Source: Jackson County Assessor and Tax Collector

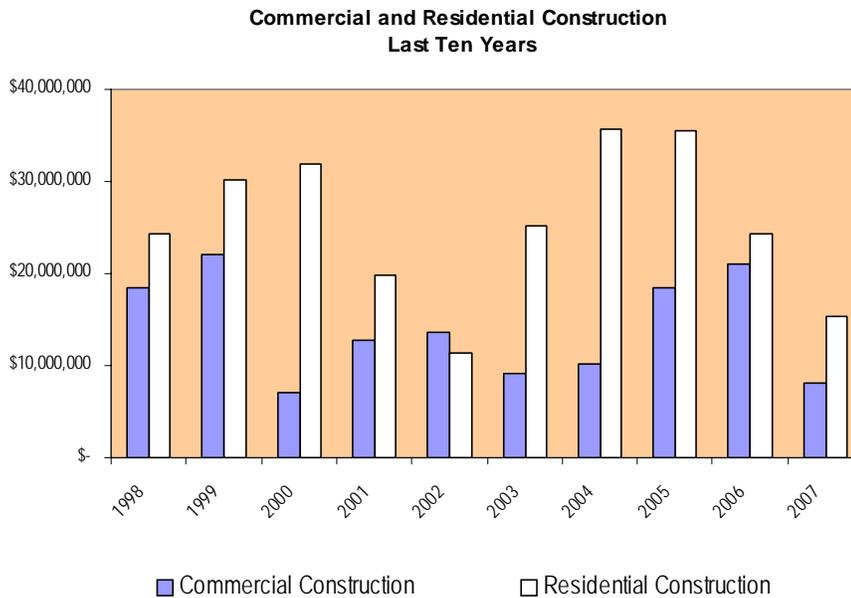


CITY OF ASHLAND, OREGON
PROPERTY VALUE AND NEW CONSTRUCTION HISTORY
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Property Value ¹	Commercial Construction		Residential Construction	
		Number of Units	Value	Number of Units	Value
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
2000	1,157,736,510	15	7,081,675	233	31,940,531
1999	1,088,136,230	17	22,097,963	169	30,183,930
1998	1,035,683,650	14	18,453,404	154	24,364,300
1997	1,204,700,940	11	7,531,135	140	25,559,489

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

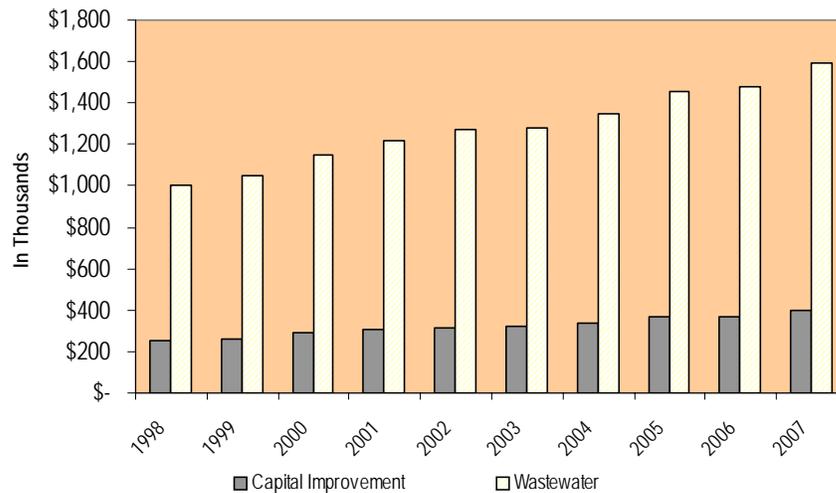
Fiscal Year Ended June 30,	Capital Improvement ³	Wastewater ²	Total ¹	Cumulative
2007	\$ 395	\$ 1,594	\$ 1,989	\$ 20,603
2006	370	1,481	1,851	18,614
2005	364	1,454	1,818	16,763
2004	337	1,347	1,684	14,945
2003	320	1,280	1,600	13,261
2002	317	1,268	1,585	11,661
2001	307	1,219	1,526	10,076
2000	292	1,151	1,443	8,550
1999	262	1,047	1,309	7,107
1998	251	1,007	1,258	5,798

¹ Tax enacted July 1, 1993

² Derived from wastewater enterprise operations

³ Dedicated to acquisition of Open Space Parkland

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



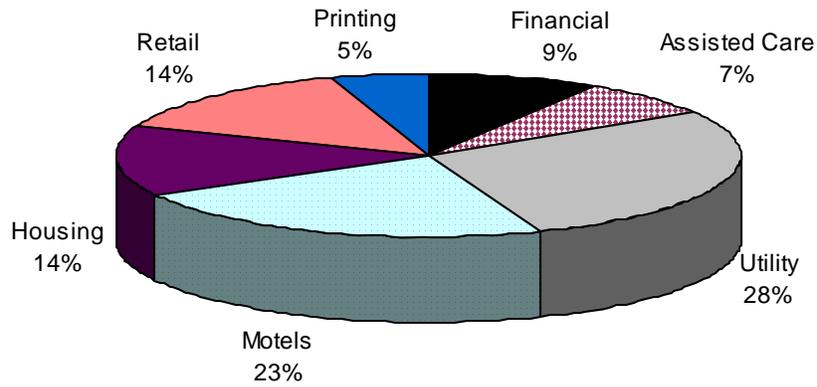
CITY OF ASHLAND, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

<u>Taxpayers</u>	<u>Type of Business</u>	2007 Assessed Valuation	Percentage of Total Assessed Valuation
Qwest Corporation	Utility	\$ 10,347,600	0.59%
Windmill Inns of America, Inc.	Motels	10,072,980	0.57%
Ronald L. Deluca	Housing	8,722,189	0.49%
Avista Corp.	Utility	7,224,300	0.41%
Pacific Financial , Inc.	Financial	5,528,460	0.41%
Michael D. & Beverly Rydbom	Retail	4,590,790	0.31%
Skylark Assisted Living	Assisted Care	4,532,670	0.26%
Bard's Inn Limited	Motels	4,319,770	0.26%
Summit Investment	Retail	4,229,050	0.24%
IPCO Development Corporation	Printing	3,141,440	0.26%
All other		<u>\$ 1,703,787,050</u>	<u>96.45%</u>
Total		<u>\$ 1,766,496,299</u>	<u>100.00%</u>

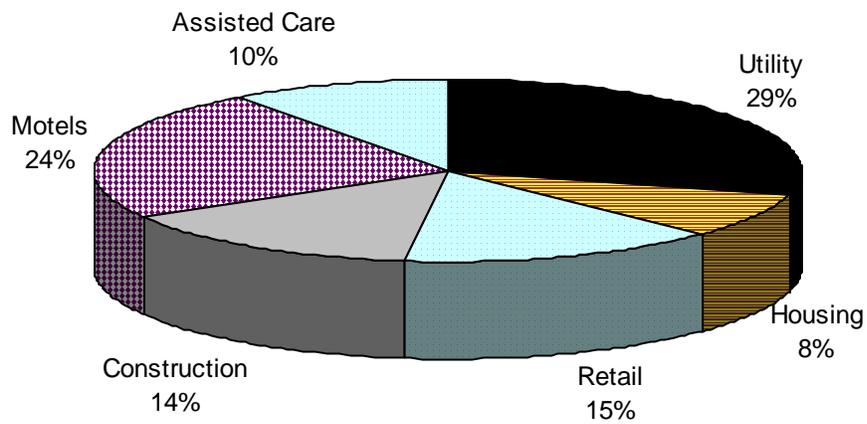
<u>Taxpayers</u>	<u>Type of Business</u>	1998 Assessed Valuation	Percentage of Total Assessed Valuation
US West Communications Inc.	Utility	\$ 10,035,220	0.97%
AHI Inc.	Motels	9,011,480	0.87%
Washington Water Power Co.	Utility	5,231,120	0.51%
Mountain Meadows	Assisted Care	5,176,330	0.50%
Michael D. & Beverly Rydbom	Retail	4,478,400	0.43%
Lloyd Haines	Construction	4,201,750	0.41%
Ashlander Inc	Housing	4,198,890	0.41%
Brodeur/Brodeur Inc.	Motels	3,359,140	0.32%
Warren Family Partnership	Construction	3,310,920	0.32%
Summit Investment	Retail	3,129,150	0.30%
All other		<u>\$ 993,586,470</u>	<u>95.94%</u>
Total		<u>\$ 1,035,683,650</u>	<u>100.00%</u>

Source: Jackson County Assessor

2007 Principal Property Tax Payers



1998 Principal Property Tax Payers



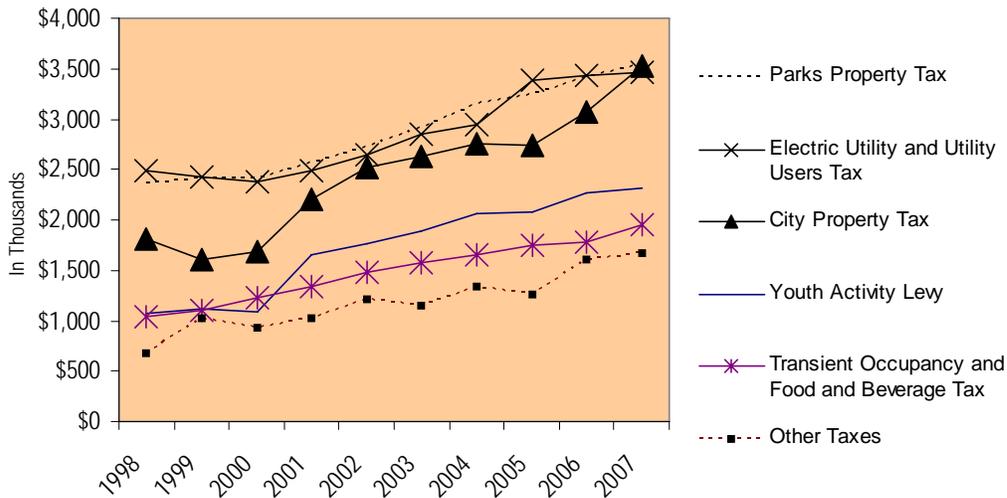
CITY OF ASHLAND, OREGON
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 (Amounts Expressed in Thousands)
 for the last ten fiscal years - Unaudited

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
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
2000	5,182	781	1,594	783	930	292	148	9,710
1999	5,130	769	1,651	881	840	262	140	9,673
1998	5,246	827	1,656	542	793	251	142	9,457

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

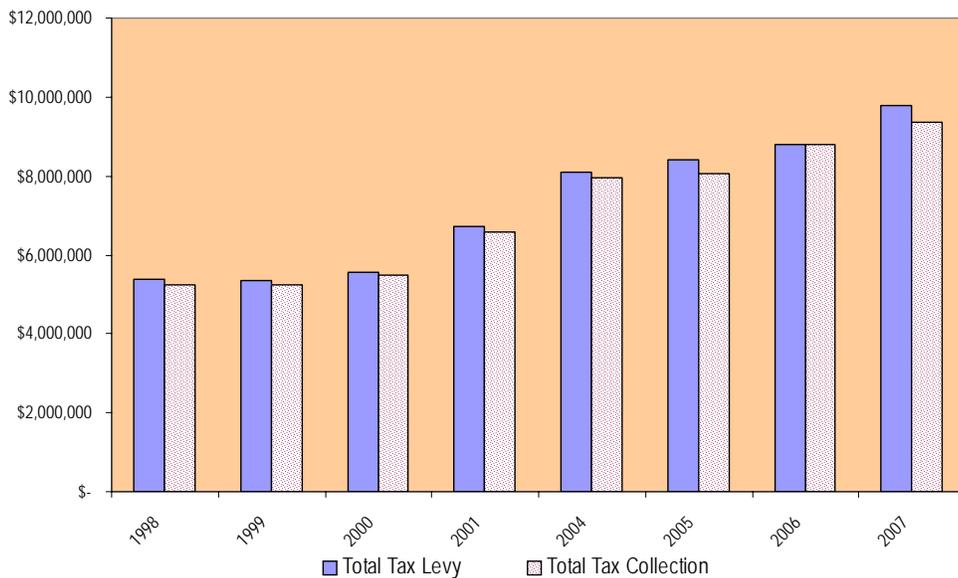
Fiscal Year Ended June 30,	Total Tax Levy ¹	Current Tax Collections ³	Percent of Levy Collected	Delinquent Tax Collections ^{2,3}	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2007	\$ 9,797,262	\$ 9,142,734	93.3%	\$ 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%
2000	5,576,000	5,109,088	91.6%	367,430	5,476,518	98.2%	542,712	9.7%
1999	5,359,000	4,701,836	87.7%	535,791	5,237,627	97.7%	487,762	9.1%
1998	5,368,362	4,907,232	91.4%	338,875	5,246,107	97.7%	448,995	8.4%

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

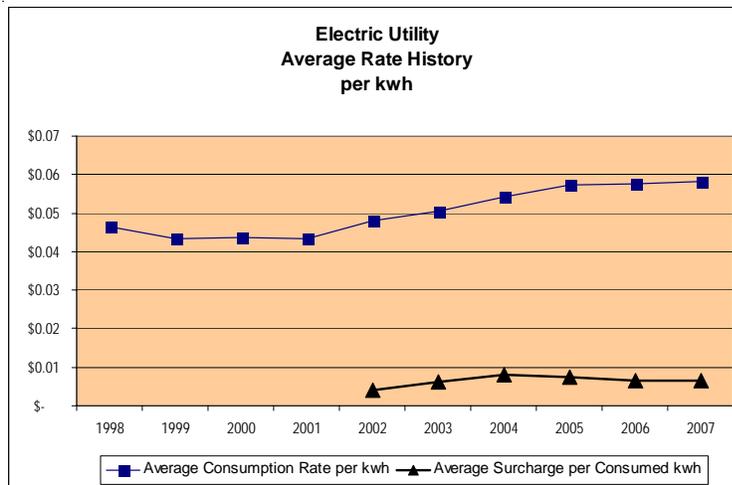
³ Includes adjustments, rounding and discounts

Property Tax Levies and Collections



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

	2007	2006	2005	2004	2003
Electric:					
Commercial	59,796,009	58,939,938	58,199,994	57,257,258	56,017,453
Governmental	16,771,812	17,684,660	17,522,640	16,826,746	16,009,661
Municipal	5,911,482	5,798,328	6,015,412	6,181,644	5,785,074
Residential	91,324,747	90,977,982	89,045,820	86,225,218	85,158,420
Electric Usage Total	173,804,050	173,400,908	170,783,866	166,490,866	162,970,608
Total Electric Revenue	\$ 10,118,284	\$ 9,978,512	\$ 9,779,099	\$ 9,022,608	\$ 8,236,862
Average Consumption Rate per kwh	\$ 0.058	\$ 0.058	\$ 0.057	\$ 0.054	\$ 0.051
BPA Surcharge Revenue	\$ 1,123,490	\$ 1,133,645	\$ 1,266,655	\$ 1,329,577	\$ 994,166
Average Surcharge per Consumed kwh	\$ 0.006	\$ 0.007	\$ 0.007	\$ 0.008	\$ 0.006



	2007	2006	2005	2004	2003
Demand:					
Commercial	164,228	160,133	156,388	156,476	155,538
Governmental/Municipal	69,856	68,828	67,529	65,457	62,436
Demand Usage Total	234,084	228,961	223,917	221,933	217,974
Total Demand Revenue	\$ 490,039	\$ 463,244	\$ 453,221	\$ 422,209	\$ 384,340
Average Demand Rate per kwh	\$ 2.093	\$ 2.023	\$ 2.024	\$ 1.902	\$ 1.763

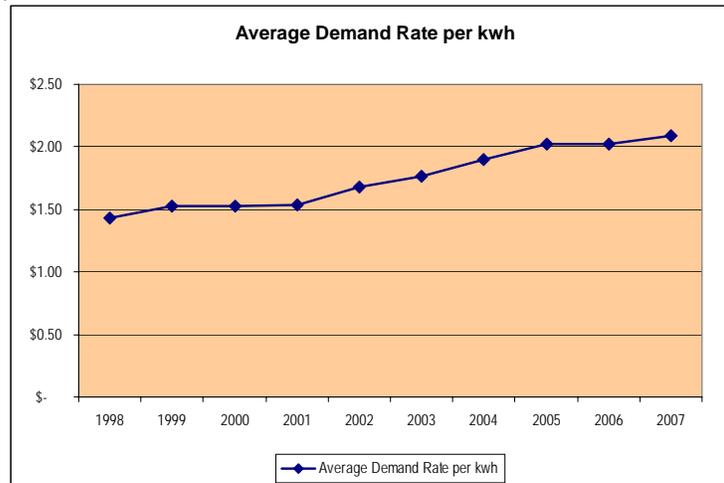
The cost of supplying electric service depends not only upon the amount of energy (kwh) provided, but also upon the rate (kwh demand) at which it is consumed, since this factor is ultimately reflected in the amount of distributing capacity which must be kept available.

Note: The revenue shown above is only for the categories listed. These categories represent approximately 93% of the total charges for services which can be seen on page 101.

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

2002	2001	2000	1999	1998
53,220,997	52,714,544	51,407,937	51,867,428	50,266,509
16,620,796	20,273,391	17,388,770	15,637,206	15,242,638
4,957,496	2,807,439	3,957,069	3,794,375	3,871,604
82,490,010	86,856,040	83,216,352	88,819,268	82,283,610
157,289,299	162,651,414	155,970,128	160,118,277	151,664,361
\$ 7,570,069	\$ 7,074,783	\$ 6,794,532	\$ 6,953,048	\$ 7,059,354
\$ 0.048	\$ 0.043	\$ 0.044	\$ 0.043	\$ 0.047
\$ 610,887	NA	NA	NA	NA
\$ 0.004	NA	NA	NA	NA

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



2002	2001	2000	1999	1998
146,098	148,608	147,439	149,218	151,279
61,760	63,126	58,607	53,353	52,012
207,858	211,734	206,046	202,571	203,291
\$ 349,766	\$ 325,045	\$ 314,276	\$ 310,204	\$ 290,358
\$ 1.683	\$ 1.535	\$ 1.525	\$ 1.531	\$ 1.428

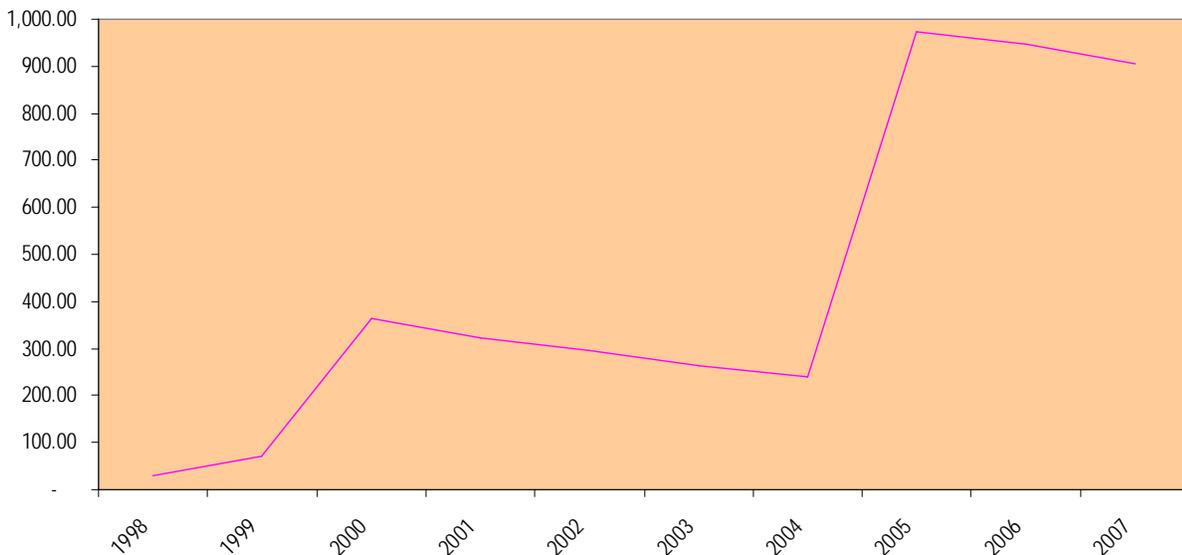
CITY OF ASHLAND, OREGON
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND
NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Population ¹	Percentage Change	Assessed Value ²	Gross Bonded Debt ³	Debt			Net General Obligation Bonded Debt	Ratio of Net Bonded Debt to Net Assessed Value	
					Service Fund Monies Available	Enterprise Fund Monies Available	Debt Payable from Enterprise Revenues ⁴		Bonded Debt	Net Bonded Debt per Capita
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
2000	19,490	1.40%	1,157,736,510	31,454,293	225,841	584,621	23,553,831	7,090,000	0.61%	363.78
1999	19,220	3.56%	1,088,136,230	14,715,508	522,083	333,888	12,484,537	1,375,000	0.13%	71.54
1998	18,560	1.09%	1,035,683,650	8,220,000	149,017	850,362	6,665,000	555,621	0.05%	29.94

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

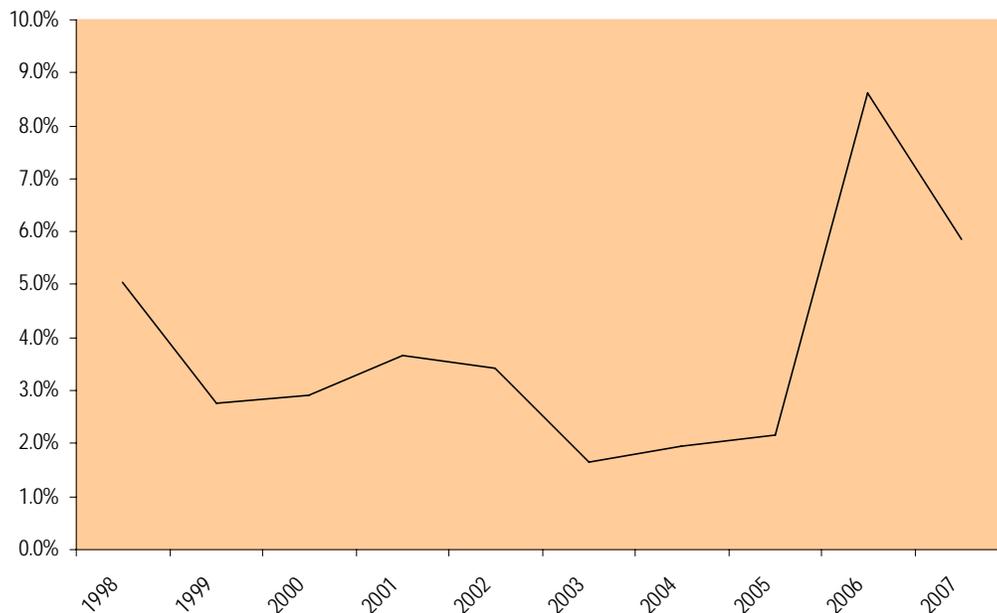


CITY OF ASHLAND, OREGON
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
for the last ten fiscal years - Unaudited

Fiscal Year Ended June 30,	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2007	\$ 205,000	\$ 899,290	\$ 1,104,290	\$ 18,877,775	5.8%
2006	195,000	1,296,608	1,491,608	17,302,206	8.6%
2005	185,000	187,607	372,607	17,278,171	2.2%
2004	185,000	196,353	381,353	19,656,207	1.9%
2003	170,000	199,068	369,068	22,293,115	1.7%
2002	280,000	188,809	468,809	13,724,000	3.4%
2001	210,000	232,044	442,044	12,021,000	3.7%
2000	215,000	96,081	311,081	10,626,000	2.9%
1999	145,000	144,515	289,515	10,427,000	2.8%
1998	425,000	40,320	465,320	9,213,000	5.1%

† 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	
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
2000	3,241,760	2,358,054		883,706	135,000	194,518	329,518	2.68
1999	2,794,002	1,868,660		925,342	125,000	200,955	325,955	2.84
1998	2,477,079	1,621,087		855,992	120,000	206,837	326,837	2.62

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 Four Years

Governmental Activities			<u>Notes and Contracts</u>		
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Promissory Notes	OECD Loans	Per Capita ¹
2007	\$ 18,575,000	1.05%	\$ 883,775	\$ 1,754,932	989.91
2006	3,280,000	0.20%	1,066,510	2,916,774	347.86
2005	3,050,000	0.19%	1,215,270	2,079,804	308.16
2004	3,235,000	0.21%	8,758,585	2,231,077	696.26
2003	3,420,000	0.24%	1,343,423	2,249,447	348.38

Business - type Activities					
Fiscal Year Ended June 30,	General Obligation Bonds	Percent of Assessed Value	Revenue Bonds and Notes	DEQ Loan	Per Capita
2007	\$ 850,000	0.05%	\$ 4,315,000	\$19,711,883	1,160.84
2006	16,500,000	0.99%	4,640,000	20,702,256	2,003.94
2005	16,995,000	1.07%	4,960,000	21,659,513	2,118.24
2004	1,650,000	0.11%	5,280,000	22,584,762	1,444.68
2003	1,860,000	0.13%	13,545,000	23,479,073	1,931.65

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

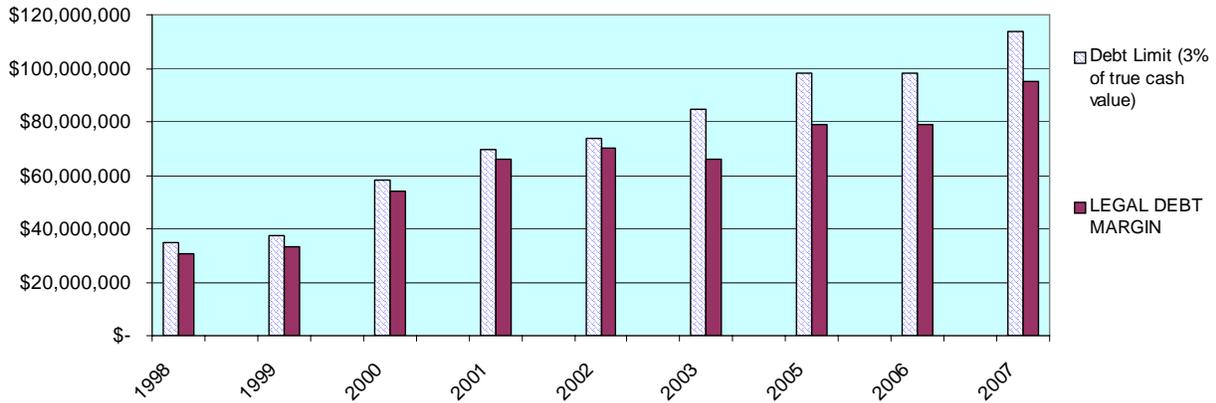
OECD - Oregon Economic and Community Development Department

DEQ - Oregon Department of Environmental Quality

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
True Cash Value	<u>\$3,788,568,503</u>	<u>\$3,266,109,773</u>	<u>\$2,827,489,200</u>	<u>\$2,450,551,643</u>	<u>\$2,327,582,133</u>
Legal Debt Margin					
Debt Limit (3% of true cash value)	<u>\$ 113,657,055</u>	<u>\$ 97,983,293</u>	<u>\$ 84,824,676</u>	<u>\$ 73,516,549</u>	<u>\$ 69,827,464</u>
Net Bonded Debt:					
Gross bonded debt	19,425,000	19,780,000	20,045,000	4,875,000	5,280,000
Less amounts exempted:					
Water	(50,000)	(60,000)	(85,000)	(100,000)	(125,000)
Special assessment	-	-	-	-	-
Refunding	-	-	-	-	(75,000)
Water Refunding	<u>(800,000)</u>	<u>(940,000)</u>	<u>(1,075,000)</u>	<u>(1,205,000)</u>	<u>(1,325,000)</u>
Total debt applicable to margin	<u>18,575,000</u>	<u>18,780,000</u>	<u>18,885,000</u>	<u>3,570,000</u>	<u>3,755,000</u>
LEGAL DEBT MARGIN	<u>\$ 95,082,055</u>	<u>\$ 79,203,293</u>	<u>\$ 65,939,676</u>	<u>\$ 69,946,549</u>	<u>\$ 66,072,464</u>

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



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

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<u>\$1,943,471,450</u>	<u>\$1,240,116,210</u>	<u>\$1,157,736,510</u>	<u>\$1,089,529,060</u>	<u>\$1,035,683,650</u>
<u>\$ 58,304,144</u>	<u>\$ 37,203,486</u>	<u>\$ 34,732,095</u>	<u>\$ 32,685,872</u>	<u>\$ 31,070,510</u>
6,135,000	6,530,000	7,090,000	4,255,000	4,760,000
(145,000)	(165,000)	(185,000)	(205,000)	(305,000)
(55,000)	(180,000)	(255,000)	(335,000)	(475,000)
(325,000)	(550,000)	(765,000)	(980,000)	(1,180,000)
<u>(1,440,000)</u>	<u>(1,555,000)</u>	<u>(1,670,000)</u>	<u>(1,695,000)</u>	<u>(1,720,000)</u>
<u>4,170,000</u>	<u>4,080,000</u>	<u>4,215,000</u>	<u>1,040,000</u>	<u>1,080,000</u>
<u>\$ 54,134,144</u>	<u>\$ 33,123,486</u>	<u>\$ 30,517,095</u>	<u>\$ 31,645,872</u>	<u>\$ 29,990,510</u>

CITY OF ASHLAND, OREGON
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2007 - Unaudited

True cash value	\$	3,788,568,503
3% of the true cash value		<u>0.03</u>
	\$	113,657,055
 NET BONDED DEBT:		
Gross bonded debt		19,425,000
Less amounts exempted:		
Water		(50,000)
Water Refunding		<u>(800,000)</u>
Total debt applicable to margin		<u>18,575,000</u>
LEGAL DEBT MARGIN	\$	<u><u>95,082,055</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.

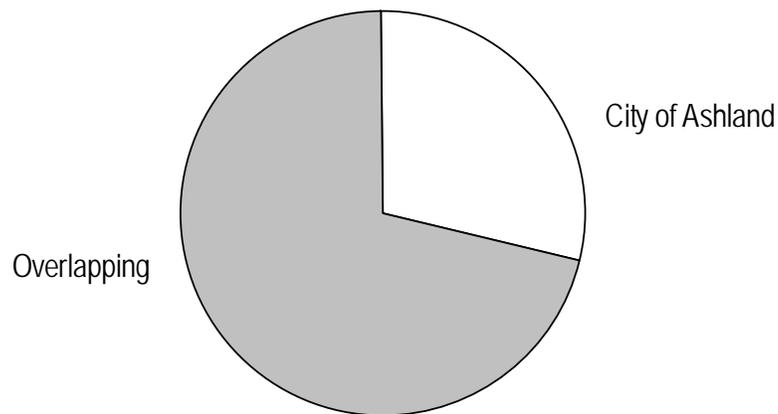
Source: Jackson County Assessor's Office
Audited Financial Statements
Oregon Revised Statutes (ORS) 287.004

CITY OF ASHLAND, OREGON
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS
June 30, 2007 - Unaudited

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City	Amount Applicable to City
Direct:			
City of Ashland	\$ 19,425,000	100.00%	\$ 19,425,000
Overlapping			
Jackson County	37,980,000	14.06%	5,341,165
School District #5	46,800,000	80.83%	37,828,393
Rogue Community College	44,280,000	10.26%	4,543,527
	<u>\$ 129,060,000</u>		<u>\$ 47,713,085</u>
	<u>\$ 148,485,000</u>		<u>\$ 67,138,085</u>

Source: State of Oregon, Office of Treasurer

City of Ashland
Bonded Debt Compared to Overlapping Debt



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

2007		
Employer	Employees	Percentage of Total City Employment
Southern Oregon University	750	8.33%
Ashland Community Hospital	410	4.56%
Oregon Shakespeare Festival	398	4.42%
Ashland Public Schools	350	3.89%
City of Ashland*	229	2.54%
Butler Ford	160	1.78%
Pathway Enterprises	140	1.56%
Ashland Food Cooperative	130	1.44%
Professional Tool Mfg. LLC	100	1.11%
Prestige Care (Linda Vista)	75	0.83%
Total	<u>2,742</u>	<u>30.47%</u>
Estimated Total City Employment	<u>9,000</u>	

1999		
Employer	Employees	Percentage of Total City Employment
Southern Oregon State College	740	12.33%
Public Schools	382	6.37%
Oregon Shakespeare Festival	430	7.17%
Ashland Community Hospital	264	4.40%
Southern OR Training & Habilitation	246	4.10%
City of Ashland*	197	3.28%
Darex Corporation	135	2.25%
Butler Ford	100	1.67%
Linda Vista Care	85	1.42%
Parson's Pine Products	71	1.18%
Total	<u>2,650</u>	<u>44.17%</u>
Estimated Total City Employment	<u>6,000</u>	

Source: Ashland Chamber of Commerce
Oregon Employment Department

* Excludes Ashland Parks Commission

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

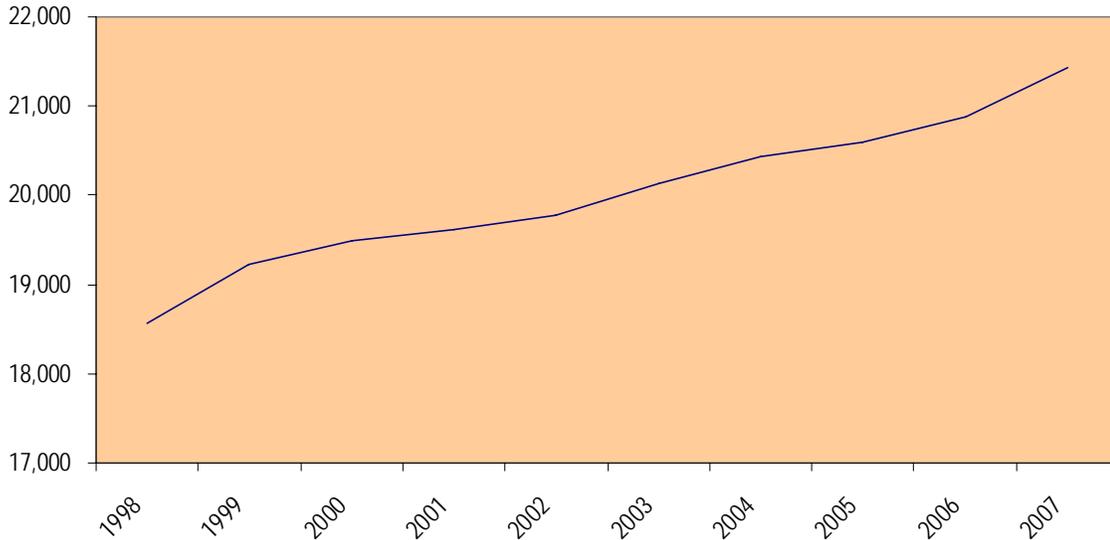
Fiscal Year Ended June 30,	Population ¹	Percentage Change	Per Capita Income ²	School Enrollment ³	Unemployment Rate Jackson Co. ²
2007	21,430	2.63%	N/A	3,000	5.6%
2006	20,880	1.41%	N/A	2,777	5.7%
2005	20,590	0.78%	30,239	2,920	6.2%
2004	20,430	1.49%	28,531	3,138	7.3%
2003	20,130	1.82%	26,477	3,321	6.8%
2002	19,770	0.82%	25,772	3,393	6.6%
2001	19,610	0.62%	24,917	3,411	5.9%
2000	19,490	1.40%	23,914	3,258	5.7%
1999	19,220	3.56%	22,649	3,309	6.4%
1998	18,560	1.09%	21,565	3,358	6.6%

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

² Bureau of Economic Analysis

³ Ashland School District

**Population Growth
Last Ten Years**



CITY OF ASHLAND, OREGON
SCHEDULE OF MAJOR INSURANCE IN FORCE
June 30, 2007

Company	Coverage	Policy Period	General Aggregate/Each Occurrence	Premium	
City County Insurance Services	General Liability	07/01/2006-07/01/2007	\$ 1,000,000 / \$ 500,000	\$ 138,153	
	Commercial General Liability	07/01/2006-07/01/2007	\$ 1,000,000 / \$ 500,000		
	Public Officials Liability	07/01/2006-07/01/2007	\$ 1,000,000 / \$ 500,000		
	Employment Practices	07/01/2006-07/01/2007	\$ 1,000,000 / \$ 500,000		
		Automobile Liability			28,296
	Scheduled Autos	07/01/2006-07/01/2007	None / \$ 500,000		
	Hired Autos	07/01/2006-07/01/2007	None / \$ 500,000		
	Non-Owned Autos	07/01/2006-07/01/2007	None / \$ 500,000		
		Auto Physical Damage			16,108
	Scheduled Autos	07/01/2006-07/01/2007	Per Filed Value		
	Hired Autos	07/01/2006-07/01/2007	Per Filed Value		
	Non-Owned Autos	07/01/2006-07/01/2007	Per Filed Value		
		Property			80,540
	Buildings	07/01/2006-07/01/2007	Per Filed Value		
Mobile Equipment	07/01/2006-07/01/2007	Per Filed Value			
	Boiler and Machinery	07/01/2006-07/01/2007	Replacement Cost of Machinery & Equipment not covered elsewhere	5,369	
Northwest Insurance Group, Inc.	Airport Liability	07/01/2006-07/01/2007	\$4,000,000/\$4,000,000	5,189	
The Hartford	Flood	10/23/2006-10/23/2007	\$ 54,200	700	
Safety National Casualty Corp.	Workers' Compensation Self-Insured Bond	07/01/2006-07/01/2007		6,000	
	Excess Workers' Compensation	07/01/2006-07/01/2007	\$ 1,000,000 / \$ 1,000,000	25,152	

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

<u>Function/Program</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Administration	3.00	3.00	3.00	3.00
Human Resources	3.00	2.00	2.00	2.00
Legal	3.50	3.50	3.50	3.50
Information Technology	7.60	7.60	6.45	4.95
Finance	15.50	17.50	16.50	15.80
Municipal Court	4.15	4.15	3.75	3.00
City Recorder/Treasurer	2.00	2.00	2.00	2.00
Police	40.30	39.80	39.80	37.30
Fire	35.40	35.00	34.00	32.00
Streets	10.20	10.20	9.70	9.45
Water	16.30	14.80	14.80	13.70
Wastewater	11.80	11.80	11.80	12.55
Public Works Administration	8.00	8.00	8.00	6.75
Engineering	6.00	6.00	6.00	5.75
Facilities Maintenance/Cemetery	4.00	4.00	4.00	4.00
Fleet Maintenance	3.50	3.50	3.50	3.60
Planning	11.50	10.50	8.65	8.45
Building	6.50	6.50	6.55	6.55
Electric	18.10	18.10	17.15	14.40
Telecommunication	7.55	8.05	9.65	8.65
Conservation	3.00	3.00	2.80	3.00
Senior Program	*	*	1.75	1.75
Subtotal	220.90	219.00	215.35	202.15
Parks	48.45	48.45	45.90	37.40
Total	<u>269.35</u>	<u>267.45</u>	<u>261.25</u>	<u>239.55</u>

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

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

Function/Program	2007	2006	2005	2004	2003
Police					
Physical Arrests, Juvenile and Adult	2,748	2,607	2,004	2,293	2,412 ²
Traffic Violations	3,036	3,773	4,608	4,405	5,858
Fire					
Fire Alarm Responses	457	425	415	388	319
Emergency Medical Responses	2,955	2,716	2,952	2,428	2,294
Non-emergency Public Service Responses	87	109	100	90	127
Code Enforcement Plans Review	495	535	644	721	643
Total Calls for Service	3,534	4,000	3,285	3,186	2,922
Total Ambulance Patient Transports	1,616	1,511	1,243	1,274	989
Water					
Service Connections	8,281	7,870	7,764	7,609	7,419
Daily Average Consumption in Millions of Gallons	4	4	3	4	3
Maximum Daily Capacity of Plant in Million Gallons	8	8	8	8	8 ¹
Sewer					
Service Connections	8,129	7,722	7,583	7,455	7,290
Daily Average Treatment in Million Gallons	2	2	2	2	2
Maximum Daily Capacity in Million Gallons	4	4	4	4	4
Electric					
Service Connections	11,780	11,277	11,062	10,561	10,374
Telecommunications					
Cable TV	- ⁴	3,095	3,170	3,100	2,961
Cable Modem	3,988	3,823	3,686	3,435	3,040
Potential Station Capacity	424	140	161	161	161

¹ Identifies correction to capacity

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

³ Identifies digital channels only apposed to both digital and analog in previous years

⁴ Cable TV outsourced

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

2002	2001	2000	1999	1998
300	287	287	363	338
4,358	3,283	3,283	4,150	3,287
272	313	313	225	225
2,404	1,964	1,964	1,600	1,600
78	78	78	84	84
475	NA	NA	NA	NA
2,740	2,630	NA	NA	NA
863	793	NA	NA	NA
7,214	7,200	6,662	6,662	6,566
3	4	3	3	3
10	10	10	10	10
7,091	7,046	6,546	6,546	6,089
2	2	2	2	2
6	10	6	6	6
10,490	10,441	10,105	9,884	9,308
2,499	NA	NA	NA	NA
2,323	NA	NA	NA	NA
161	161	161	161	NA

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

Function/Program	2007	2006	2005	2004	2003
Police					
Stations	1	1	1	1	1
Patrol Units (vehicles)	8	8	8	8	6
Sworn Officers	27	27	27	30	29
Fire					
Stations	2	2	2	2	2
Fire Fighters	31	31	31	31	27
Streets					
Miles of Paved Streets	104	100	100	97	97
Miles of Gravel Streets	10	14	14	17	19
Miles of Storm Sewers	85	85	84	76	55
Water					
Miles of Water Mains	124	124	124	121	115
Hydrants	1,115	1,142	1,131	1,069	1,000
Sewer					
Miles of Sanitary Sewers	110	110	108	106	106
Treatment Plant	1	1	1	1	1

1 Identifies implementation of GIS system

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

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
1	1	1	1	1
6	6	6	6	6
29	26	26	26	26
2	2	2	2	2
28	24	24	24	24
78	81	78	78	78
20	7	5	5	5
60	55	14	14	14
94	90	55	55	55
987	972	875	875	875
86	88	86	86	86
1	1	1	1	1

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

Function/Program	2007	2006	2005	2004	2003
Electric					
Street Lights	1,802	1,771	1,707	1,338	1,283
Electrical Transformers	1,982	1,973	1,943	1,851	1,815
Poles	2,551	2,559	3,501	2,511	2,501
Substations	3	3	3	3	3
Telecommunications					
Miles of Fiber	25	29	25	25	35
Miles of Coax	117	110	117	117	117
Parks and Recreation					
Community Centers	3	3	3	3	3
Parks	19	19	19	19	19
Park Acreage	640	640	637	637	637
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	NA
Health Care					
Hospital	1	1	1	1	1
Hospital Beds	60	49	49	49	49
Education					
Elementary Schools	3	3	3	4	5
Elementary School Instructors	59	59	61	58	69
Secondary Schools	2	2	2	2	2
Secondary School Instructors	106	106	106	90	102
State Universities	1	1	1	1	1

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

<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
1,276	1,895	1,895	1,872	1,872
2,030	1,864	1,864	1,824	1,824
2,501	2,742	2,742	2,734	2,734
3	3	3	3	3
30	10	10	10	NA
120	120	120	90	NA
3	3	3	3	3
19	19	17	17	17
637	637	535	535	535
1	1	1	1	1
1	1	1	1	1
1	1	1	1	NA
1	1	NA	NA	NA
12	12	12	12	12
NA	NA	NA	NA	NA
1	1	1	1	1
49	49	49	49	49
5	5	5	5	5
93	93	93	93	93
2	2	2	2	2
116	116	116	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.



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

- 12700 S.W. 72nd Avenue • Tigard, Oregon 97223
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October 17, 2007

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES

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

REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2007 and have issued our report thereon dated October 17, 2007.

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

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

In planning and performing our audit of the basic financial statements of the City of Ashland, Jackson County, Oregon, for the year ended June 30, 2007, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses as defined above. We have issued a report on significant deficiencies dated October 17, 2007.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the 2007 basic financial statements, and this report does not affect our report on the basic financial statements dated October 17, 2007.

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

ACCOUNTING RECORDS

The City's accounting records were adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds appeared to be within authorized appropriations.

2006-2007 and 2007-2008 BUDGETS

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

STATE HIGHWAY FUNDS

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

COLLATERAL SECURING BANK DEPOSITS

The City's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2006-2007, based upon our testing, except we noted that the City was undercollateralized at June 30, 2007. Deposits in the State Local Government Investment Pool are not required to be collateralized.

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES

INVESTMENTS

The City's investments for the year ending June 30, 2007, were reviewed and, based upon our testing, appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The City's procedures for awarding public contracts were reviewed, and based upon our testing, we found no instances of non-compliance with ORS Chapter 279 during 2006-2007.

INSURANCE AND FIDELITY BONDS

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

STATUTORY BONDED DEBT LIMITATION

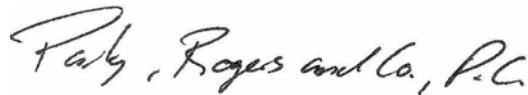
The City's bonded debt outstanding appeared to be within the limitation established by Oregon Law.

OUTSTANDING WARRANTS

The City did not have any endorsed warrants outstanding at June 30, 2007.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

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



PAULY, ROGERS AND CO., P.C.

**GOVERNMENT AUDITING STANDARDS
COMPLIANCE REPORTS**



CITY OF ASHLAND
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the year ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Cumulative Disbursements / Expenditures</u>
Oregon Office of Homeland Security Criminal Justice Services Division Citizen Corps Program 09/01/2006-06/30/2008	97.053	06-101	\$ 35,542.00	\$ 15,599.00
Oregon Office of Homeland Security Criminal Justice Services Division Citizen Corps Program 05/01/2005-12/31/2006	97.053	05-102	\$ 17,600.00	\$ 17,600.00
United States Department of Agriculture Federal Financial Assistance Award Ashland Wildfire Mitigation Project 06/22/2004-12/31/2007	10.672	2004-DG- 11062764-003	\$ 250,000.00	\$ 198,109.20
U.S. Department of Homeland Security Office of Grants and Training FY 2006 Assistance to Firefighters Grant	97.044	EMW-2006- FG-16772	\$ 312,000.00	\$ 312,000.00
Federal Aviation Administration Nonprimary Allocation	20.106	3-41-0002-07	\$ 227,900.00	\$ -
United States Department of Transportation Federal Highway Administration Congestion Mitigation and Air Quality Improvement Program	20.205	21139	\$ 580,000.00	\$ -
United States Department of Housing and Urban Development Community Development Block Grant Program 07/01/2005-06/30/2006	14.218	B05MC410008	\$ 237,500.00	\$ 47,500.00
United States Department of Housing and Urban Development Community Development Block Grant Program 07/01/2006-06/30/2007	14.218	B06MC410008	\$ 213,509.00 \$ 190,000.00 <u>\$ 403,509.00</u>	\$ 371,501.00
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,064,051.00</u>	<u>\$ 962,309.20</u>



CITY OF ASHLAND, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2007

Note A - Basis of Accounting

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

Note B - Loans Outstanding

The City of Ashland, Oregon had the following loan balances outstanding at June 30, 2006. Current year draw downs and related expenditures are included in the federal expenditures presented in this schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
EPA/DEQ State Revolving Fund Loan Program	66.458	<u>\$ 19,711,883</u>

Note C - Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	<u>\$ 190,000</u>





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October 17, 2007

To the City Council
City of Ashland
Jackson County, Oregon

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

We have audited the financial statements of City of Ashland as of and for the year ended June 30, 2007, and have issued our report thereon dated September 21, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Ashland's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

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 the entity's internal control.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ashland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

This report is intended solely for the information and use of management, the Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.



PAULY, ROGERS AND CO., P.C.



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October 17, 2007

To the City Council
City of Ashland
Jackson County, Oregon

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

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, 2007. City of Ashland's 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's management. Our responsibility is to express an opinion on City of Ashland's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Ashland's 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, 2007

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's 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 Entity's internal control over compliance.

A *control deficiency* in an entity's 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 entity'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 entity's internal control.

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 entity's 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.

This report is intended solely for the information and use of management, *the Council*, others within the entity, 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 OF PRIOR AND CURRENT YEAR AUDIT FINDINGS,
QUESTIONED COSTS, AND NOTES RELATIVE TO FEDERAL AWARDS

For the Year Ended June 30, 2007

CURRENT YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

UNQUALIFIED OPINION

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

NONE

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

UNQUALIFIED OPINION

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2007:

Firefighters Grants – CFDA # 97.044

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

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

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

