

City of Grants Pass, Oregon
Comprehensive Annual Financial Report
For the year ended June 30, 2007

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2007

Prepared by:

Joanne Stumpf, Administrative Services Director

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

ELECTED OFFICIALS

June 30, 2007

<u>NAME</u>	<u>TERM EXPIRES</u>
Len Holzinger, Mayor	December 31, 2008
Phil Paquin, NW – Ward 1	December 31, 2008
Del Renfro, NW – Ward 1	December 31, 2010
Bill Kangas, NE – Ward 2	December 31, 2010
Jack Patterson, Jr., NE – Ward 2	December 31, 2008
Tim Cummings, SE – Ward 3	December 31, 2010
DonnaJean Wendle, SE – Ward 3	December 31, 2008
Lisa Berger, SW – Ward 4	December 31, 2010
Vacant, SW – Ward 4	December 31, 2008

All council members receive mail at the address listed below.

CITY MANAGER

David W. Frasher

ADMINISTRATIVE SERVICES DIRECTOR

Joanne M. Stumpf

City of Grants Pass
Municipal Building
101 N.W. "A" Street
Grants Pass, OR 97526

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City of Grants Pass



January 25, 2008

Citizens of Grants Pass
Honorable Len Holzinger, Mayor
Members of the City Council
Budget Committee Members
Reviewing Agencies

Ladies and Gentlemen:

Grants Pass Municipal government undergoes an annual audit to report information on local government financial affairs and to ensure compliance with government accounting standards and practices. Local government has very stringent reporting and accounting standards that require full disclosure of financial affairs to the public that it serves.

The annual audit is prepared to meet legal requirements (ORS 297.425) and to respond to our Council's strong belief in total disclosure and effective communication. Pauly, Rogers and Co., P.C., a firm of certified public accountants, have audited the attached financial statements. The City is responsible for the accuracy of the data and the complete disclosure of our financial records. The auditors test transactions, verify the system, and assure accuracy.

Your management and employees believe that the financial information and disclosures of this report are accurate in all material respects, and that the report fairly represents the financial position of the City and the results of operation for the last year, as measured by financial activity. We have included all disclosures necessary for the reader to understand the financial condition of the City.

The report is presented in three main sections: Introductory, Financial and Statistical. The Introductory Section includes this letter of transmittal, a copy of the GFOA *Certificate of Achievement for Excellence in Financial Reporting* for the City's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006, a list of City elected officials, and an organization chart.

The Financial Section contains the report of the independent auditors and the financial statements upon which they have expressed their opinion. The Government

Accounting Standards Board (GASB) requires that management provide a narrative introduction and an overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Also included in the Financial Section are the government-wide and fund financial statements which summarize the City's financial position and operating results. They are followed by explanatory notes which include a description of the basis of accounting used by the City and its budgetary requirements and practices. This section also includes supplementary data, combining statements, budgetary schedules and schedules of capital assets used in the operation of governmental funds.

The Statistical Section is intended to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess a government's economic and financial condition. The Statistical section is presented in five categories – financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

In addition to the three main sections, the final section of this report includes a Compliance Section containing of audit comments and disclosures. These comments by our auditors are required by State regulations and present information about the City's compliance with state laws and regulations in the preparation and adoption of its budget, collateralization of public fund deposits and other requirements applicable to the City.

Geography of the City of Grants Pass

Grants Pass has grown to a population of slightly more than 31,740 residents and is a beautiful community with a "hometown" feeling. The City was incorporated in 1887 and today encompasses 7,026 acres of land. Grants Pass is located on Interstate 5 in the "Sun Belt" of Southern Oregon, astride the banks of the Rogue River, one of America's premier white water rivers. The City is nestled among a series of mountains giving the valley a scenic backdrop. Grants Pass is the County seat of Josephine County and serves as the major commercial, cultural, and economic center for a County population of 82,390.

Factors Impacting Financial Conditions

The City of Grants Pass continues to experience growth and now ranks 15th in population among 241 communities in Oregon. Grants Pass's assessed value rose 19.5% while the County experienced a 6.6% increase in assessed value. Two voter approved annexations in FY'06 were the predominant factor in the City's increase.

While Grants Pass continues to grow, development has slowed significantly during the past year, particularly in the housing sector. Single-family housing starts decreased 39.6% in number of permits issued and \$30.6M in value from the previous year. Multi-family permits declined 63.6% with a \$9.8M decrease in value. Permits for additions and alterations to existing residential properties have also declined \$668,000 in value. Although commercial permits revealed a mere 4.4% decline in valuations, the number of permits decreased 46.9%. Thus the immediate demand on planning and building inspection for all classes of construction has slowed considerably.

The local housing market is experiencing significant increases in numbers of listed homes for sale. The median sale price for a home in Grants Pass as of June 30, 2007 was \$242,000 compared to \$275,000 at the same time in 2006. It is difficult to predict when the market will change but it seems reasonable to assume that development will not be returning to the record breaking levels experienced in the 2005 calendar year in the near future. Residential property valuations in the incorporated areas of Josephine County and the Urban Growth Boundary rose 27.1%, from \$2.4 billion to \$3.0 billion in FY'07, largely the result of annexations in the City of Grants Pass.

The acquisition of lands throughout the urban growth boundary by private developers for future subdivisions has decreased dramatically and will continue to depend upon the expansion of municipal utility services. Grants Pass requires Service and Annexation Agreements (S & A) prior to accessing municipal services for water, wastewater, police, and fire. Accordingly, property owners within the urban growth boundary are required to pay the equivalent of the City tax rate on assessed value for these services. At time of annexation, this independent billing is replaced by the levy of the property tax rate on the subject properties.

Commercial permits exceeded FY'06 by 15 in number and \$867,883 in valuation, with the largest gain in industrial development. However, in the first six months of FY'08, permits issued for commercial development have declined about 33% in valuation compared to the same period in FY'07. Despite development declines, escalating demands for transportation and public safety services are on-going. Simultaneously, as the municipal boundaries grow, residents expect rural streets to be brought up to City standards and neighborhood parks to be planned and developed while protecting the natural environment.

All property taxes received in Grants Pass are dedicated exclusively for the provision of Public Safety services. The permanent tax rate (\$4.1335) together with the local option levy (\$1.49) totaled \$5.6235/\$1,000 assessed value and generated \$10.7 million of the \$11.7 million Public Safety budget in FY'07. The City continues to face challenges in securing General Support Revenues for programs that are critical to the sustainability of our community, such as planning, parks, and capital projects. Added to those discussions will be determining the appropriate level of Public Safety services, their associated cost, and the community's willingness to pay for these services through taxation.

While not immune to the decline in the construction industry, Grants Pass continues to

expand and diversify its employment base. The leisure and hospitality sectors experienced a gain of 190 jobs along with a gain of 200 jobs in the health care and social assistance sectors. This growth countered the decline of 250 jobs in federal, state and local government, primarily generated by Josephine County layoffs last summer. Other reductions in the workforce have resulted mainly from the decline in the housing market. A net decline of 110 jobs in Josephine County led to an increase in the unemployment rate from 6.5% to 6.7% for the twelve month period ending June 30, 2007. Local construction jobs were down 170 while manufacturing lost 90 jobs, 60 of those in wood products.

Regional employment projections for the next ten years anticipate an employment growth rate of 15.7%, resulting from population increases and economic expansion. Baby-boom retirements are predicted to generate two thirds of the replacement job openings. Health care occupations are predicted to grow by 29% within the period 2006-2016.

Manufacturing and other primary sector employment remained strong for the year, with many local employers seeing continued expansion and job growth. Some of these increases were led by Fire Mountain Gems with the construction of a 68,800 square foot warehouse, the opening of Deardorff Corners, a 27,400 square foot shopping plaza, the addition of 9,300 square feet to the Ramsey Medical Professional Office, and the opening of the Wheeler Toyota Complex, a 38,800 square foot building off Union Avenue. Encore Ceramics added a 22,000 square foot warehouse to their facility in the Spalding Industrial Park, while the Guild Complex completed construction of two of its four planned buildings for professional and medical offices on Williams Highway.

The Grants Pass/ Josephine County Business Retention & Expansion program, a nationally recognized initiative, continues to survey and aid dozens of local employers in retaining and expanding their enterprises. A third round of comprehensive surveys, launched in early 2005, was completed in July, 2006. Of the 66 businesses surveyed, on a scale of 1 to 5, where 5 is excellent, they rated Grants Pass a 4.3 as a place to do business and 4.7 as a community in which to live. While 64% of the firms expressed plans to modernize or expand their present facilities, 40% of the businesses do not have sufficient property for expansion. It is very important to remain cognizant of this information as the City initiates work on its Urban Growth Boundary expansion project. The survey is scheduled to be taken again in the spring of 2008 to ensure that we maintain the most current data to advance our focus on economic development.

City Organization and Services

The City of Grants Pass has been organized under the Council/Manager form of government since 1946. The governing body consists of eight Council members elected at large, two from each of four wards, and a Mayor elected at large. Elected officials serve without compensation. The Council's mission is:

"To represent all of the citizens by providing leadership, policies, ordinances and decisions necessary to meeting citizens' needs and desires."

The Council makes policy and directly employs the City Manager. The Manager executes Council policy and has the operating and administrative responsibility for all divisions of the municipal corporation. Our local government structure is similar to that of other corporations. For instance, our Mayor is Chairman of the Board, our Council the Board of Directors, and our City Manager the Chief Executive/Operating Officer of the Corporation. The City provides a full range of municipal services. General governmental functions include public safety, code enforcement, park maintenance, planning and development and parking enforcement. Street maintenance, landfill operations and other special operations are reported with the Special Revenue Funds. Services provided through enterprise funds are the water and sewer utilities, in which expenses are covered primarily by user charges. Administrative Services, Support Services, Insurance and Fleet Management are provided through Internal Service Funds. The following programs are administered by five departments under the direction of the City Manager:

Community Development: Directs the development of the community through planning and construction (utility systems, parking facilities, neighborhood improvements, etc.), economic development programs, and enforcement of state building standards.

Public Safety: Provides police protection, fire suppression and prevention, traffic control, educational programs and similar activities for the community.

Parks & Community Services: Directs the operations and maintenance of City facilities (parks, buildings), coordinates downtown events, supports recreation in the community and provides information technology and fleet maintenance services.

Public Works: Directs the operations of the Streets Division, City water and wastewater utilities, landfill and special districts (Harbeck-Fruitdale Sewer District and the Redwood Sanitary Sewer Service District).

Administrative Services: Divided into three divisions, Management, Legal and Administrative Services. Provides management in coordinating and directing all City operations and policy development/analysis, risk management and legal services, economic development, payroll, personnel, debt administration, fiscal management, budget and other financial services to the City.

City Agencies and Special Districts

This report includes all of the funds and account groups of the City as well as all activities for which the City exercises financial or oversight responsibilities consistent with the entity definition criteria established by the Governmental Accounting Standards Board (GASB).

The Grants Pass Parkway Redevelopment Agency (GPPRA) is required to have a separate audit by licensed public accountants. Because the City Council is the governing board of this independent Agency and the City provides financial and administrative services to the Agency, the GPPRA is included in this report as a Capital Project Fund. The information presented has been condensed from the separate GPPRA audit report to conform to the City's reporting format.

The City Council is also the governing body of the Harbeck-Fruitdale Sewer District (HFSD), an entity formed to provide a sewer collection system in a particular area of the City. The HFSD is reported as a component unit in the Enterprise Funds. In prior years, the HFSD received a state grant to fund expansion of the system for health and safety purposes. Currently, the HFSD activity reflects only assessment revenues from benefited property owners and debt service on the twenty-year grant.

Effective August 1998, the City Council also became the governing body of the Redwood Sanitary Sewer Service District (RSSSD), an entity formed twenty years ago to provide sewer services to a specific geographical area outside the municipal boundary. The District was authorized through an intergovernmental agreement between the City and Josephine County. Effective fiscal year 2000, the City assumed responsibility for management of RSSSD from Josephine County for providing financial support services, including preparation of the financial report and contracting for a separate audit. RSSSD is required to have a separate audit, which is included as a component unit in this report and shown in the Enterprise Funds section.

Similarly, in September, 2001 the City of Grants Pass entered into an Intergovernmental Agreement with Josephine County, forming an entity known as the Josephine County/City of Grants Pass Solid Waste Agency. This Agency has a six-member board, three each from the County and the City. This Board is responsible for oversight of the solid waste franchise agreements, establishing rates, and collecting and allocating environmental program fees. The Board granted managerial responsibilities of the Agency to the City of Grants Pass.

Goals Of The Community

The Grants Pass City Council adopted the following goals statement for 2005-06. Through these goals, the Mayor and Council have affirmed their commitment to operating government efficiently and to providing for the general welfare of our community. The Goals are:

Growth Management While prospering and growing, we keep the sense of "hometown", protect our natural resources and enhance our community improvements.

Economic Development With emphasis on small business, we diversify the local economy and create quality jobs for our residents.

Public Safety Living in Grants Pass feels safe and is safe. Public Safety provides our residents with a sense of well-being and protection at an affordable cost.

Environment We protect and enhance the natural environment of our valley, the air, and land, hillsides, trees and the Rogue River and its tributaries.

Parks and Recreation We provide outstanding park facilities throughout the community and facilitate recreation programs for all ages.

Management The City is an efficient organization, which fosters open and positive dialogue among citizens, elected officials and staff. The Council and staff of the City of Grants Pass foster user-friendly service, emphasizing a "how can we help" spirit. We are innovative and creative, finding solutions to strengthen our long-term financial position.

Measuring Performance

Grants Pass is committed to the Government Finance Officers Association recommended performance standards. Each operating division, as a part of the annual budgetary process, is required to define outcomes and service levels. These indicators of performance are reviewed semi-annually and then published at year-end, with notations addressing the attainment of each. The City has achieved 87% of the 115 performance indicators for outcomes and service levels.

Accounting Systems and Internal Controls

The City's governmental and fiduciary fund types are maintained on the modified accrual basis of accounting with revenues recorded when measurable and available, and expenditures recorded when the goods or services are delivered and liabilities are incurred. The City's enterprise and internal service funds are maintained on the accrual basis of accounting.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled for the preparation of financial statements in conformity with generally accepted accounting

principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

The cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations have been made within the framework described above. We believe the internal accounting controls meet the material standards for audit, adequately safeguard the City's assets, and provide reasonable assurance that financial transactions are properly reported.

Cash

The City strives to maximize interest income on cash assets for the benefit of the public. Cash in all City funds is pooled and invested in either the state managed Local Government Investment Pool or short-term instruments, which are restricted to investments approved by the State Treasurer in accordance with Oregon Revised Statutes 294.035 and 294.046, and a Council Adopted Investment Policy. Interest income is distributed monthly to each fund's cash balance.

Risk Management

In fiscal year 2007, the City was insured for general liability through a risk pool comprised of cities and counties in Oregon, and managed through the League of Oregon Cities. Workers compensation, a self-insured program, is administered through a contract with a private firm. Insurance and state bonding requirements provide for losses in excess of \$400,000. During FY'07 the City did not incur any major time-loss injuries.

Awards

The Government Financial Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grants Pass for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a GFOA Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

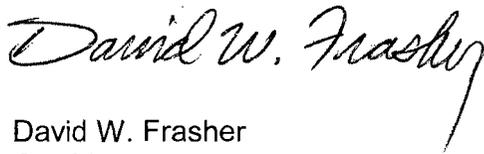
A Certificate of Achievement is valid for a period of one year only. The City has received this Certificate for the last twenty-two consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for award consideration.

Acknowledgements

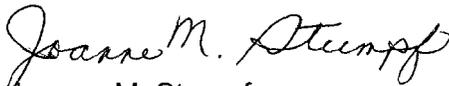
The preparation of this report could not have been accomplished without the dedicated effort of the City Administrative Services Department Staff. We also appreciate the contributions made by all other City staff members and wish to express our gratitude for their assistance in this project.

The successful preparation of this report would not have been possible without the leadership and support of the elected officials of the City of Grants Pass.

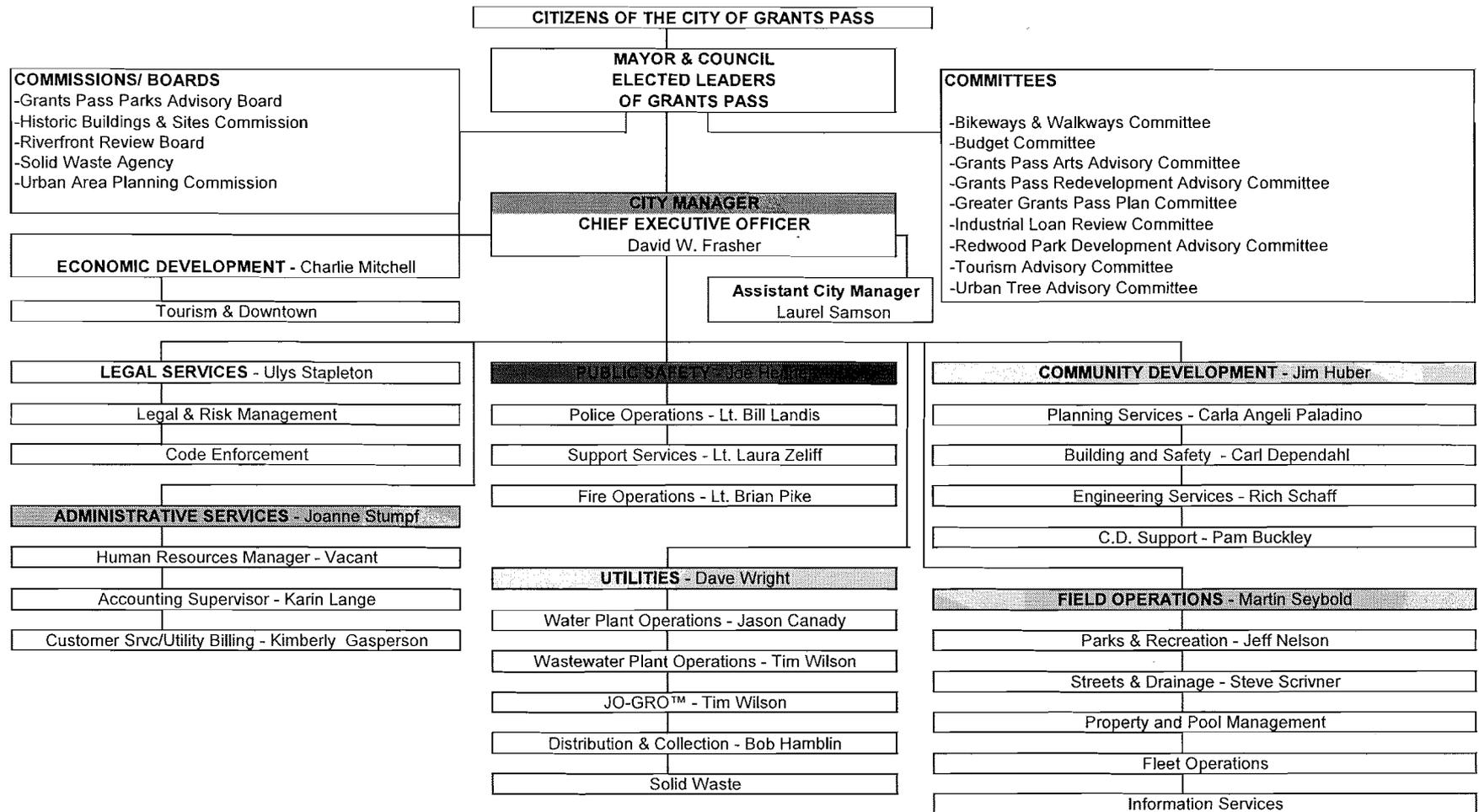
Sincerely,



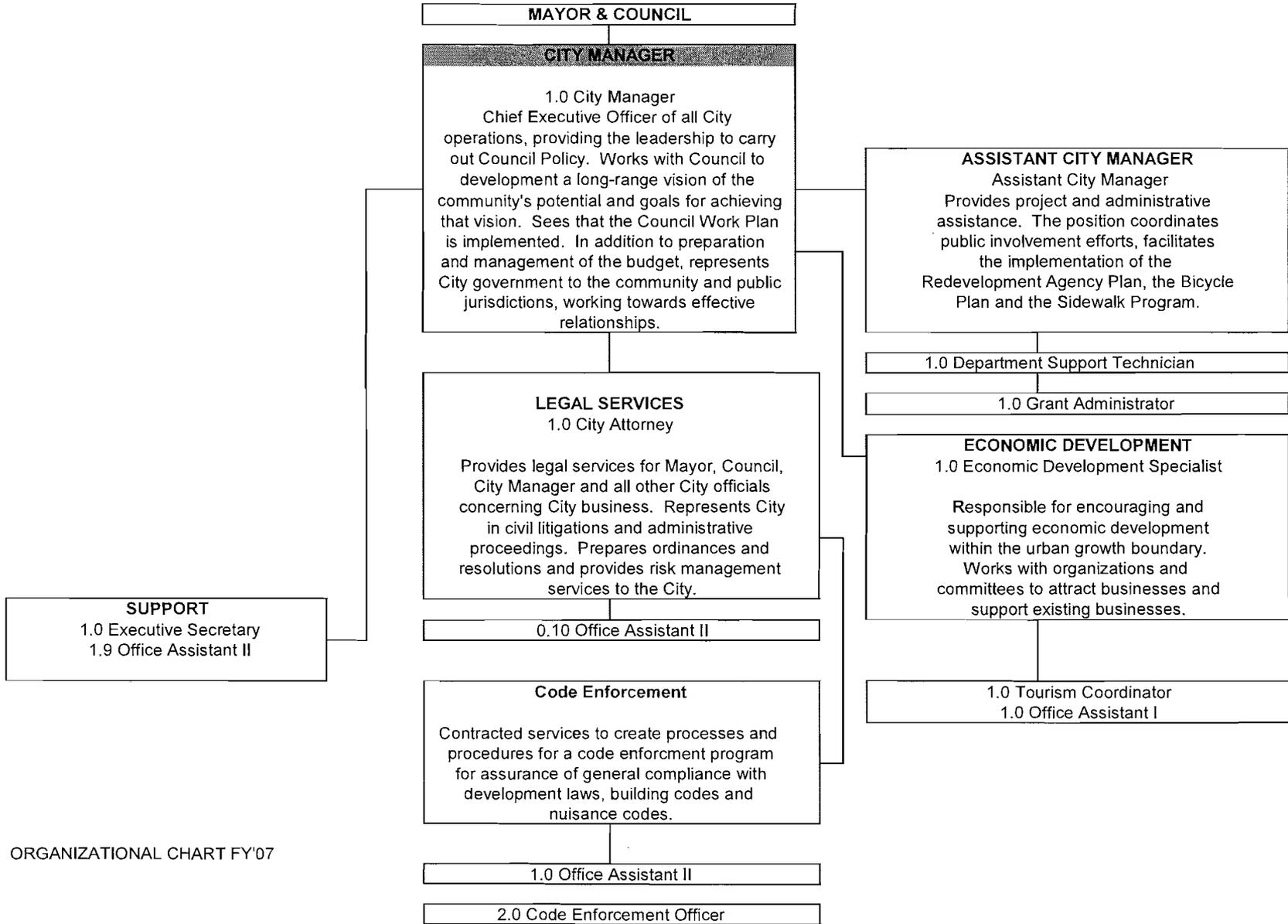
David W. Frasher
City Manager



Joanne M. Stumpf
Administrative Services Director



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ORGANIZATIONAL CHART FY'07

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grants Pass
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



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

January 25, 2008

To the Honorable Mayor and
Members of the City Council
City of Grants Pass, Oregon

INDEPENDENT AUDITORS' REPORT

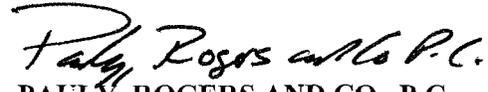
We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Grants Pass, Josephine County, Oregon, as of and for the year ended June 30, 2007, 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. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Grants Pass, Josephine 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.

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 Grants Pass's basic financial statements. The introductory section, supplementary information and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents have 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.

**CITY OF GRANTS PASS, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of the City of Grants Pass' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the City's transmittal letter and the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$236,653,534 on June 30, 2007.
- The City's net assets increased by \$38,466,739 during the year.
- The general fund reported a fund balance this year of \$5,581,614.

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*. The basic financial statements include two types 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 fund* 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 having ownership of the resources at issue.

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. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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 - are 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 fiscal health of the City, one needs to consider additional non-financial 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, planning, building and safety, streets and storm drainage, solid waste, economic development, culture and recreation, and interest on long-term debt. Most of these activities are financed by property taxes, franchise taxes, permits and fees, and intergovernmental revenues.

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.

The City has the following types 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* that 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 funds 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 explain 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, due to a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds 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 \$236,653,534 on June 30, 2007.

Statement of Net Assets at June 30, 2007

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS:						
Current and Other Assets	\$ 40,409	\$ 24,513	\$ 14,680	\$ 13,032	\$ 55,089	\$ 37,545
Capital Assets	122,913	97,557	89,426	84,333	212,339	181,890
Total Assets	<u>\$ 163,322</u>	<u>\$ 122,070</u>	<u>\$ 104,106</u>	<u>\$ 97,365</u>	<u>\$ 267,428</u>	<u>\$ 219,435</u>
LIABILITIES:						
Current and Other Liabilities	\$ 1,909	\$ 2,956	\$ 1,612	\$ 879	\$ 3,521	\$ 3,835
Long-Term Liabilities	14,639	3,942	12,614	13,472	27,253	17,414
Total Liabilities	<u>16,548</u>	<u>6,898</u>	<u>14,226</u>	<u>14,351</u>	<u>30,774</u>	<u>21,249</u>
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	109,720	94,715	76,870	71,185	186,590	165,900
Unrestricted	37,054	20,457	13,010	11,829	50,064	32,286
Total Net Assets	<u>\$ 146,774</u>	<u>\$ 115,172</u>	<u>\$ 89,880</u>	<u>\$ 83,014</u>	<u>\$ 236,654</u>	<u>\$ 198,186</u>

Governmental Activities

The major reason for the 66.7% increase, or approximately \$15.8M in current assets was Cash. Revenues exceeded operating expenses by \$1.27M in the governmental programs, Transportation Capital Projects Fund added \$1.71M to reserves for future projects, and the issuance of \$9.8M in General Obligation Bonds for Public Safety facilities increased Lands & Building Capital Projects Fund by \$10.01M.

Fixed Asset activity resulted from annexations, primarily in the southwest Redwood area. Right-of-Way totaling 4.7M square feet and valued at \$20.1M was added to the system in addition to \$444,167 for storm drains, catch basins and manholes, \$816,248 in curb and gutter work along with \$2,306,150 in concrete sidewalks. Other Transportation enhancements included traffic signal improvements underway on Redwood Avenue and on-going work on Allen Creek Road. Other capital projects undertaken in FY'07 include Phase I development at Redwood Park for \$884,015, design work on the Fire Station for \$376,662, and improvements on the Allen Creek Trail, Fruitdale Creek Park, and Rogue Path, all reported in Land & Building Capital Projects Fund. An increase in accrued compensated absences accounts for the change in Current Liabilities while annual debt service payments contribute to the decline in Long-Term Liabilities.

Business-type Activities

Operating revenues for both the Water and Sewer Funds collectively exceeded FY'06 by \$830,000, an 11% increase, providing for the transfer of earnings to their respective capital projects funds, which created an increase in restricted cash and decline in operating resources. Rate increases implemented in FY'06 together with a cost-of-living adjustment applied to all utility user fees effective January 1, 2007, positively impacted Accounts Receivable by \$425,135. System Development Charge revenues, while generally influenced by the decline in development and growth, sustained minor reductions in revenues. Progress payments on capital projects account for the increase in Accounts Payable. Long-Term

Liabilities were reduced by annual debt service payments of \$305,000 in the Water Fund, \$266,249 in the Sewer Fund, and \$286,652 in the Redwood Sanitary Sewer Service District.

Two million dollars of fixed asset value was added to the Water Fund through the installation 29,133 linear feet of various size water lines, installation of 17 hydrants and associated valves. The Sewer Fund increased \$.8M through the addition of 4,862 linear feet of line, 104 manholes and 33 cleanouts. Construction in progress on the Pine/Booth Sewer Replacement project together with installation of a mechanical bar screen at the Wastewater Treatment facility added another \$2.0M to fixed assets.

Statement of Activities for the Year Ended June 30, 2007

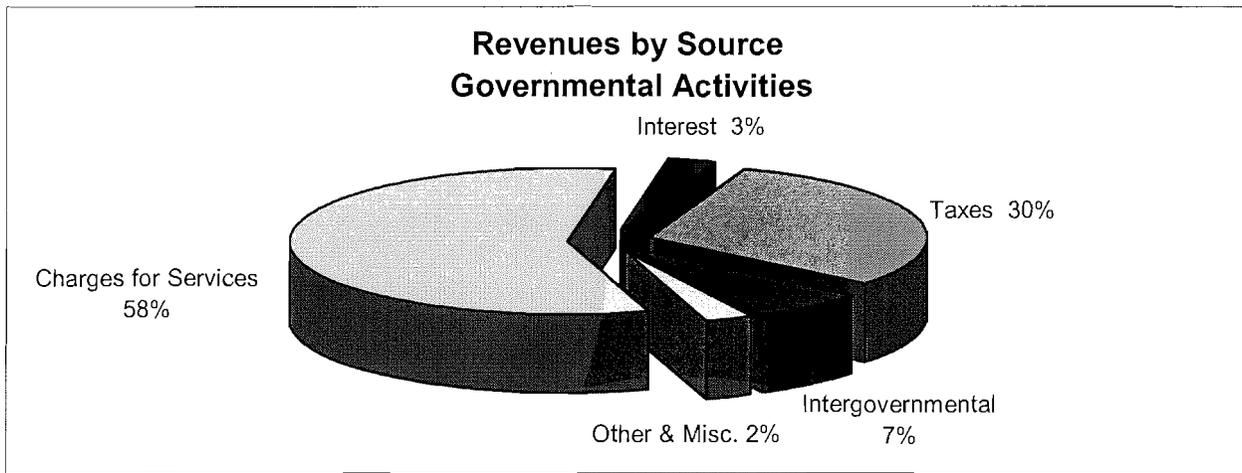
While the City dedicates the receipts from all Property Taxes exclusively to the Public Safety program, Government Accounting Standards Board (GASB) 34 guidelines dictate that those revenues not be shown as an activity generated resource but rather appear under the heading of General Revenues. The annexation of properties generated the addition of over \$20.0M in infrastructure improvements, accounting for the significant increase in Charges for Services in governmental activities.

Taxable values for FY'07 increased 19.4%. This value increase of \$336.4M resulted from two voter approved annexations in FY'06 together with residential and commercial growth. In March, 2005 the voters approved an increase in a four-year Local Option Levy from \$.89 to \$1.49/\$1,000 assessed value in support of Public Safety services. The combination of these factors generated an additional property tax levy of \$1.85M of which approximately 93.7% was collected. All operating divisions realized increases in personnel costs in accord with approved labor contracts.

CITY OF GRANTS PASS - CHANGES IN NET ASSETS
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2006	2007	2006	2007	2006	2007
REVENUES:						
Program Revenues:						
Charges for Services	\$ 9,180	\$ 30,623	\$ 10,341	\$ 11,334	\$ 19,521	\$ 41,957
Operating Grants & Contributions	2,240	541	1,762	2,873	4,002	3,414
General Revenues:						
Taxes	14,003	16,154	-	-	14,003	16,154
Intergovernmental	3,728	3,551	261	275	3,989	3,826
Other	1,899	2,342	823	973	2,722	3,315
Total Revenues	<u>31,050</u>	<u>53,211</u>	<u>13,187</u>	<u>15,455</u>	<u>44,237</u>	<u>68,666</u>
EXPENSES:						
Public Safety	8,505	13,898	-	-	8,505	13,898
Transportation	1,007	1,663	-	-	1,007	1,663
Building	766	1,179	-	-	766	1,179
Parks	1,135	1,667	-	-	1,135	1,667
Development	2,815	2,099	-	-	2,815	2,099
General Government	193	227	-	-	193	227
Solid Waste	(139)	787	-	-	(139)	787
Water	-	-	3,660	3,795	3,660	3,795
Sewer	-	-	4,544	4,673	4,544	4,673
Interest	339	212	-	-	339	212
Total Expenses	<u>14,621</u>	<u>21,732</u>	<u>8,204</u>	<u>8,468</u>	<u>22,825</u>	<u>30,200</u>
Change in Net Assets before Transfers	16,428	31,479	4,983	6,987	21,412	38,466
Transfers	65	122	(65)	(122)	-	-
Change in Net Assets	16,493	31,601	4,918	6,865	21,412	38,466
Beginning Net Assets	98,679	115,172	78,097	83,015	176,776	198,187
Prior Period Adjustment	-	-	-	-	-	-
Ending Net Assets	<u>\$ 115,172</u>	<u>\$ 146,773</u>	<u>\$ 83,015</u>	<u>\$ 89,880</u>	<u>\$ 198,188</u>	<u>\$ 236,653</u>

The City's total revenues were \$68,666,794 of which a significant portion, 23.5%, came from taxes, while 61.1% relates to charges for services, including user fees, licenses and permits and intergovernmental revenues. The graph below defines the sources of the governmental activities revenue.



GOVERNMENTAL ACTIVITIES

Program Revenues

Tax revenue increased 17.6% in FY'07 generating approximately \$1,860,000 more in revenues than in FY'06. A 19.4 % increase in taxable assessed value was the major factor for this change. Revenue from the property tax levy increased from \$9,171,224 to \$11,008,917 with actual current year collections exceeding estimates by \$293,315. The Parkway Redevelopment Agency, a component unit of the City, experienced 6.1% growth in taxable assessed value that generated a 7.4% increase in its levy.

As mentioned previously, the City dedicates all property tax revenue to the Public Safety Program. These monies, together with program-generated revenues, such as dispatch and call-taking contracts, were sufficient to cover the program costs for the second consecutive year. The General Revenues supplement all other governmental activities except Transportation, which is dependent upon Gas Tax from the State and the Street Utility Fee, a fixed monthly fee assessed to all residents and commercial establishments dedicated to street, sidewalk, and bike path improvements.

The increase in Charges for Services is largely attributed to on-going development in the community. Building permit revenues generated \$903,800 from the issuance of 555 structural permits with a valuation of \$73,227,765. The number of issued permits dropped 27.0% from the previous year, most notably in the single family and multi-family categories. Thirty-two commercial permits with a value of \$18.M were issued as compared to only 16 in FY'06 with a value of \$19.6M

Two hundred eighteen single-family residential permits were issued compared to 361 for FY'06, while the number of multi-family permits fell to 20 compared to 57 in FY'06. The issuance of commercial permits doubled, returning to 32, the same number as issued two years ago. Permit values for the year for new residential building totaled \$40.4M compared to \$80.8M in FY'06 and for new commercial, institutional, and educational structures totaled \$19.0M compared to \$18.8M in FY'06. The FY'07 revenues derived from all building permits are down 41.4% from FY'06 with decreases experienced in all classes of construction.

Transportation System Development Charge revenues went from \$1.7M in FY'06 to \$1.3M FY'07, a decrease of \$300,000, reflecting decreased volume in residential building permits. Parks System Development Charges generated \$338,697 compared to \$599,933 in FY'06 while Storm Drain System Development Charges decreased to \$146,205 in FY'07 from \$441,507 in FY'06. This last noted decrease, as compared to declines experienced in other System Development Charge revenues, reflects development slowdowns in the Sand Creek Basin that has a specifically designated System Development Charge to address drainage issues.

Operating Grants reflect the award received from the Oregon Parks & Recreation Department for Phase I development of Redwood Park. Of the \$500,000 award, \$398,285 was received as reimbursement for construction to date. Final reimbursement for a HUD grant generated \$84,579 while \$31,574 was received for FEMA grants for prior year flooding and a related wellness program targeted for the firefighters. The Transportation program Gas Tax receipts experienced a 9.7% increase over the previous year, generating \$120,858 in additional intergovernmental revenue. Contributing to the positive change were annexations in FY'06 which added population to the City, the base upon which the State distributes these revenues.

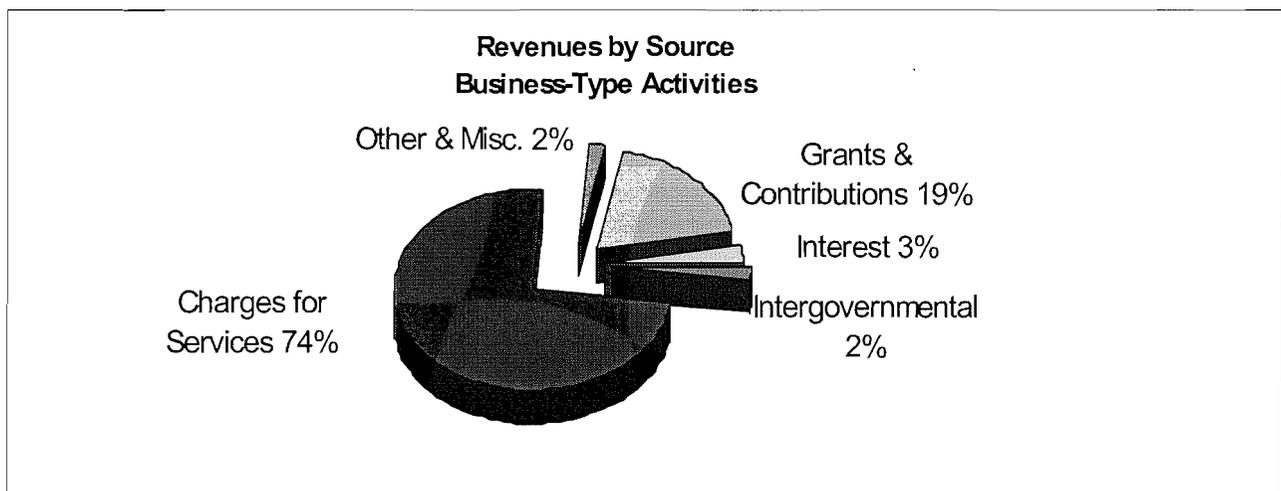
Program Expenses

While the Adopted FY'07 Budget authorized fourteen additional staff, at year end we had a total of fifteen vacancies. Three of the positions, one in Economic Development, one in Building & Safety, and one in Planning, became available due to resignations, retirements and internal promotion. The remaining twelve represent unfilled positions, three in Public Safety/Field Operations, and one each in Community Development, Engineering, Garage Operations, Management, Parks, Planning, Public Works, Administrative Services, and Economic Development. Most divisions have experienced difficulty in recruiting qualified staff, largely due to housing costs outpacing compensation. City employees, especially those with specific technical skills like planners and building inspectors, find that they can relocate to larger communities within the state that offer lower housing costs and higher relative wages. This factor is further reflected in law enforcement recruitment where we have experienced fewer applicants and about a 50% drop-out rate at each step of the assessment process. The compensation study now underway will assist Human Resources as they endeavor to attract and retain greater numbers of qualified candidates and employees to Grants Pass.

Effective January 1, 2007 the City entered its final year of salary adjustments for police and fire personnel pursuant to three-year collective bargaining agreements. Compensation adjustments equal to cost-of-living were granted to these groups January 1, 2008, the last calendar year of their contract. With labor contracts expiring December 31, 2008, future discussions are anticipated to continue to center around wages and the cost sharing of benefits.

Public Safety program operation costs increased 63.4%, about \$5,393,000 over FY'06, largely the result of allocation of expenses. A fixed asset allocation of \$971,466 together with an increase of \$986,464 for depreciation and \$71,299 for accrued time off benefits, contributed to the noteworthy FY'07 increase in the Change of Net Assets. Personnel costs added \$552,783, vehicle rentals increased \$106,504 and computer support services increased \$39,311. Despite these operating increases, \$383,600 was earmarked to a trust fund, available for future Public Safety operations.

The final disbursement of \$84,579 on a \$500,000 Community Development Block Grant accounts for the FY'07 change reported in Development program. The reduction in liabilities based upon the Record of Decision handed down by the State of Oregon Environmental Quality on the former sanitary landfill resulted in a net negative expenditure for Solid Waste activity.



BUSINESS-TYPE ACTIVITIES

Program Revenues

Each of the City's utilities experienced growth in the number of accounts. This, together with rate increases implemented during the year, positively impacted respective Charges for Services. For example, Water utility revenues from sales increased 9.1% generating \$336,002 in additional revenues. The number of accounts rose 3.1%. Wastewater accounts grew more modestly (+63) since many properties outside the municipal boundaries have received sewer only services for a number of years. Those properties are adding water services as they are becoming more fully developed. The cost-of-living index of 3.5%, applied to all utility user fees effective January, 2007, impacted Wastewater revenues, generating 13.7% more than FY'06. However, it should be noted that the average residential water consumption, upon which wastewater billing rates are based, remained steady for the second consecutive year at 7.0 hundred cubic feet (hcf).

The Redwood Sanitary Sewer Service District experienced a mere 7.8% increase, \$59,727, in user revenues while the District's number of accounts increased by 63 or 2.9%. The slight revenue increase resulted from a Cost-Of-Living adjustment applied to user fees effective January 1, 2007. Continued growth in each utility, a by-product of the growth occurring within the community and especially within the Redwood Sanitary Sewer Service District, accounts for a major portion of the FY'07 change in Net Assets.

Fluctuation in revenue between FY'06 and FY'07 were prompted by infrastructure contributions of \$1.9M in water, \$408,408 in wastewater and \$488,321 in the Redwood Sanitary Sewer Service District, all the result of developer installed improvements throughout the community. These revenues have been reclassified from Other Revenues to Operating Grants and Contributions.

Program Expenses

Continued work on seeking a cost effective method of disposing of wastes generated by the water treatment processes increased personnel cost in FY'07. This together with increases of \$23,909 for utilities, \$13,950 spent on pump re-builds, and \$29,599 for geo-tubes account for changes in the Water Treatment program.

The addition of a person to the Water Distribution crew together with the acquisition of equipment, increased vehicle rental costs, repair and maintenance work on a water line crossing Blue Grouse Creek account for the changes to the Water Distribution program.

FY'07 depreciation on Wastewater capital improvements was \$982,943 a sharp increase from \$653,124 in FY'06 when major construction projects were completed. Wastewater Treatment operating expenses increased 15.9% for \$187,898. Utilities, particularly electric, together with chlorine and parts for the ultra-violet disinfectant system, vehicle rents and landscape improvements experienced increases.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Activities

The General Fund ended the year at \$5.6 million, an increase of 25.7% or \$1,143,129. This was more favorable than the anticipated balance of \$5.0 million. While all activities ended the fiscal year under their respective appropriation limit, the most notable was Building and Safety, returning \$105,543 to the fund. Temporary Building and Safety activity surpluses resulted from not filling an open Plans Examiner position and reduced clerical support charges. Revenues, other than property taxes generated from Public

Safety activity, exceeded budgeted estimates by \$63,211 with charges for service providing the most notable positive deviation.

System Development Charges are regulated by state statute and provide major revenue sources for Transportation Projects and Lands & Building Projects. The Transportation System Development Charge is committed to the development of collector and major arterial roadways as specified in City ordinance. Two Parks System Development Charges are reported under Lands & Building Projects Fund. One is restricted to the acquisition (not development) of future park and trail land while the second, implemented in June, 2007, is designated for development. The Parkway Redevelopment Agency derives its revenues from property taxes that are restricted for only projects identified in the Agency's approved Development Plan and debt service.

Other major governmental funds and their respective changes in fund balance are shown in the table below:

Schedule of Other Major Governmental Fund Balances
As of June 30, 2006 and 2007

	Major Governmental Fund Balances		Change
	2006	2007	
Bancroft Bond	\$ (2,391,514)	\$ (1,500,626)	\$ 890,888
Transportation Projects Fund	5,890,538	7,617,579	1,727,041
Solid Waste	3,258,745	3,329,906	71,161
Lands & Building Project Fund	(341,188)	9,409,939	9,751,127
Parkway Redevelopment Agency	2,260,888	3,707,773	1,446,885
Total Fund Balances	<u>\$ 8,677,469</u>	<u>\$ 22,564,571</u>	<u>\$ 13,887,102</u>

Special assessment revenues of \$1,051,627 the result of assessment payoffs received during the year, allowed for the repayment on internal loans. Internal loans have been used to provide the necessary resources, because individual Local Improvement Districts have been insufficient in dollar value to warrant public borrowing.

Several significant FY'07 Transportation projects were funded by various sources such as the Redevelopment Agency, System Development Charges and Street Utility Fees as well as monies from both the Water and Sewer funds. These projects included a \$3.0M project on Redwood Avenue and a \$1.2M pedestrian safety project on Rogue River Highway. Local Improvement District (LID) projects slated for Willow Lane, Darneille Lane and sidewalk projects throughout the community fell behind schedule, the result of Council studying the methodology of LIDs. These factors contributed to the positive change in the ending fund balance.

In June \$9,820,000 of General Obligation Bonds, approved by voters in November, 2006, were issued for the construction of Public Safety facilities and acquisition of related equipment. The proceeds were placed in the Lands & Building Project Fund for routine progress payments as construction, begun in March, 2006, proceeds.

Schedule of Other Major Business-type Unrestricted Net Assets
As of June 30, 2006 and 2007

	Major Business-type Unrestricted Net Assets		
	2006	2007	Change
Water Fund	\$ 3,593,951	\$ 3,743,841	\$ 149,890
Sewer Fund	5,130,020	5,851,152	721,132
Harbeck-Fruitdale Sewer District	(55,978)	(27,170)	28,808
Redwood Sanitary Sewer Service District	1,160,895	1,266,120	105,225
Total Fund Balances	<u>\$ 9,828,888</u>	<u>\$ 10,833,943</u>	<u>\$ 1,005,055</u>

Business-type Activities

The operating segment of the Water Fund, ended the year with a fund balance of \$447,256 compared to an ending balance of \$425,339 in FY'06. Expenditures were under budget by \$143,696, or 4.1%. Revenues from sale of water exceeded the estimate of \$4.8M by \$50,114. The combination of these events contributed to the gain in ending fund balance. For the capital projects portion of the fund, expenditures were \$1,818,000 while revenues totaled \$1.6M with \$694,000 generated by revenues from operations. System Development Charge revenues together with interest earnings made up the difference. This resulted in the fund increasing from a \$2.5M balance in FY'06 to an ending fund balance of \$2.8M in FY'07. Revenues from operations, together with System Development Charges, were adequate to fund planned and appropriated projects including: filter upgrades and modifications to the intake structure at the Water Treatment plant, improvements to pump stations at Hilltop and Panoramic Loop and extension of water lines to the Hefley pump station, thereby eliminating the need for pressure systems at individual services.

Both the operating segment and the capital projects segment of the Sewer Fund ended FY'07 with healthy balances. Operations ended with a balance of \$343,018, up 1.8% from FY'06 and Capital projects ended with \$5.3M as compared to a budgeted estimate of \$4.3M. User fees generated \$4.3M as compared to \$3.9M in FY'06, a 12.8% increase, while System Development Charge revenues, a development driven revenue, declined to \$685,881 as compared to \$724,682 in FY'06.

Among other efforts, construction work commenced on the \$5.1M Pine/Booth Street sewer rehabilitation project. Installation of a 2nd mechanical bar screen and associated odor control facilities, a \$2.6M project began at the wastewater treatment plant, pumping capacity was expanded at the Bridge Street pump station and the Industrial Pretreatment program was updated.

The Redwood Sanitary Sewer Service District (RSSSD) ended the year with a \$1.2M fund balance as planned. Revenues came in at 88.8% of budget while expenses ended at 80% of appropriations.

General Fund Budgetary Highlights

During FY'07, events occurred that were not specifically anticipated at the time of budget hearings. The Council authorized appropriation transfers to cover these occurrences. Erosion problems over a 12 inch water line under Blue Grouse Creek necessitated a transfer of \$46,000 from Water contingency to Water Distribution. Information Technology, within the Support Services Fund, transferred \$48,000 from a reserve account to operations for the acquisition of equipment related to data storage and recovery.

After the Budget Committee convened, reviewed and approved the operating and capital supplemental budget for FY'07, an event occurred resulting in the need for an additional appropriation. Engineering

charges for work performed for the operating divisions of the Water and Transportation Funds were anticipated to exceed estimates provided for the Supplemental Budget.

The major difference in the final budget and actual budget in the General Fund occurred in the Community Development program. Delays in filling of positions in Planning and Building and Safety Divisions allowed for a reduction in personal services appropriations. Downtown Development was increased to recognize additional services being provided as well as the allocation of staff time devoted to the program. Recruitment efforts hampered the filling of positions in Code Enforcement, thus the reduction in appropriations.

Reimbursement received by the Solid Waste Fund for payment of debt service prompted the changes to that fund. Higher than anticipated revenues received from Local Improvement District assessments on properties allowed for a greater repayment on the Bancroft Fund internal loan.

The Transportation program saw the completion of the Lewis Avenue realignment, installation of the Redwood/Dowell traffic signal, and sidewalk improvements at Martin Park and along 10th Street. However major planned projects, such as Local Improvement District funded improvements on Hubbard, Willow and Phase II of Redwood Avenue were delayed as the governing body conducted discussions about the funding means.

A decline in Parks System Development Charge revenues designated for development together with a decrease in grant reimbursement from the State expected for the construction costs to date at the Redwood Park resulted in the modifications to the Lands and Building Capital Project change of \$477,764.

A delay in the implementation of a Storm Water and Open Space System Development Charge together with start-up implementation costs for the SDC and a Storm Water Utility Fee prompted the changes to the Storm Water fund.

Increased user fees from water utility customers allowed for greater water operating revenues to be transferred to capital projects and be available for planned infrastructure improvements, thus resulting in a budgetary change of \$216,037 to the Water program.

The Wastewater Program experienced the need to modify several projects including final costs for Phase I of the Secondary Treatment project and the Pine/Booth Sewer Rehabilitation project. As a result, capital project appropriations for this utility increased \$.6M for FY'07.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City had invested \$212,338,220 in a broad range of capital assets, including land, equipment, buildings, and vehicles, as reflected in the following table which represents a net increase (additions, deductions and depreciation) of \$30.44 million. Please refer to Note 5 for more detailed information.

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end. Reductions are for disposition of assets and depreciation.

Change in Capital Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Beginning Balance	82.89	97.56	83.54	84.33	166.43	181.89
Additions	16.92	27.19	3.39	7.15	20.31	34.34
Retirement						
Other	-0.75	-0.00	-0.92	-0.00	-1.67	-0.00
Depreciation	-1.50	-1.84	-1.68	-2.06	-3.18	-3.90
Ending Balance	97.56	122.91	84.33	89.42	181.89	212.33

Major additions to Governmental Activities assets for the year were generated by annexations. Right-of-Way, curbs/gutter, sidewalks, and storm drain system improvements together generated \$24.5M in value from the 847 acres added to the municipal boundaries. Installation of a traffic signal at Dowell Road/Redwood Avenue and road improvements on Redwood Avenue, Allen Creek and Lewis Avenue realignment added another \$375,903 in value. The Business Activities gained 29,133 linear feet of water lines and 4,940 linear feet of sewer lines with a total value of \$2.8M. Developer installed improvements included \$444,167 of storm drain improvements. Construction in progress related to two utility projects, the Pine/Booth Sewer rehabilitation and installation of a second mechanical screen at the Wastewater Treatment Plant, added \$1.9M. Other projects in progress included Phase I development of the Redwood Park for \$884,000 and design work for the Public Safety stations for \$377,000. The Redwood Sanitary Sewer Service District gained 4,606 linear feet of line, 32 manholes and 5 cleanouts valued at \$488,321.

Long Term Debt

At year-end the City had bonds, contracts and notes outstanding that totaled \$25,990,678.

Outstanding Debt at Year End
(in millions)

	2006	2007
Governmental:		
General obligation	\$ 1.30	\$ 10.71
Post-Closure Care costs	1.10	1.45
Notes and Contract payable	1.54	1.22
Sub Total	3.94	13.38
Business-type Activities:		
Revenue Bonds payable	\$ 2.51	\$ 2.20
Less Unamortized discount	-0.02	-0.01
Notes and Contracts Payable	10.98	10.43
Sub Total	13.47	12.62
Total	\$ 17.41	\$ 26.00

The issuance of General Obligation Bonds in the amount of \$9,820,000 for the construction of Public Safety facilities accounts for the noticeable increase in governmental debt. Annual debt service payments on land contracts contributed to the decline in contracts payable while additional estimated costs for post-closure care at the landfill added \$346,000 to that long-term debt.

Payment of debt service on the 1998 Water revenue bonds reduced bonds payable by \$305,000 as reflected in the Business-type activities. Notes and Contracts Payable reflect the annual debt service payment of \$266,249 to the Clean Water State Revolving Loan Fund (SRF) for the City's Wastewater capital construction project. The regular annual payment by Redwood Sanitary Sewer Service District, a component unit, on their SRF loan for construction of a pump and conveyance system completed in FY'01, was \$286,652. Detailed charts about the City's debt are presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Council, wishing to maintain service levels in our growing community, placed before the voters a four-year replacement Public Safety levy at a \$1.49/\$1,000 assessed value. The measure was approved by 51% of the voters with an 83% voter turn-out. It provides a dedicated resource for Public Safety for fiscal years 2006 through 2009, allowing for longer-term strategic planning of police and fire services.

The City has not been immune to the national construction slowdown. The decreases in residential, multi-family and commercial permits for the first six months of FY'08 all reflect the downturn in the market. The number of permits issued for single family residence actually increased from 102 to 119 for the first six months of FY'08; however their value remained consistent at \$17.8M, the same value as the first six months of FY'07. New construction for multi-family permits decreased from 11 permits valued at \$2.8M in the first half of FY'07 to 3 permits valued at \$1.1M for the same period in FY'08. Commercial development, measured by construction value, went from \$12.6M the first half of FY'07 to \$8.5M for the first half of FY'08. This significant change in the issuance of permits, together with the decline in average median price of local home sales, suggests the City is experiencing a decline in a return to development trends of several years ago.

Following a 7.50% health insurance premium rate increase in January 2007, the 5.0% quoted by our carrier to be effective January, 2008 was a welcome relief, considering the industry continues to experience 10%-12% rate increases. An Insurance Committee, composed of labor representatives, the City's Agent of Record, and management, continues monitoring rates and seeking ways to control these costs. Options, including dual choice selection and use of Health Reimbursement Arrangement (HRA), will continue to be offered to employees. This effort is deemed a long-term strategy to encourage support from employees in managing health benefits and costs. While this change cannot be forced upon labor bargaining members without benefit of negotiation, providing dual choice allows all employees to make individual selections if they choose.

Labor contracts with the police and fire bargaining units will expire December 31, 2008. The last contract negotiations for police and fire took fourteen months with closure being achieved just prior to scheduled arbitration hearings. The compensation study being undertaken by the City does not include the police and fire union members in that state labor law dictates the comparators to be used for compensation purposes. As salaries for these two groups escalate, the salary margin for supervisors becomes an issue. And in turn equity questions arise when comparing management salaries across the organization. No doubt wages and cost sharing of benefits will continue to be issues brought to the negotiation table by Police and Fire. Job classifications covered by Teamsters are being considered in the compensation study and will certainly be of importance at the bargaining table in 2009 for those employees.

Staff, at the direction of City Council, has presented to Council a Storm Water Master Plan together with a Storm Water and Drainage System Development Charge and associated Storm Water utility fee for implementation. The System Development Charge was originally designed to be adopted in the fall of 2007 with billing for the monthly utility fee slated to begin in February, 2008. Adoption of the Master Plan has been halted pending negotiations with the Grants Pass Irrigation District. It's hopeful that the Storm Water Master Plan and associated fees can be adopted in late spring.

Multiple discussions and workshops with the Council have been conducted dealing with funding mechanisms for infrastructure. Presently the City offers property owners the opportunity to pay for improvements fronting their property through the formation of a Local Improvement District (LID). Property owners gain the benefit of spreading the debt over 10 years at an interest lower than found in the open market. Another financing tool, used primarily by developers, is an Advanced Finance District whereby property owners, who wish to benefit from the extension of utility lines and street improvements across their frontage that were installed for access beyond their boundaries, are required to reimburse the developer for pro-rate costs at the time they develop. Both of these tools have caused concern regarding methodology of cost allocation and factors that determine the City's share of costs. As a result several major transportation projects slated for the Redwood area have been put on hold because a significant portion of their funding would be generated by LIDs. Likewise four sidewalk improvements are also on hold. Modifications to current ordinances are expected to be put before the Council in the spring.

A Strategic Plan for the Department of Public Safety was adopted by the Council in October. Implementation of their recommendations is being reviewed with updates for the Council to follow. While several of the recommendations have minimal financial, political or labor relation impacts, many carry significant impacts. Staff will be analyzing the feasibility of the later, utilizing the budgetary and Council goal-setting processes to seek direction and plan for implementation.

In 2006 the City purchased 250 acres of agricultural land for future City uses including park development. Prior to the purchase a Phase I Environmental Site Assessment (ESA) was conducted. Three recognized environmental conditions were identified in the ESA. Of primary concern was an approximately 50 x 50 foot area where pentachlorophenol was mixed with diesel fuel and then applied as a preservative to wood poles. The purchase agreement provided a credit of \$67,280 based on the Phase I ESA. As of December 31, 2007 \$108,410 has been spent to evaluate and manage the water and soil contamination. Final remediation and the sharing of those associated costs have not been determined.

External factors that could impact the City include the fiscal health of state government and changes to the Public Employees Retirement System (PERS). State legislative changes to PERS enacted during calendar year 2003 resulted in increased rates to all governmental agencies effective July 1, 2003. The planned increases, some over 50%, caused such a financial burden to cities, school districts and counties, that PERS modified rates. While the PERS rate for Grants Pass increased from 10.69% to 11.51%, management elected to self-assess the nearly 5% rate increase, setting aside the difference in a reserve account, pending the outcome of litigation brought about by unions claiming that the adopted legislation violated contract rights of employees. The Oregon Supreme Court issued their decision in August, 2005, reaffirming PERS' obligation to credit a minimum of 8% on Tier One members' regular accounts, approved the new mortality tables initiated by PERS in July of 2003, and mandated PERS to reallocate 1999 earnings, recrediting Tier One member regular accounts at 11.33% instead of 20%. For retired members, the change in benefits are said to be in the range of a 2% to 8% reduction.

The full impact on employer's liabilities will not be known until all recalculations have been completed by PERS and the actuarial studies as of December 31, 2005 are completed in 2007. Data provided by PERS indicates the City's composite retirement rate will decrease from 16.05% to 15.02% for employees covered by Tier One/Tier Two benefits. However, rates for employees covered under the Oregon Public

Service Retirement Plan (OPSRP), developed and implemented for employees hired after August, 2003, will increase an average of 3.50% effective July 1, 2007 for the following 24-month period. The rate for sworn OPSRP personnel goes from 14.45% to 17.76% and from 10.84% to 14.49% for non-sworn. As employees of "baby boomer age" retire over the next five years, the escalating employer cost of retirement placed on new hires will generate questions about cost of services. Increased rates were anticipated, estimated, and budgeted in FY'08.

The employee's share of PERS retirement is 6% and has been paid by the employees following a series of salary adjustments in the early 1990's. The City of Grants Pass has been one of few municipal PERS covered employers in the state that does not pay this benefit. Potential recruitments have been negatively influenced by this 6% reduction in take-home pay when considering our compensation package and the employee's out-of-pocket share of benefits. In addition this issue has been repeatedly raised for a number of years at the labor bargaining table. Effective July 1, 2007, each of the bargaining groups agreed to a 3% salary reduction in exchange for having the City pay the employee's share of PERS. It is believed that this change will assist the City in recruiting quality candidates as well as be of benefit during labor negotiations when comparing ourselves to other municipalities. This change may necessitate supplemental budget adjustments based upon the make-up of each operating division.

State Measure 37, adopted by voters in November, 2004, established new regulations regarding claims for compensation to certain property owners claiming reduced value from the enactment or enforcement of various land use regulations. The measure was placed into effect on December 2, 2004 and raises many questions for local government and land owners attempting to understand application of the measure as it pertains to their particular circumstances. At minimum, the measure necessitates an application and review process. While placing the burden of proof on the property owner, there is no doubt that applications may consume considerable Community Development staff time, with planners and support personnel conducting research. The City Council adopted a process for accepting claims but no claims had been received by the City as of June 30, 2006. Measure 37 was overturned by the Circuit Court in Marion County in 2005. That decision is under appeal to the Oregon Supreme Court. In November, 2007 the voters of Oregon approved an initiative making changes to Measure 37. The impact of this latest legislation is currently unknown as implementation guidelines are being debated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information please contact the Administrative Services Department at the City of Grants Pass at (541) 474-6360, 101 N.W. "A" Street, Grants Pass, Oregon, 97526.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Josephine County City of Grants Pass Solid Waste Agency
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 35,074,832	\$ 1,897,506	\$ 36,972,338	\$ 1,225,040
Receivables, net	6,509,318	1,944,640	8,453,958	7,125
Prepaid Items	24,790	-	24,790	-
Internal Balances	(2,175,988)	2,175,988	-	-
Restricted Assets:			-	-
Cash and Cash Equivalents	878,658	8,607,791	9,486,449	-
Receivables, net	97,395	53,683	151,078	-
Capital Assets not being depreciated	62,666,605	5,369,324	68,035,929	-
Capital Assets, net of Accumulated Depreciation	60,245,945	84,056,346	144,302,291	-
Total Assets	163,321,555	104,105,278	267,426,833	1,232,165
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts Payable and Other Current Liabilities	1,373,166	1,251,741	2,624,907	8,104
Accrued Payroll	494,688	304,417	799,105	-
Unearned Revenue	-	-	-	-
Retainage Payable	41,209	55,519	96,728	-
Noncurrent Liabilities				
Due Within One Year	1,782,735	893,693	2,676,428	95,000
Due in More than One Year	12,856,248	11,719,883	24,576,131	769,991
Total Liabilities	16,548,046	14,225,253	30,773,299	873,095
Net Assets:				
Invested in Capital Assets, net of related debt	109,719,868	76,870,093	186,589,961	-
Unrestricted	37,053,641	13,009,932	50,063,573	359,070
Total Net Assets	\$ 146,773,509	\$ 89,880,025	\$ 236,653,534	\$ 359,070

The accompanying notes are an integral part of this statement.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants
Primary Government				
Governmental Activities				
Public Safety	\$ 13,897,740	\$ 299,760	\$ 43,354	\$ -
Transportation	1,662,747	23,214,300	9,898	-
Building	1,178,647	903,800	-	-
Parks	1,666,934	-	4,750	-
Development	2,099,392	579,086	84,579	398,285
General Government	226,893	5,281,710	-	-
Solid Waste	787,168	344,437	-	-
Interest	212,221	-	-	-
Total Governmental Activities	<u>21,731,742</u>	<u>30,623,093</u>	<u>142,581</u>	<u>398,285</u>
Business-Type Activities				
Water	3,795,099	5,052,827	1,976,917	-
Sewer	4,673,214	6,281,328	896,729	-
Total Business-Type Activities	<u>8,468,313</u>	<u>11,334,155</u>	<u>2,873,646</u>	<u>-</u>
Total Primary Government	<u>\$ 30,200,055</u>	<u>\$ 41,957,248</u>	<u>\$ 3,016,227</u>	<u>398,285</u>
Component Unit				
Josephine County-City of Grants				
Pass Solid Waste Agency	<u>\$ 82,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

The accompanying notes are an integral part of this statement.

	Net Revenue (Expenses) and Changes in Net Assets			
	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Josephine County City of Grants Pass Solid Waste Agency
	\$ (13,554,626)	\$ -	\$ (13,554,626)	\$ -
	21,561,451	-	21,561,451	-
	(274,847)	-	(274,847)	-
	(1,662,184)	-	(1,662,184)	-
	(1,037,442)	-	(1,037,442)	-
	5,054,817	-	5,054,817	-
	(442,731)	-	(442,731)	-
	(212,221)	-	(212,221)	-
	<u>9,432,217</u>	<u>-</u>	<u>9,432,217</u>	<u>-</u>
	-	3,234,645	3,234,645	-
	-	2,504,843	2,504,843	-
	-	<u>5,739,488</u>	<u>5,739,488</u>	<u>-</u>
	<u>9,432,217</u>	<u>5,739,488</u>	<u>15,171,705</u>	<u>-</u>
	-	-	-	(82,559)
General Revenues				
Taxes:				
Property	12,450,442	-	12,450,442	-
Business	305,103	-	305,103	-
Franchise	2,351,245	-	2,351,245	-
Transient Room	1,046,936	-	1,046,936	-
Intergovernmental-unrestricted	3,551,395	275,843	3,827,238	312,917
Interest	1,459,814	559,754	2,019,568	54,506
Trust Receipts - unrestricted	77,560	100,445	178,005	-
Industrial Payments	69,068	-	69,068	-
Miscellaneous	735,071	312,358	1,047,429	190,529
Transfers	122,447	(122,447)	-	-
Total General Revenues and Transfers	<u>22,169,081</u>	<u>1,125,953</u>	<u>23,295,034</u>	<u>557,952</u>
Change in Net Assets	31,601,298	6,865,441	38,466,739	475,393
Beginning Net Assets	<u>115,172,211</u>	<u>83,014,584</u>	<u>198,186,795</u>	<u>(86,373)</u>
Prior Period Adjustment	-	-	-	(29,950)
Ending Net Assets	<u>\$ 146,773,509</u>	<u>\$ 89,880,025</u>	<u>\$ 236,653,534</u>	<u>\$ 359,070</u>

The accompanying notes are an integral part of this statement.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
	<u>GENERAL</u>	<u>SOLID WASTE</u>	<u>BANCROFT BOND</u>	<u>TRANSPORTATION PROJECTS</u>
ASSETS:				
Assets:				
Cash and Investments	\$ 2,987,601	\$ 1,727,764	\$ 31,593	\$ 7,642,904
Receivables:				
Taxes	835,593	-	-	-
Intergovernmental	94,794	-	-	-
Accounts, net	115,569	68,085		2,900
Accrued Interest	7,941	4,047	9,101	22,342
Notes and Contracts	195,017	864,991	-	237,902
Grants	3,081	-	-	-
Assessment Liens	-	-	2,076,207	-
Due from Other Funds	2,500,000	1,540,000	-	5,821
Prepaid Items	-	-	-	-
Restricted Assets				
Cash and Cash Equivalents	-	-	-	-
Notes and Contracts Receivable	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Total Assets	<u>\$ 6,739,596</u>	<u>\$ 4,204,887</u>	<u>\$ 2,116,901</u>	<u>\$ 7,911,869</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	545,246	7,179	-	56,388
Salaries, Withholdings and Taxes Payable	49,862	-	-	-
Accrued Interest Payable	-	2,811	732	-
Due to Other Funds	-	-	1,540,000	-
Deferred Revenue	361,576	864,991	2,076,795	237,902
Assessment Trust Payable	-	-	-	-
Note Payable	201,298	-	-	-
Retainage Payable	-	-	-	-
Total Liabilities	<u>1,157,982</u>	<u>874,981</u>	<u>3,617,527</u>	<u>294,290</u>
Fund Balances:				
Reserved for Debt Service	-	-	-	-
Unreserved Reported in:				
General Fund	5,581,614	-	-	-
Special Revenue Funds	-	3,329,906	-	-
Debt Service Funds	-	-	(1,500,626)	-
Capital Projects Funds	-	-	-	7,617,579
Total Fund Balances	<u>5,581,614</u>	<u>3,329,906</u>	<u>(1,500,626)</u>	<u>7,617,579</u>
Total Liabilities and Fund Balances	<u>\$ 6,739,596</u>	<u>\$ 4,204,887</u>	<u>\$ 2,116,901</u>	<u>\$ 7,911,869</u>

The accompanying notes are an integral part of this statement.

CAPITAL PROJECTS

<u>LAND AND BUILDING PROJECTS</u>	<u>PARKWAY REDEVELOPMENT</u>	<u>TOTAL NON-MAJOR</u>	<u>TOTAL GOVERNMENTAL</u>
\$ 12,217,317	\$ 2,786,924	\$ 2,010,425	\$ 29,404,528
-	90,645	-	926,238
-	-	116,428	211,222
8,750	-	86,949	282,253
12,744	7,412	5,887	69,474
202,970	780,792	245,273	2,526,945
-	-	328,140	331,221
-	-	-	2,076,207
-	-	-	4,045,821
-	-	-	-
-	878,658	-	878,658
-	93,512	-	93,512
-	3,883	-	3,883
<u>\$ 12,441,781</u>	<u>\$ 4,641,826</u>	<u>\$ 2,793,102</u>	<u>\$ 40,849,962</u>
287,664	3,789	78,733	978,999
-	-	10,066	59,928
-	-	-	3,543
2,500,000	-	60,821	4,100,821
202,970	930,264	245,273	4,919,771
-	-	-	-
-	-	-	201,298
41,209	-	-	41,209
<u>3,031,843</u>	<u>934,053</u>	<u>394,893</u>	<u>10,305,569</u>
-	-	-	-
-	-	-	5,581,614
-	-	2,398,209	5,728,115
-	-	-	(1,500,626)
9,409,938	3,707,773	-	20,735,290
<u>9,409,938</u>	<u>3,707,773</u>	<u>2,398,209</u>	<u>30,544,393</u>
<u>\$ 12,441,781</u>	<u>\$ 4,641,826</u>	<u>\$ 2,793,102</u>	<u>\$ 40,849,962</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, 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		\$ 30,544,393
<p>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.</p>		
Net Capital Assets		120,806,748
<p>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.</p>		
General Obligation Bonds	\$ (10,705,000)	
Post Closure Costs	(1,446,301)	
Notes and Contracts Payable	(1,022,463)	
Net Adjustment	<u>(1,022,463)</u>	(13,173,764)
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>		
Accrued Vacation and Sick Leave		(1,263,883)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Deferred Revenue		4,919,771
<p>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.</p>		
Internal Service Fund Net Assets		<u>4,940,244</u>
Total Net Assets		<u>\$ 146,773,509</u>

The accompanying notes are an integral part of this statement.

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007**

	<u>SPECIAL REVENUE</u>		<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
	<u>GENERAL</u>	<u>SOLID WASTE</u>	<u>BANCROFT BOND</u>	<u>TRANSPORTATION PROJECTS</u>
REVENUES:				
Taxes	\$ 13,319,279	\$ -	\$ -	\$ -
Licenses and Permits	678,422	2,600	-	-
Intergovernmental	1,530,358	333,506	-	124,356
Charges for Services	973,017	341,837	-	1,324,780
Fines and Forfeitures	233,887	-	-	-
Special Assessments	-	-	1,051,627	-
Interest on Investments	393,830	162,133	-	343,434
Interest on Assessments	-	-	9,409	-
Trust Receipts	-	-	-	39,327
Contributions	-	-	-	-
Industrial and Other Loans	-	-	-	-
Miscellaneous Revenues	72,027	12,000	-	-
Total Revenues	17,200,820	852,076	1,061,036	1,831,897
EXPENDITURES:				
Current:				
Public Safety	11,826,804	-	-	-
Transportation	-	-	-	-
Building	999,912	-	-	-
Parks	1,417,736	-	-	-
Development	1,465,810	-	-	-
General Government	140,091	-	50,600	-
Solid Waste	-	376,302	-	-
Capital Outlay	-	52,647	-	1,016,599
Debt Service	15,280	331,967	107,874	-
Total Expenditures	15,865,633	760,916	158,474	1,016,599
Excess of Revenues Over, (Under) Expenditures	1,335,187	91,160	902,562	815,298
Other Financing Sources, (Uses)				
Loan Proceeds	-	-	-	-
Sale of Assets	1,156	-	-	-
Transfers In	928,339	-	-	961,743
Transfer Out	(1,121,553)	(20,000)	(11,674)	(50,000)
Total Other Financing Sources, (Uses)	(192,058)	(20,000)	(11,674)	911,743
Net Change in Fund Balance	1,143,129	71,160	890,888	1,727,041
Beginning Fund Balance	4,438,485	3,258,746	(2,391,514)	5,890,538
Ending Fund Balance	<u>\$ 5,581,614</u>	<u>\$ 3,329,906</u>	<u>\$ (1,500,626)</u>	<u>\$ 7,617,579</u>

The accompanying notes are an integral part of this statement.

CAPITAL PROJECTS

LAND AND BUILDING PROJECTS	PARKWAY REDEVELOPMENT	TOTAL NON-MAJOR	TOTAL GOVERNMENTAL
\$ -	\$ 1,752,285	\$ 1,046,935	\$ 16,118,499
-	-	30,502	711,524
406,584	191,254	1,458,996	4,045,054
356,960	-	892,767	3,889,361
-	-	-	233,887
-	-	-	1,051,627
89,779	157,752	119,597	1,266,525
-	-	-	9,409
-	38,233	-	77,560
-	-	-	-
-	-	69,068	69,068
6,466	-	40,709	131,202
<u>859,789</u>	<u>2,139,524</u>	<u>3,658,574</u>	<u>27,603,716</u>
-	-	-	11,826,804
-	-	1,405,089	1,405,089
-	-	-	999,912
-	-	-	1,417,736
-	207,733	113,152	1,786,695
-	-	-	190,691
-	-	-	376,302
2,522,888	-	111,765	3,703,899
-	484,905	235	940,261
<u>2,522,888</u>	<u>692,638</u>	<u>1,630,241</u>	<u>22,647,389</u>
<u>(1,663,099)</u>	<u>1,446,886</u>	<u>2,028,333</u>	<u>4,956,327</u>
9,998,031	-	-	9,998,031
-	-	39	1,195
1,441,194	-	-	3,331,276
(25,000)	-	(2,017,049)	(3,245,276)
<u>11,414,225</u>	<u>-</u>	<u>(2,017,010)</u>	<u>-</u>
9,751,126	1,446,886	11,323	15,041,553
(341,188)	2,260,887	2,386,886	15,502,840
<u>\$ 9,409,938</u>	<u>\$ 3,707,773</u>	<u>\$ 2,398,209</u>	<u>\$ 30,544,393</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Fiscal 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 \$ 15,041,553

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

Capitalized Expenditures	\$	2,225,095	
Capital Contributions		24,531,432	
Depreciation Expense		(1,501,635)	
Net Adjustment			25,254,892

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	\$	(108,534)	
General Obligation Bond Payments		(9,405,000)	
Post Closure Costs		(346,301)	
Notes and Contracts Payable		313,040	
Net Adjustment			(9,546,795)

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

Property Taxes	\$	35,227	
Special Assessments		203,829	
Notes and Contracts		213,685	
Net Adjustment			452,741

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			398,907
Change in Net Assets			\$ 31,601,298

The accompanying notes are an integral part of this statement.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER SERVICE
ASSETS:			
Current Assets			
Cash and Investments	\$ 633,807	\$ 1,155,022	\$ 1,466
Prepaid Items	-	-	-
Receivables			
Taxes	-	-	-
Accounts, net	703,769	578,234	91
Notes	218,663	235,641	29,201
Grants	6,968		
Accrued Interest	6,760	6,804	72
Due From Other Funds	-	-	-
Restricted Assets			
Cash and Investments	2,418,612	5,128,165	-
Accrued Interest and Accounts Receivable	6,256	12,851	-
Notes	-	34,576	-
Total Current Assets	3,994,835	7,151,293	30,830
Capital Assets			
Capital Assets, Net	49,051,150	30,612,243	72,225
Total Capital Assets	49,051,150	30,612,243	72,225
Total assets	\$ 53,045,985	\$ 37,763,536	\$ 103,055
LIABILITIES AND NET ASSETS:			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 87,661	\$ 31,644	\$ -
Salaries, Withholdings and Taxes Payable	119,847	169,654	-
Accrued Interest Payable	8,180	-	-
Bonds, Notes Payable Within One Year	320,061	275,458	-
Matured Interest Payable	-	74,044	-
Due To Other Funds	-	-	-
Deferred Revenue	-	-	-
Liabilities Payable from Restricted Assets			
Accounts Payable	30,328	959,342	-
Salaries, withholdings and taxes payable	-	14,916	-
Deferred Revenue	-	-	-
Contractor Retainage	4,978	50,541	-
Total Current Liabilities	571,055	1,575,599	-
Long-Term Liabilities			
Notes Payable	-	6,200,696	58,000
General Obligation Revenue Bonds Payable	1,865,363	-	-
Total Long-Term Liabilities	1,865,363	6,200,696	58,000
Total Liabilities	2,436,418	7,776,295	58,000
NET ASSETS			
Invested in Capital Assets, net of related debt	46,865,726	24,136,089	72,225
Unrestricted	3,743,841	5,851,152	(27,170)
Total Net Assets	50,609,567	29,987,241	45,055
Total Liabilities and Net Assets	\$ 53,045,985	\$ 37,763,536	\$ 103,055

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 107,211	\$ 1,897,506	\$ 5,670,305
-	-	24,790
62	62	-
154,616	1,436,710	65,590
1,064	484,569	-
	6,968	
2,695	16,331	20,167
-	-	180,000
1,061,014	8,607,791	-
-	19,107	-
-	34,576	-
1,326,662	12,503,620	5,960,852
9,690,051	89,425,669	2,105,802
9,690,051	89,425,669	2,105,802
<u>\$ 11,016,713</u>	<u>\$ 101,929,289</u>	<u>\$ 8,066,654</u>

\$ 8,881	\$ 128,186	\$ 390,623
-	289,501	434,762
51,661	59,841	-
298,174	893,693	-
-	74,044	-
-	-	125,000
-	-	-

	989,670	-
-	14,916	-
-	-	-
-	55,519	-

358,716	2,505,370	950,385
3,595,824	9,854,520	-
-	1,865,363	-
<u>3,595,824</u>	<u>11,719,883</u>	<u>-</u>
<u>3,954,540</u>	<u>14,225,253</u>	<u>950,385</u>

Reconciliation of Net Assets to page 18 Net Assets p. 24A	\$ 87,704,036
Internal Service Fund Net Assets	2,175,989
Total Net Assets p. 18	<u>\$ 89,880,025</u>

5,796,053	76,870,093	2,105,802
1,266,120	10,833,943	5,010,467
7,062,173	87,704,036	7,116,269
<u>\$ 11,016,713</u>	<u>\$ 101,929,289</u>	<u>\$ 8,066,654</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007**

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
OPERATING REVENUES			
Charges for Services	\$ 5,052,827	\$ 5,289,692	\$ -
Special assessments	-	-	32,918
Trust receipts	100,445	12,034	-
Miscellaneous	98,398	73,721	-
Total Operating Revenue	<u>5,251,670</u>	<u>5,375,447</u>	<u>32,918</u>
OPERATING EXPENSES			
Salaries and Wages	613,942	564,030	-
Operating Supplies	1,030,846	639,258	-
Repairs and Maintenance	174,939	113,015	-
Utilities	264,869	346,214	-
Professional Services	190,172	468,338	3,254
General, Administrative and Engineering	529,811	440,296	-
Depreciation and Amortization	863,380	982,943	3,210
Total Operating Expenses	<u>3,667,959</u>	<u>3,554,094</u>	<u>6,464</u>
Total Operating Income (Loss)	<u>1,583,711</u>	<u>1,821,353</u>	<u>26,454</u>
NONOPERATING INCOME (LOSS)			
Gain (loss) on disposal of capital assets	2,350	-	-
Intergovernmental	-	254,419	-
Taxes	-	-	-
Interest Income	160,485	266,061	244
Interest Expense	(109,320)	(225,957)	(1,100)
Total Nonoperating Income (Expense)	<u>53,515</u>	<u>294,523</u>	<u>(856)</u>
Capital Contribution	1,976,917	408,408	-
Income (Loss) Before Transfers	<u>3,614,143</u>	<u>2,524,284</u>	<u>25,598</u>
TRANSFERS			
Transfers In	695,500	1,397,000	-
Transfers Out	(901,500)	(1,329,500)	-
Total Transfers	<u>(206,000)</u>	<u>67,500</u>	<u>-</u>
Change in Net Assets	3,408,143	2,591,784	25,598
Beginning Net Assets	<u>47,201,424</u>	<u>27,395,457</u>	<u>19,457</u>
Ending Net Assets	<u>\$ 50,609,567</u>	<u>\$ 29,987,241</u>	<u>\$ 45,055</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE DISTRICT	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 991,636	\$ 11,334,155	\$ 8,705,952
-	32,918	-
-	112,479	-
-	172,119	289,405
<u>991,636</u>	<u>11,651,671</u>	<u>8,995,357</u>
-	1,177,972	3,352,533
34,325	1,704,429	581,624
63,390	351,344	163,332
24,468	635,551	100,090
220,832	882,596	3,152,544
149,536	1,119,643	1,281,743
215,419	2,064,952	190,790
<u>707,970</u>	<u>7,936,487</u>	<u>8,822,656</u>
<u>283,666</u>	<u>3,715,184</u>	<u>172,701</u>
-	2,350	14,527
-	254,419	70,064
-	-	-
51,970	478,760	264,873
(159,763)	(496,140)	-
<u>(107,793)</u>	<u>239,389</u>	<u>349,464</u>
488,321	2,873,646	-
<u>664,194</u>	<u>6,828,219</u>	<u>522,165</u>
50,000	2,142,500	67,500
(50,000)	(2,281,000)	(15,000)
<u>-</u>	<u>(138,500)</u>	<u>52,500</u>
664,194	6,689,719	574,665
<u>6,397,979</u>	<u>81,014,317</u>	<u>6,541,604</u>
<u>\$ 7,062,173</u>	<u>\$ 87,704,036</u>	<u>\$ 7,116,269</u>

Change in Net Assets	\$ 6,689,719
Internal Service Fund Change in Net Assets	<u>175,722</u>
Total Business Type Change in Net Assets	<u>\$ 6,865,441</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 5,079,181	\$ 5,147,193	\$ 3,769
Cash Paid to Suppliers	(2,225,681)	(1,056,382)	(3,254)
Cash Paid to Employees	(606,292)	(558,095)	-
Net cash provided (used) by operating activities	<u>2,247,208</u>	<u>3,532,716</u>	<u>515</u>
Cash Flows From Noncapital Financing Activities			
Transfers In	695,500	1,397,000	-
Transfers Out	(901,500)	(1,329,500)	-
Intergovernmental	-	254,419	-
Taxes Collected	-	-	-
Decrease (Increase) in Notes Receivable	(152,994)	-	-
Net cash provided (used) by noncapital financing activities	<u>(358,994)</u>	<u>321,919</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from Issuance of Debt	-	-	-
Principal Payments on Notes	(1,061)	(266,249)	-
Principal Payments on Revenue Bonds	(302,499)	-	(2,000)
Interest Paid on Bonds and Contracts	(109,320)	(225,957)	(1,100)
Acquisition and Construction of Capital Assets	(1,835,977)	(2,445,186)	-
Disposition of Property	2,350	-	-
Net cash provided (used) by capital financing activities	<u>(2,246,507)</u>	<u>(2,937,392)</u>	<u>(3,100)</u>
Cash flows from investing activities			
Interest on Investments	160,485	266,061	244
Net increase (decrease) in cash and investments	(197,808)	1,183,304	(2,341)
Cash and investments, beginning of year	\$ 3,250,227	\$ 5,099,883	\$ 3,807
Cash and investments, end of year	<u>\$ 3,052,419</u>	<u>\$ 6,283,187</u>	<u>\$ 1,466</u>
Composition of cash and investments, end of year			
Current cash and investments	\$ 633,807	\$ 1,155,022	\$ 1,466
Restricted cash and investments	2,418,612	5,128,165	-
Total cash and investments	<u>\$ 3,052,419</u>	<u>\$ 6,283,187</u>	<u>\$ 1,466</u>
Noncash Capital Transactions			
Developer Installed Public Utility Improvements	\$ 1,976,917	\$ 408,408	\$ -
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income	\$ 1,583,711	\$ 1,821,353	\$ 26,454
Depreciation and Amortization	863,380	982,943	3,210
(Increase) Decrease in Receivables	(108,620)	(206,796)	2,351
Increase (Decrease) in Payables	(33,713)	950,739	-
Increase (Decrease) in Deferred Revenue	(65,200)	(21,458)	(31,500)
Increase (Decrease) in Payroll Liabilities	7,650	5,935	-
Net Cash Provided by Operating Activities	<u>\$ 2,247,208</u>	<u>\$ 3,532,716</u>	<u>\$ 515</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE	TOTAL	INTERNAL SERVICE FUNDS
\$ 956,287	\$ 11,186,430	\$ 9,128,107
(492,843)	(3,778,160)	(5,232,333)
-	(1,164,387)	(3,386,832)
<u>463,444</u>	<u>6,243,883</u>	<u>508,942</u>
50,000	2,142,500	612,500
(50,000)	(2,281,000)	(15,000)
-	-	84,591
-	-	-
-	(152,994)	-
<u>-</u>	<u>(291,494)</u>	<u>682,091</u>
-	-	-
-	(267,310)	-
(286,068)	(590,567)	-
(159,763)	(496,140)	-
-	(4,281,163)	(291,669)
-	2,350	-
<u>(445,831)</u>	<u>(5,632,830)</u>	<u>(291,669)</u>
51,970	478,760	264,873
69,583	1,052,738	1,164,237
\$ 1,098,642	\$ 9,452,559	\$ 4,506,068
\$ 1,168,225	\$ 10,505,297	\$ 5,670,305
\$ 107,211	\$ 1,897,506	\$ 5,670,305
1,061,014	8,607,791	-
\$ 1,168,225	\$ 10,505,297	\$ 5,670,305
\$ 488,321	\$ 2,873,646	\$ -
\$ 283,666	\$ 3,715,184	\$ 172,701
215,419	2,064,952	190,790
44,492	(268,573)	132,750
(292)	916,734	46,999
(79,841)	(197,999)	-
-	13,585	(34,298)
<u>463,444</u>	<u>6,243,883</u>	<u>508,942</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

AGENCY FUND

ASSETS:

Cash and Investments	\$	4,261,399
Receivables:		
Accounts, net		<u>-</u>
Total assets	\$	<u>4,261,399</u>

LIABILITIES

Liabilities:		
Accounts payable	\$	38,695
Matured Bonded Debt		2,000
Building Permit Suspense		69,286
Contractor Escrow Payable		2,964
Miscellaneous Trust Liabilities		4,052,923
Water Deposits		88,306
Deposit Suspense		<u>7,225</u>
Total liabilities	\$	<u>4,261,399</u>

The accompanying notes are an integral part of this statement.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Grants Pass, Oregon, have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of Grants Pass is a municipal corporation governed by an elected mayor and eight-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable, as defined under GASB Statement 39. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. As of June 30, 2007, the City had three blended component units requiring disclosure. The blended component units have a June 30 year end. There is one discretely presented component unit.

The City reports the following blended component units:

Parkway Redevelopment Agency ("The Agency") – The Agency is governed by a board comprised of the City Council and the Mayor of Grants Pass.

Harbeck-Fruitdale Sewer District ("The District") – The District is governed by a board comprised of the City Council and the Mayor of Grants Pass.

Redwood Sanitary Sewer Service District ("The Service District") – The Service District is governed by a board comprised of the City Council and the Mayor of Grants Pass.

The City reports the following discretely presented component unit:

Josephine County-City of Grants Pass Solid Waste Agency ("The Solid Waste Agency") – The Solid Waste Agency is governed by a board comprised of representatives of each government, not more than one of which shall be an elected member of each governing board. By agreement, the City has managing jurisdiction and shall report the Agency as a component unit for audit and budgetary purposes.

Complete financial statements for each of these component units may be obtained at the City's Administrative offices located at the following address:

City of Grants Pass
101 N.W. "A" Street
Grants Pass, Oregon 97526

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 provided 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 instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and the fiduciary fund, 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrue as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The government reports the following major governmental funds:

General Fund - This fund accounts for all financial resources and expenditures of the City, except those required to be accounted for in another fund. The principal revenue source is property taxes.

Solid Waste Fund - This fund accounts for the municipal portions of franchise management for the two solid waste franchises in the City. The principal revenue is charges for services.

Bancroft Bond Fund - This fund accounts for funds received from property owners to satisfy assessments against their property.

Transportation Projects Fund - This fund accounts for well-maintained street and drainage systems in addition to new street and sidewalk construction and major maintenance such as street overlays and seals. The principal revenue sources are utility fees, gas tax, and system development charges.

Land and Building Projects Fund - This fund accounts for the purchase of property, construction of buildings and major repair and replacement projects for the City's park land and facilities. The principal revenue sources are intergovernmental revenue, general obligation bonds and system development charges.

Parkway Redevelopment Agency Fund - This fund accounts for the general administration of the Agency and for the acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas. The primary funding source is property tax revenue and proceeds from the issuance of bonds.

The government reports the following major proprietary funds:

Sewer Fund - This fund accounts for the operations of the Sewer Fund which is financed primarily through user charges to the general public.

Water Fund - This fund accounts for the revenues and expenses of the City's water utility. The primary revenue source is fees for service.

Harbeck-Fruitdale Sewer District - This fund accounts for sanitation services to properties within the boundaries of the District. The principal revenue source is assessments.

Redwood Sanitary Sewer Service District - This fund accounts for sanitation infrastructure to properties within the boundaries of the District. The principal revenue source is user charges.

Additionally, the government reports the following funds:

Internal Service Funds - The internal service funds account for the fleet operations, support services, administrative services and insurance services that are provided to the other departments and agencies on a cost reimbursement basis.

Fiduciary Fund (Agency Fund) - This fund accounts for the City's monies held for others and the City's role is purely custodial. This includes pass-through grants, deposits, donations for organizations and funds collected for other governments.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Governmental 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 general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. 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 and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds 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 the same purpose, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS

The City, the Agency, the District, the Service District and the Solid Waste Agency budget all funds as required by Oregon State Budget Law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Levels of control established by the resolution for the General, Capital Projects, Proprietary and Internal Service Funds are by department, function or program. The levels of control established by the resolution for the Solid Waste Fund are field operations, general program operations, capital projects and other expenditures. Expenditure budgets are appropriated at the following object levels for each of the remaining funds, personal services, materials and services, capital outlay, interfund transactions, debt service and operating contingency.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. Original and supplemental budgets require hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by passing a Council resolution or ordinance authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes, Chapters 294.305 through 294.565 (Oregon Budget Law). Supplemental appropriations, permitted by Oregon Budget Law, were authorized by the City Council during the fiscal year.

Budget amounts presented herein are as originally adopted or as amended by the City Council. There were three supplemental budgets and several transfers of appropriations. Budget appropriations lapse at year end.

The City, the Agency, the District, the Service District and the Solid Waste Agency budgets are on the modified accrual basis of accounting. Budgeted intergovernmental revenues between the Agency, the District and the City are accounted for as transfers on a GAAP basis.

The City also utilized encumbrances as a method of controlling budgeted appropriations and line item budget control. Encumbrances, which are purchase commitments to acquire goods or services yet to be received, are recognized as charges against budgeted appropriations during the year. At year end, any outstanding encumbrances are canceled and the charges against budgeted appropriations for these encumbrances are reversed. Encumbrances are not recognized as expenditures for budgetary or generally accepted accounting principles purposes in these basic financial statements.

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

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "cash and investments".

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".

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Property taxes are levied as of July 1 on property assessed as of January 1st. 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.

Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

Restricted Assets

Certain assets in various governmental funds are classified as restricted assets because their use is completely restricted for the repayment of outstanding bonds, system expansion, construction projects or other legal requirements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized when projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is calculated using the straight line method. The estimated useful lives of capital assets are as follows:

Buildings	20-50 years
Supply and distribution systems, including utility plant	20-75 years
Equipment	5-20 years

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capitalized Interest

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For the year ended June 30, 2007, no interest was capitalized on capital assets.

Grants

Unreimbursed expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred. Cash received from grantor agencies in excess of related grant expenditures is recorded as a liability in the balance sheet and statement of net assets.

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City has a policy to pay a percentage of unpaid sick leave upon retirement or termination of employment in good standing, only after 10 years of continuous service by the employee. All vacation and sick pay is accrued when incurred in the government-wide, and proprietary financial statements. A liability for these amounts is not reported in governmental funds in accordance with Governmental Accounting Standards Board Statement No. 16 Accounting for Compensated Absences, unless the compensated absences have matured (due to resignation or retirement).

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

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

Workers' Compensation Insurance

The City is self-insured for workers' compensation. Premiums are paid to the Insurance Service Fund from operating divisions and are available to pay claims, claims reserves and administrative costs of the program. Estimated claims of \$116,841 have been accrued as a liability of the fund and are included in accounts payable.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund equity/Net assets

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.

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

Reservations of Net Assets and Fund Balances

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.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund types deposit monies into a common cash and investment pool of the City. The funds use this pool as a demand deposit account and, accordingly, all amounts in the pool are considered cash and cash equivalents. Cash and cash equivalents include investments with an original maturity date of three months or less at date of purchase. In addition, all unrestricted cash and cash equivalents and restricted cash and cash equivalents are grouped together for purposes of the statement of cash flows.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash and Investments at June 30, 2007 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 1,200
Demand Deposits	2,143,775
Investments	49,800,251
Total	<u>\$ 51,945,226</u>
Unrestricted	\$ 36,972,338
Restricted	9,486,449
Fiduciary Fund	4,261,399
Component Unit	1,225,040
Total	<u>\$ 51,945,226</u>

DEPOSITS

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

Deposits consist of bank demand deposits. The carrying amount of deposits is \$2,143,775. The total bank balance per the bank statements is \$3,292,421. Of these deposits, \$212,889 is covered by federal depository insurance and \$769,883 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 sufficient to meet the requirements of Oregon Law.

INVESTMENTS

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	75%
Local Government Investment Pool	75%
Certificates of Deposit (CD)	75%
Bankers' Acceptances (BA's)	50%
TCD's Savings and Loans	35%
Repurchase Transactions	25%
US Agency Notes	100%

There were no known violations of legal or contractual provisions for investments.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

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	\$ 9,309,396	3,000,000	6,309,396	-
State Treasurer's investment pool	40,490,855	40,490,855	-	-
Total	\$ 49,800,251	43,490,855	6,309,396	-

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

In general, the City's portfolio shall be managed by purchasing securities and holding them until their specified maturity date. However, under certain market conditions, when it becomes advantageous, the Investment Officer may sell securities prior to their maturity date and reinvest the proceeds in higher yielding instruments.

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 Oregon Short-Term Fund Board (OSFTB).

The City limits investment maturities as follows for operating funds:

Under 30 days	10% minimum
Under 90 days	50% minimum
Under 180 days	80% minimum
Under 360 days	90% minimum

100% of all operating funds shall mature within 18 months, and only those funds reserved for capital projects and assessment proceeds may be invested at maturities greater than 18 months.

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 GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

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.

3. ASSESSMENTS RECEIVABLE

Assessments receivable represent the uncollected amounts levied against benefited properties for the costs of local improvements. Since the assessments are liens against the properties, an allowance for uncollectible amounts is not deemed necessary. Assessments are payable over a period of ten years and bear interest at 7% to 10.64%. At June 30, 2007, the City's delinquent assessments receivable totaled \$18,553.

4. NOTES AND CONTRACTS RECEIVABLE

Notes and Contracts Receivable consisted of the following at June 30, 2007:

Downtown Loans Receivable, monthly payments including interest at 6%	\$ 9,644
CDBG - HUD Loans Receivable	207,189
Josephine County Solid Waste Note Receivable	864,991
Other Notes Receivable	1,445,121
	<u>\$ 2,526,945</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2007 are as follows:

	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS			
	June 30, 2006	Additions	Disposals	June 30, 2007
Capital Assets, not being depreciated				
Land	\$ 39,210,193	\$ 20,089,079	\$ -	\$ 59,299,272
Construction in Progress	2,063,298	811,892	-	2,875,190
Total, not being depreciated	41,273,491	20,900,971	-	62,174,462
Buildings	4,567,651	15,108	-	4,582,759
Improvements	5,902,046	-	-	5,902,046
Machinery & Equipment	4,640,703	463,544	148,050	4,956,197
Infrastructure	59,164,587	5,816,587	-	64,981,174
Total, being depreciated	74,274,987	6,295,239	148,050	80,422,176
Less Accumulated Depreciation				
Buildings	2,027,417	110,581	-	2,137,998
Improvements	2,556,235	194,682	-	2,750,917
Machinery & Equipment	2,671,029	387,256	143,764	2,914,521
Infrastructure	10,737,018	1,143,634	-	11,880,652
Total Accumulated Depreciation	17,991,699	1,836,153	143,764	19,684,088
Total Capital Assets being Depreciated, net	56,283,288	4,459,086	4,286	60,738,088
Governmental Activities Capital Assets, net	\$ 97,556,779	\$ 25,360,057	\$ 4,286	\$ 122,912,550

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

	Governmental Funds
Transportation	\$ 140,061
Parks	144,595
Public Safety	1,206,218
General Government	19,449
Development	185,470
Building	101,981
Solid Waste	38,379
	\$ 1,836,153

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	June 30, 2006	Additions	Disposals	June 30, 2007
Capital Assets, not being depreciated				
Land	\$ 858,712	\$ -	\$ -	\$ 858,712
Construction in Progress	701,202	3,809,387	-	4,510,589
Total, not being depreciated	1,559,914	3,809,387	-	5,369,301
Buildings	6,486,852	-	-	6,486,852
Improvements	1,798,082	-	-	1,798,082
Machinery & Equipment	8,408,616	15,098	-	8,423,714
Infrastructure	92,475,667	3,330,322	-	95,805,989
Total, being depreciated	109,169,217	3,345,420	-	112,514,637
Less Accumulated Depreciation				
Buildings	1,581,310	167,122	-	1,748,432
Improvements	569,755	80,621	-	650,376
Machinery & Equipment	2,176,893	403,791	-	2,580,684
Infrastructure	22,067,796	1,410,980	-	23,478,776
Total Accumulated Depreciation	26,395,754	2,062,514	-	28,458,268
Total Capital Assets being Depreciated, net	82,773,463	1,282,906	-	84,056,369
Business-Type Activities Capital Assets, net	\$ 84,333,377	\$ 5,092,293	\$ -	\$ 89,425,670

6. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

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

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,500,000	\$ -
Solid Waste Fund	1,540,000	-
Transportation Capital Projects	5,821	-
Bancroft Bond Fund	-	1,540,000
Land and Building Projects	-	2,500,000
Nonmajor governmental Funds	-	60,821
Internal Service Funds	180,000	125,000
Total Funds	\$ 4,225,821	\$ 4,225,821

In FY'07, the City used an interfund loan from the General fund to purchase property for future park use. This loan is to be paid back through the sale of City owned property held in the Lands and Building Fund. The Transportation Capital Projects Fund, by policy, receives 5% of State Gas Tax revenues for the dedicated purpose of Bike Paths. Gas Tax revenues received from the state in August represents the distribution for June. As such the dedicated 5% was journalized as due the Transportation Fund. The Bancroft Bond Fund has made internal borrowings totaling \$1,540,000 from the Solid Waste Capital Projects Fund for local improvement projects. The variation in the individual project costs subject to bonding together with timing elements made internal borrowing more cost effective than public financing.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 928,339	\$ 1,121,553
Solid Waste Fund	-	20,000
Bancroft Bond Fund	-	11,674
Transportation Capital Projects	961,743	50,000
Lands & Buildings Capital Projects	1,441,194	25,000
Water Fund	694,000	900,000
Sewer Fund	1,397,000	1,329,500
Redwood Sanitary Sewer Fund	50,000	50,000
Nonmajor governmental Funds	-	2,017,049
Internal Service Funds	67,500	15,000
Total Funds	<u>\$ 5,539,776</u>	<u>\$ 5,539,776</u>

The allocation of Transient Room Tax receipts, a special revenue fund, to general governmental operating activities accounts for the monies transferred into the General Fund. The largest segments of General Fund transfers out represent funding of \$962,000 appropriated for Lands & Building Capital Projects and \$50,000 appropriated for Transportation Projects. System Development Charge revenues of \$205,000 were transferred from a restricted fund to appropriated Transportation Projects. Transportation Projects also received \$244,000 from Street Utility fees, \$69,069 from the State Gas Tax Fund, \$150,000 from the Sewer Fund and \$197,000 from the Water Fund. In addition to the transfer indicated above from the General Fund, Lands & Building Capital Projects received \$159,194 from Transient Room Tax, \$155,000 from the Street Utility Fee, and \$96,000 from the State Gas Tax Fund, all appropriated as resources to a variety of projects, everything from property improvements to business incentive programs. Equipment Replacement, an Internal Service Fund, received \$64,560 from Public Safety and \$1,500 from Water Treatment of the acquisition of equipment.

7. LONG-TERM DEBT

Bonds outstanding consist of Public Safety General Obligation Bonds, Water Revenue Bonds, Urban Renewal Refunding Bonds, and General Obligation Bonds. The Public Safety Bonds were issued June 20, 2007, at the original amount of \$9,820,000. The Water Revenue bonds were issued August 1, 1998 at the original amount of \$4,080,000, payable from the net revenues of the water system. The Urban Renewal Refunding Bonds were issued by the Parkway Redevelopment Agency in November 2001 at an original amount of \$2,735,000, and are payable from Parkway Redevelopment Fund tax increment revenues. Future maturities of bond principal and interest at June 30, 2007, are as follows:

<u>GOVERNMENTAL ACTIVITIES</u>			<u>BUSINESS-TYPE ACTIVITIES</u>	
<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2007-2008	\$ 1,060,000	\$ 423,945	320,000	98,162
2008-2009	1,155,000	398,375	340,000	84,082
2009-2010	560,000	359,000	355,000	69,122
2010-2011	630,000	336,600	375,000	53,325
2011-2012	685,000	311,400	395,000	36,450
2012-2017	4,345,000	1,089,900	415,000	18,675
2017-2022	<u>2,270,000</u>	<u>137,800</u>	-	-
Less: Discount			<u>(14,637)</u>	
	<u>\$ 10,705,000</u>	<u>\$ 3,057,020</u>	<u>\$ 2,185,363</u>	<u>\$ 359,816</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

Purpose	Interest Rates	Amount
Governmental General Obligation Bonds	3.9-5%	10,705,000
Business-Type Revenue Bonds	3.9-4.5%	2,200,000

Unbonded Long-Term Debt

Contracts payable in the Governmental and Business-Type funds consist of installment contracts related to property purchased by the City. The contracts mature at various dates through 2029. Notes payable in the Business-Type funds consist of two loans from the Oregon State Revolving Loan Program, a loan from the Department of Environmental Quality dated June 26, 2001 and an Intergovernmental note payable to Josephine County.

Notes and contracts payable consist of the following:

Purpose	Interest Rates	Amount
Governmental Contracts Payable	4.99-6%	\$ 358,799
Governmental Loans Payable	3.9%	865,000
Business Type Notes Payable	3.98%	3,893,998
Business Type Notes Payable	3.43%	6,476,156
Business Type Notes Payable	0%	18,000
Business Type Notes Payable	3%	40,000
Business Type Contracts Payable	10%	61
		\$ 11,652,014

Future maturities of principal and interest on notes and contracts payable are as follows:

NOTES & CONTRACTS PAYABLE

GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2007-2008	\$ 122,735	\$ 63,963	2007-2008	\$ 573,693	\$ 371,851
2008-2009	122,997	58,861	2008-2009	595,147	350,319
2009-2010	128,271	53,771	2009-2010	617,473	327,993
2010-2011	133,559	48,475	2010-2011	640,642	304,824
2011-2012	138,861	28,142	2011-2012	664,684	280,782
2012-2017	441,896	64,574	2012-2017	3,717,042	1,010,288
2017-2022	47,067	29,332	2017-2022	2,384,628	410,453
2022-2027	60,040	16,359	2022-2027	1,234,906	61,239
2027-2032	28,373	2,140	2027-2032	-	-
	\$ 1,223,799	\$ 365,617		\$ 10,428,215	\$ 3,117,749

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

7. LONG-TERM DEBT

Long-Term Debt activity for the year ended June 30, 2007, is as follows:

	CHANGES IN LONG-TERM DEBT				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	\$ 1,300,000	\$ 9,820,000	\$ 415,000	\$ 10,705,000	\$ 1,060,000
Post-Closure Care Costs	1,100,000	346,301	-	1,446,301	300,000
Notes and Contracts Payable	1,541,826	-	318,027	1,223,799	122,735
Governmental activities					
Long-Term Debt	\$ 3,941,826	\$ 10,166,301	\$ 733,027	\$ 13,375,100	\$ 1,482,735
Business-type Activities:					
Revenue Bonds Payable	\$ 2,505,000	\$ -	\$ 305,000	\$ 2,200,000	\$ 320,000
Less Unamortized Discount	(17,076)	-	(2,439)	(14,637)	-
Notes and Contracts Payable	10,983,527	-	555,312	10,428,215	573,693
Business-type Activities					
Long-Term Debt	\$ 13,471,451	\$ -	\$ 857,873	\$ 12,613,578	\$ 893,693

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for general, auto and property liability. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Insurance Services Fund is responsible for collecting interfund premiums from other City funds and departments, paying claim settlements and purchasing other specified insurance policies. Interfund premiums are based on the insured funds' claims experiences and exposure (number of staff/payroll).

The City is self-insured for workers' compensation claims. The activities of the workers' compensation program are accounted for in the Insurance Services Fund. The City carries stop-loss coverage for amounts over \$400,000, to a maximum of \$1,000,000. The City estimates losses based on actual claims and accident history. The claims liability of \$116,841 reported in the Insurance Services Fund at June 30, 2007 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of that loss can be reasonably estimated. The \$116,844 is considered to be due within the next year and is classified as such on the Statement of Net Assets.

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. RISK MANAGEMENT

Ending June 30,	Beginning of Year	Changes in Estimates	Payments of Claims	at End of Year
2005	120,959	(55,709)	32,004	33,246
2006	33,246	79,509	56,040	56,715
2007	56,715	118,173	58,047	116,841

9. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Plan Description – Substantially all City employees are participants in the State of Oregon Public Employees Retirement System (OPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for government units in the State of Oregon. Benefits generally vest after five years of continuous service. Retirement is allowed at age 58 with unreduced benefits, but retirement is generally available after age 55 with reduced benefits. Compulsory retirement age is 70. Retirement benefits are payable in lump sum or monthly amounts using several payment options. OPERS also provides death and disability benefits. These benefit provisions and other requirements are established by Oregon Revised Statutes, Chapter 238. OPERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. The stand-alone report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

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; the rate effective July 1, 2006 is 16.05% of salary covered under the plan for Tier 1 and Tier 2 employees and 10.84% for employees covered under the Oregon Public Services Retirement Plan (OPSRP).. 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.

Annual Pension Cost – For the fiscal years ending June 30, 2007, 2006, and 2005, the City’s annual pension cost of \$1,541,448, \$1,522,986 and \$1,066,843, respectively, was equal to the City’s required and actual contributions. The required contributions and liabilities were determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. Because all OPERS employers are required by law to submit the contributions adopted by the Retirement Board, and the employer contributions are calculated in conformance with the standards of Statement No. 27, there is no net pension obligation. The contributions actually made are equivalent to the annual pension cost. Significant actuarial assumptions used in the valuation include (a) a rate of return of 8.0% per year, net of investment and administrative expenses (assumed earnings rate for purposes of Tier One guaranteed interest credit); (b) wage growth of 4.25% per year, excluding merit or longevity increases; (c) projected post-retirement benefit increases of 2.0% per year; (d) demographic assumptions that have been chosen to reflect the best estimate of emerging experience of the members of OPERS; (e) consumer price inflation of 3.5% per year; and (f) future interest credits of 8.5% for Tier One and 8.0% for Tier Two. Unfunded actuarial liability is amortized as a level percentage of covered payroll over a thirty-year period on an open basis.

GASB Statement No. 27 disclosures are based on the actuarial assumptions and methods contained in the December 31, 2005 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Valuation Date	Schedule of Funding Progress					
	AVA	AAL	UAAL	Funded Percent	Covered Payroll	UAAL/ Payroll
12/31/2001	45,596,379	41,853,504	(3,742,875)	109%	7,289,100	-51%
12/31/2003	36,466,351	43,526,425	(7,060,074)	84%	8,157,797	87%
12/31/2005	44,007,862	50,076,056	(6,068,194)	88%	9,637,834	63%

10. DEFERRED COMPENSATION

The City offers its employees optional deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of participants and their beneficiaries. Monies accumulated by the City under its deferred compensation plans have been deposited with various financial institutions. The City has adopted GASB Statement 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The City has little administrative involvement and does not perform the investing functions for this plan, therefore, this plan is not shown in the City's financial statements.

11. OTHER POSTRETIREMENT BENEFITS

The City provides postretirement health care benefits, as per labor contracts and the Personnel Rules and Regulations, for retirees. The benefit varies depending upon date of employment. The City pays 100 percent of the medical insurance premium for four years following the retirement of an employee, or until the employee dies, reaches age 65, or enters employment where insurance is provided. The employee must be eligible and receiving Oregon Public Employees Retirement Systems (OPERS) benefits. Employees hired after January 1, 2001 and covered under the Grants Pass Police Association labor contract and the Teamsters Local Union #223 are eligible for 50% City paid medical insurance benefits for only six months following retirement. Likewise members of the International Association of Firefighters, Local 3564 hired after October 5, 2002 have the same reduced benefit. Under Oregon law, retirees retain the right to continue their health insurance benefits under the City's group plan, with no distinction made for costs or services available. Thus once the City's financial obligation ends, a retiree may elect to continue the group benefit coverage at his own expense. Expenditures for premiums paid on this plan totaled \$81,116 in 2007.

As of year end, there were five retired employees receiving this benefit. The average remaining obligation by the City per retiree was thirty months. The City finances these expenses as they are incurred in the respective fund where the retiree had worked.

12. FUND BALANCE DEFICITS AND OVEREXPENDITURES

The Bancroft Bond Fund has a deficit fund balance of \$1,500,626. The City anticipates that the deficit balances will be liquidated by transfers from other funds and future revenues.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

13. LANDFILL/CLOSURE AND POSTCLOSURE CARE COSTS

The Merlin Landfill is a municipal solid waste landfill regulated by Federal regulations, 40 CFR 258, Subpart F and the State of Oregon statutes contained in ORS 340-094. The Landfill is maintained under the specific terms of an Oregon Solid Waste Disposal Site Closure Permit No. 159, with an expiration date of April 30, 2008. In July 2001, the City purchased insurance for closure and post-closure costs. State laws and regulations required the City to place a final cover on its Merlin landfill site after it stopped accepting trash in December 2000. This cap was completed during the fiscal year ended June 30, 2002. The Remedial Investigation and Risk Assessment reports have been completed and approved by the Oregon Department of Environmental Quality (DEQ).

The City received a Record of Decision (ROD) from the DEQ on January 3, 2006 that guides the City in the remedial actions necessary to mitigate the risk due to the groundwater contamination. The current value of post closure care costs is \$1,446,301. This is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations

14. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available to the City. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2007, the City had entered into several capital construction projects with various vendors. The outstanding commitments for these projects at June 30, 2007 are \$ 4,305,349.

16. COMPENSATED ABSENCES

Changes in governmentl compensated absences are as follows:

	June 30, 2006	Additions	Deletions	June 30, 2007	Amount Due within one year
Vacation Payable	\$ 1,155,349	\$ 1,263,883	\$ 1,155,349	\$ 1,263,883	\$ 300,000

17. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments were made to various budgetary statements, presented in compliance with local budget law, to properly account for interfund loans on a budgetary basis.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Governmental Fund Statements

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 13,029,969	\$ 13,118,895	\$ 13,319,279	\$ 200,384
Licenses and Permits	1,008,985	696,555	678,422	(18,133)
Intergovernmental	1,474,066	1,509,698	1,530,358	20,660
Charges for Services	1,157,710	906,350	973,017	66,667
Fines and Forfeitures	183,000	236,000	233,887	(2,113)
Interest on Investments	186,000	397,500	393,830	(3,670)
Miscellaneous	714,699	714,927	72,027	(642,900)
Total Revenues	<u>17,754,429</u>	<u>17,579,925</u>	<u>17,200,820</u>	<u>(379,105)</u>
EXPENDITURES:				
Mayor and Council	138,126	143,126 (1)	137,463	5,663
Public Safety Field Services	8,380,155	8,357,486 (1)	8,356,973	513
Public Safety Support Services	3,038,761	3,038,761 (1)	3,038,262	499
Crisis Support Services	35,000	35,000 (1)	35,000	-
Street Lighting	235,000	227,000 (1)	224,075	2,925
Code Enforcement	193,908	179,831 (1)	172,494	7,337
Park Maintenance Services	1,267,782	1,267,782 (1)	1,212,264	55,518
Aquatic Services	101,957	101,957 (1)	81,346	20,611
Recreation Services	135,669	135,669 (1)	124,126	11,543
Planning Services	1,094,687	883,484 (1)	864,546	18,938
Building and Safety Services	1,421,427	1,105,455 (1)	999,912	105,543
Economic Development	172,907	109,048 (1)	80,877	28,171
Downtown Development	179,887	237,039 (1)	218,530	18,509
Tourism Promotion	318,828	311,094 (1)	301,857	9,237
General Program Operations	51,000	60,450 (1)	2,628	57,822
Debt Service	15,281	15,281 (1)	15,280	1
Contingency	465,000	613,625 (1)	-	613,625
Total Expenditures	<u>17,245,375</u>	<u>16,822,088</u>	<u>15,865,633</u>	<u>956,455</u>
Excess of Revenues Over (Under) Expenditures	<u>509,054</u>	<u>757,837</u>	<u>1,335,187</u>	<u>577,350</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	941,515	928,339	928,339	-
Sale of Assets	-	2,000	1,156	(844)
Interfund Loans	-	-	-	-
Transfers Out	(859,553)	(1,121,553) (1)	(1,121,553)	-
Total other financing uses	<u>81,962</u>	<u>(191,214)</u>	<u>(192,058)</u>	<u>(844)</u>
Net Change in Fund Balance	591,016	566,623	1,143,129	576,506
Beginning Fund Balance	<u>3,596,197</u>	<u>4,438,485</u>	<u>4,438,485</u>	<u>-</u>
Prior Period Adjustment			(2,500,000)	
Ending Fund Balance	<u>\$ 4,187,213</u>	<u>\$ 5,005,108</u>	<u>\$ 3,081,614</u>	<u>\$ (1,923,494)</u>
Reconciliation to GAAP Fund Balance				
Interfund Loans			2,500,000	
Total GAAP Fund Balance			<u>\$ 5,581,614</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

	<u>SOLID WASTE FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Licenses and Permits	\$ 2,000	\$ 2,000	\$ 2,600	\$ 600
Intergovernmental	140,315	333,506	333,506	-
Charges for Services	440,310	417,001	341,837	(75,164)
Interest on Investments	98,000	160,101	162,133	2,032
Miscellaneous Revenue	272,000	197,400	12,000	(185,400)
Total Revenues	952,625	1,110,008	852,076	(257,932)
EXPENDITURES:				
Environmental Waste Fees	275,000	275,121 (1)	256,108	19,013
Field Operations	37,850	38,545 (1)	18,963	19,582
Post-closure	151,871	115,995 (1)	95,638	20,357
General Program Operations	17,816	18,246 (1)	5,593	12,653
Capital Outlay	3,067,470	3,527,461 (1)	52,647	3,474,814
Debt Service	140,315	337,102 (1)	331,967	5,135
Contingency	270,449	36,284 (1)	-	36,284
Total Expenditures	3,960,771	4,348,754	760,916	3,587,838
Excess of Revenues Over (Under) Expenditures	(3,008,146)	(3,238,746)	91,160	3,329,906
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Loan Proceeds	-	-	-	-
Transfers Out	(20,000)	(20,000)	(20,000)	-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	(3,028,146)	(3,258,746)	71,160	3,329,906
Beginning Fund Balance	3,051,879	3,258,746	3,258,746	-
Ending Fund Balance	\$ 23,733	\$ -	\$ 3,329,906	\$ 3,329,906

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The budgetary basis for required supplementary information is the same as GAAP, except for interfund loans which are accounted for as "other financing sources" for budgetary purposes and is considered loans for GAAP.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

SUPPLEMENTARY INFORMATION

Combining, Individual Fund, and
Other Financial Schedules

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

	<u>BANCROFT BOND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Special Assessments	\$ 725,000	\$ 1,002,475	\$ 1,051,627	\$ 49,152
Interest on Assessments	48,500	8,250	9,409	1,159
Total Revenues	<u>773,500</u>	<u>1,010,725</u>	<u>1,061,036</u>	<u>50,311</u>
EXPENDITURES:				
Materials and Services	125,500	60,000 (1)	50,600	9,400
Debt Service	165,000	984,211 (1)	967,874	16,337
Contingency	-	- (1)	-	-
Total Expenditures	<u>290,500</u>	<u>1,044,211</u>	<u>1,018,474</u>	<u>25,737</u>
Excess of Revenues Over (Under) Expenditures	<u>483,000</u>	<u>(33,486)</u>	<u>42,562</u>	<u>76,048</u>
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	2,472,000	4,577,000	-	(4,577,000)
Transfers Out	(2,955,000)	(1,577,000) (1)	(11,674)	1,565,326
Total Other Financing Sources (Uses)	<u>(483,000)</u>	<u>3,000,000</u>	<u>(11,674)</u>	<u>(3,011,674)</u>
Net Change in Fund Balance	-	2,966,514	30,888	(2,935,626)
Beginning Fund Balance	-	(2,966,514)	(2,966,514)	-
Prior Period Adjustment	-	-	2,975,000	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,374</u>	<u>\$ 39,374</u>
Reconciliation to GAAP Equity				
Interfund Loan			<u>\$ (1,540,000)</u>	
GAAP Equity			<u>\$ (1,500,626)</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

TRANSPORTATION PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 1,921,723	\$ 987,600	\$ 124,356	\$ (863,244)
Charges for Services	1,493,000	1,425,000	1,324,780	(100,220)
Interest on Investments	28,800	73,602	343,434	269,832
Trust Receipts		-	39,327	39,327
Contributions	35,000	20,000	-	(20,000)
Miscellaneous Revenues	10,000	-	-	-
Total Revenues	<u>3,488,523</u>	<u>2,506,202</u>	<u>1,831,897</u>	<u>(674,305)</u>
EXPENDITURES:				
Contingency		20,000 (1)		20,000
Capital Outlay	13,125,508	10,177,507 (1)	1,016,599	9,160,908
Total Expenditures	<u>13,125,508</u>	<u>10,197,507</u>	<u>1,016,599</u>	<u>9,180,908</u>
Excess of Revenues Over (Under) Expenditures	<u>(9,636,985)</u>	<u>(7,691,305)</u>	<u>815,298</u>	<u>8,506,603</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,251,314	2,607,606	961,743	(1,645,863)
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
Total Other Financing Sources (Uses)	<u>4,201,314</u>	<u>2,557,606</u>	<u>911,743</u>	<u>(1,645,863)</u>
Net Change in Fund Balance	(5,435,671)	(5,133,699)	1,727,041	6,860,740
Beginning Fund Balance	5,435,671	5,890,538	5,890,538	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 756,839</u>	<u>\$ 7,617,579</u>	<u>\$ 6,860,740</u>

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

<u>LAND AND BUILDING PROJECTS FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Intergovernmental	\$ 846,000	\$ 705,356	\$ 406,584	\$ (298,772)
Charges for Services	840,000	643,000	356,960	(286,040)
Interest on Investments	5,612	-	89,779	89,779
Contributions	95,000	20,052	-	(20,052)
Miscellaneous	57,000	(2,560)	6,466	9,026
Total Revenues	<u>1,843,612</u>	<u>1,365,848</u>	<u>859,789</u>	<u>(506,059)</u>
EXPENDITURES:				
Capital Outlay	<u>14,800,498</u>	<u>14,440,855</u> (1)	<u>2,522,888</u>	<u>11,917,967</u>
Total expenditures	<u>14,800,498</u>	<u>14,440,855</u>	<u>2,522,888</u>	<u>11,917,967</u>
Excess of Revenues Over (Under) Expenditures	<u>(12,956,886)</u>	<u>(13,075,007)</u>	<u>(1,663,099)</u>	<u>11,411,908</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	9,500,000	9,500,000	9,998,031	
Transfers In	943,624	1,441,194	1,441,194	-
Sale of Assets	1,710,000	-	-	-
Transfers Out	-	(25,000) (1)	(25,000)	-
Total Other Financing Sources (Uses)	<u>12,153,624</u>	<u>10,916,194</u>	<u>11,414,225</u>	<u>498,031</u>
Net Change in Fund Balance	(803,262)	(2,158,813)	9,751,126	11,909,939
Beginning Fund Balance	<u>803,262</u>	<u>2,158,813</u>	<u>2,158,813</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,909,939</u>	<u>\$ 11,909,939</u>
Reconciliation to GAAP Fund Balance				
Interfund Loans			<u>(2,500,000)</u>	
Total GAAP Fund Balance			<u>\$ 9,409,939</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

PARKWAY REDEVELOPMENT AGENCY

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,663,053	\$ 1,649,655	\$ 1,752,285	\$ 102,630
Intergovernmental	-	190,644	191,254	610
Interest on Investments	178,000	147,950	157,752	9,802
Trust Receipts	46,500	13,014	38,233	25,219
Miscellaneous	-	-	-	-
Total revenues	<u>1,887,553</u>	<u>2,001,263</u>	<u>2,139,524</u>	<u>138,261</u>
EXPENDITURES:				
Materials and Services	80,819	91,972 (1)	75,078	16,894
Capital Outlay	823,724	564,856 (1)	132,655	432,201
Debt Service				
Principal	419,987	419,987 (1)	419,986	1
Interest	64,919	64,919 (1)	64,919	-
Contingency	160,820	93,171 (1)	-	93,171
Total Expenditures	<u>1,550,269</u>	<u>1,234,905</u>	<u>692,638</u>	<u>542,267</u>
Net Change in Fund Balance	337,284	766,358	1,446,886	680,528
Beginning Fund Balance	<u>1,848,578</u>	<u>2,260,887</u>	<u>2,260,887</u>	<u>-</u>
Ending Fund Balance	<u>\$ 2,185,862</u>	<u>\$ 3,027,245</u>	<u>\$ 3,707,773</u>	<u>\$ 680,528</u>

(1) Appropriation Level

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CITY OF GRANTS PASS
 JOSEPHINE COUNTY, OREGON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

SPECIAL REVENUE FUNDS

	TRANSIENT ROOM TAX FUND	STREET UTILITY FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND
ASSETS:			
Cash and Investments	\$ 9,870	\$ 73,689	\$ 508,933
Receivables			
Intergovernmental	-	116,428	-
Accounts, net	-	86,421	-
Notes	-	-	207,189
Grants	-	9,898	318,242
Accrued Interest	-	165	1,133
	<u>9,870</u>	<u>286,601</u>	<u>1,035,497</u>
Total Assets	<u>\$ 9,870</u>	<u>\$ 286,601</u>	<u>\$ 1,035,497</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 56,169	\$ 490
Salaries, withholdings and taxes payable	-	10,066	-
Due To Other Funds	-	5,821	-
Deferred Revenue	-	-	207,189
	<u>-</u>	<u>72,056</u>	<u>207,679</u>
Total Liabilities	<u>-</u>	<u>72,056</u>	<u>207,679</u>
Fund Balances:			
Unreserved	<u>9,870</u>	<u>214,545</u>	<u>827,818</u>
Total fund balances	<u>9,870</u>	<u>214,545</u>	<u>827,818</u>
Total liabilities and fund balances	<u>\$ 9,870</u>	<u>\$ 286,601</u>	<u>\$ 1,035,497</u>

SPECIAL REVENUE FUNDS

<u>HOUSING & ECONOMIC DEVELOPMENT FUND</u>	<u>STORM WATER & OPEN SPACE FUND</u>	<u>TOTAL</u>
\$ 933,667	\$ 484,266	\$ 2,010,425
-	-	116,428
528	-	86,949
9,645	28,439	245,273
-	-	328,140
<u>2,687</u>	<u>1,902</u>	<u>5,887</u>
<u>\$ 946,527</u>	<u>\$ 514,607</u>	<u>\$ 2,793,102</u>
\$ -	\$ 22,074	\$ 78,733
-	-	10,066
-	55,000	60,821
<u>9,645</u>	<u>28,439</u>	<u>245,273</u>
<u>9,645</u>	<u>105,513</u>	<u>394,893</u>
<u>936,882</u>	<u>409,094</u>	<u>2,398,209</u>
<u>936,882</u>	<u>409,094</u>	<u>2,398,209</u>
<u>\$ 946,527</u>	<u>\$ 514,607</u>	<u>\$ 2,793,102</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007**

	SPECIAL REVENUE FUNDS		
	TRANSIENT ROOM TAX FUND	STREET UTILITY FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND
REVENUES:			
Taxes	\$ 1,046,935	\$ -	\$ -
Licenses and Permits	-	30,502	-
Intergovernmental	-	1,379,165	79,831
Charges for Services	-	746,513	50
Interest on Investments	-	16,405	31,555
Industrial and Other Loans	-	-	13,214
Miscellaneous Revenues	-	40,674	-
Total Revenues	<u>1,046,935</u>	<u>2,213,259</u>	<u>124,650</u>
EXPENDITURES:			
Development	19,085	-	94,067
Field Operations	-	1,373,275	-
Debt Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>19,085</u>	<u>1,373,275</u>	<u>94,067</u>
Excess of Revenues Over, (Under) Expenditures	<u>1,027,850</u>	<u>839,984</u>	<u>30,583</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Sale of Assets	-	39	-
Loan Proceeds	-	-	-
Transfers Out	<u>(1,017,980)</u>	<u>(789,069)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,017,980)</u>	<u>(789,030)</u>	<u>-</u>
Net Change in Fund Balance	9,870	50,954	30,583
Beginning Fund Balance	<u>-</u>	<u>163,591</u>	<u>797,235</u>
Ending Fund Balance	<u>\$ 9,870</u>	<u>\$ 214,545</u>	<u>\$ 827,818</u>

SPECIAL REVENUE FUNDS

<u>HOUSING & ECONOMIC DEVELOPMENT FUND</u>	<u>STORM WATER & OPEN SPACE FUND</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 1,046,935
-	-	30,502
-	-	1,458,996
-	146,204	892,767
44,972	26,665	119,597
55,854	-	69,068
-	35	40,709
<u>100,826</u>	<u>172,904</u>	<u>3,658,574</u>
-	-	113,152
-	31,814	1,405,089
-	235	235
-	111,765	111,765
-	143,814	1,630,241
<u>100,826</u>	<u>29,090</u>	<u>2,028,333</u>
-	-	-
-	-	39
-	-	-
<u>(5,000)</u>	<u>(205,000)</u>	<u>(2,017,049)</u>
<u>(5,000)</u>	<u>(205,000)</u>	<u>(2,017,010)</u>
95,826	(175,910)	11,323
<u>841,056</u>	<u>585,004</u>	<u>2,386,886</u>
<u>\$ 936,882</u>	<u>\$ 409,094</u>	<u>\$ 2,398,209</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

TRANSIENT ROOM TAX FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,052,671	\$ 1,037,065	\$ 1,046,935	\$ 9,870
Total Revenues	1,052,671	1,037,065	1,046,935	9,870
EXPENDITURES:				
Materials and Services	19,085	19,085 (1)	19,085	-
Total Expenditures	19,085	19,085	19,085	-
Excess of Revenues Over (Under) Expenditures	1,033,586	1,017,980	1,027,850	9,870
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,033,586)	(1,017,980)	(1,017,980)	-
Total Other Financing Sources (Uses)	(1,033,586)	(1,017,980)	(1,017,980)	-
Net Change in Fund Balance	-	-	9,870	9,870
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	\$ -	\$ -	\$ 9,870	\$ 9,870

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

<u>STREET UTILITY FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Licenses and permits	\$ 90,000	\$ 40,000	\$ 30,502	\$ (9,498)
Intergovernmental	1,408,000	1,380,000	1,379,165	(835)
Charges for services	737,775	743,200	746,513	3,313
Interest on investments	1,990	11,500	16,405	4,905
Trust Receipts			24,016	24,016
Miscellaneous	43,000	43,000	16,658	(26,342)
Total Revenues	2,280,765	2,217,700	2,213,259	(4,441)
EXPENDITURES:				
Street and drainage services	1,067,526	1,023,886 (1)	943,539	80,347
Support services	36,082	36,082 (1)	35,902	180
General operations	373,210	398,472 (1)	393,834	4,638
Contingency	39,633	6,976 (1)	-	6,976
Total Expenditures	1,516,451	1,465,416	1,373,275	92,141
Excess of Revenues Over (Under) Expenditures	764,314	752,284	839,984	87,700
OTHER FINANCING SOURCES (USES)				
Sale of Assest	-	-	39	39
Transfers Out	(764,314)	(869,606) (1)	(789,069)	80,537
Total Other Financing Sources (Uses)	(764,314)	(869,606)	(789,030)	80,576
Net Change in Fund Balance	-	(117,322)	50,954	168,276
Beginning Fund Balance	-	117,322	163,591	46,269
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,545</u>	<u>\$ 214,545</u>

(1) Appropriation Level

**CITY OF GRANTS PASS
 JOSEPHINE COUNTY, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET- BUDGETARY BASIS
 For the Fiscal Year Ended June 30, 2007**

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 79,831	\$ 79,831
Charges for Services	200	50	50	-
Interest on Investments	40,500	31,291	31,555	264
Loan Repayments	16,413	11,367	13,214	1,847
Contributions	-	-	-	-
Total Revenues	57,113	42,708	124,650	81,942
EXPENDITURES:				
Materials and Services	98,000	101,750 (1)	16,129	85,621
Capital Outlay	-	77,938 (1)	77,938	-
Contingencies	150,000	25,193 (1)	-	25,193
Total Expenditures	248,000	204,881	94,067	110,814
Net Change in Fund Balance	(190,887)	(162,173)	30,583	192,756
Beginning Fund Balance	611,187	792,487	797,235	4,748
Ending Fund Balance	<u>\$ 420,300</u>	<u>\$ 630,314</u>	<u>\$ 827,818</u>	<u>\$ 197,504</u>

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

HOUSING AND ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest on Investments	40,505	41,936	44,972	3,036
Industrial and Other Loan Payments	20,850	55,941	55,854	(87)
Miscellaneous Revenues	150	-	-	-
Total Revenues	61,505	97,877	100,826	2,949
EXPENDITURES:				
Materials and Services	200,000	200,000 (1)	-	200,000
Contingencies	100,000	25,000 (1)	-	25,000
Total Expenditures	300,000	225,000	-	225,000
Excess of Revenues Over (Under) Expenditures	(238,495)	(127,123)	100,826	227,949
OTHER FINANCING USES:				
Transfers Out	(5,000)	(5,000) (1)	(5,000)	-
Total Other Financing Uses	(5,000)	(5,000)	(5,000)	-
Net Change in Fund Balance	(243,495)	(132,123)	95,826	227,949
Beginning Fund Balance	740,227	841,056	841,056	-
Ending Fund Balance	<u>\$ 496,732</u>	<u>\$ 708,933</u>	<u>\$ 936,882</u>	<u>\$ 227,949</u>

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

STORM WATER AND OPEN SPACE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 430,000	\$ 135,000	\$ 146,204	\$ 11,204
Interest on Investments	6,000	20,000	26,665	
Miscellaneous	-	-	35	35
Total Revenues	436,000	155,000	172,904	17,904
EXPENDITURES:				
Stormwater Maintenance		-	-	-
Customer Services		14,038	14,038	-
General Program Operations		19,934	17,776	(2,158)
Capital Outlay	846,611	535,004	111,765	(423,239)
Debt Service		500	235	(265)
Contingency		18,000		(18,000)
Total Expenditures	846,611	587,476	143,814	(443,662)
Excess of Revenues Over (Under) Expenditures	(410,611)	(432,476)	29,090	461,566
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Loan Proceeds		55,000	55,000	-
Transfers Out	(145,000)	(205,000) (1)	(205,000)	-
Total Other Financing Sources (Uses)	(145,000)	(150,000)	(150,000)	-
Net Change in Fund Balance	(555,611)	(582,476)	(120,910)	461,566
Beginning Fund Balance	555,611	585,004	585,004	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 2,528</u>	<u>\$ 464,094</u>	<u>\$ 461,566</u>
Reconciliation to GAAP Equity				
Interfund Loans			<u>\$ (55,000)</u>	
GAAP Equity			<u>\$ 409,094</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for Services	4,569,800	4,785,837	4,835,951	50,114
Interest on Investments	62,500	98,000	160,485	62,485
Trust Receipts	90,000	90,000	100,445	10,445
Miscellaneous Revenues	155,900	153,800	94,601	(59,199)
Total Revenues	<u>4,878,200</u>	<u>5,127,637</u>	<u>5,191,482</u>	<u>63,845</u>
EXPENDITURES:				
Treatment Services	1,201,300	1,201,300 (1)	1,176,614	24,686
Distribution Services	994,470	1,040,470 (1)	955,323	85,147
Customer Services	446,916	397,284 (1)	395,635	1,649
General Operations	330,103	327,098 (1)	294,884	32,214
Starview Estates Water System	-	- (1)	-	-
Debt Service				
Principal	305,000	305,000 (1)	305,000	-
Interest	111,430	111,430 (1)	110,325	1,105
Capital Outlay	3,423,563	4,620,726 (1)	1,818,097	2,802,629
Contingency	100,000	90,000 (1)	-	90,000
Total Expenditures	<u>6,912,782</u>	<u>8,093,308</u>	<u>5,055,878</u>	<u>3,037,430</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,034,582)</u>	<u>(2,965,671)</u>	<u>135,604</u>	<u>3,101,275</u>
OTHER FINANCING SOURCES (USES):				
Sale of Assets		2,000	2,350	350
Transfers In	492,500	1,185,500	695,500	(490,000)
Transfers Out	(691,500)	(1,391,500) (1)	(901,500)	490,000
Total Other Financing Sources (Uses)	<u>(199,000)</u>	<u>(204,000)</u>	<u>(203,650)</u>	<u>350</u>
Net Change in Fund Balance	(2,233,582)	(3,169,671)	(68,046)	3,101,625
Beginning Fund Balance	<u>2,656,283</u>	<u>3,595,010</u>	<u>3,595,010</u>	<u>-</u>
Ending Fund Balance	<u>\$ 422,701</u>	<u>\$ 425,339</u>	<u>\$ 3,526,964</u>	<u>\$ 3,101,625</u>
Reconciliation to Net Assets				
Fixed Assets, net			49,051,150	
General Obligation Bonds Payable			(2,185,424)	
Deferred Revenue			216,877	
Total Net Assets			<u>\$ 50,609,567</u>	
(1) Appropriation Level				

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

<u>SEWER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Intergovernmental	\$ 222,000	\$ 235,500	\$ 254,419	\$ 18,919
Charges for Services	5,115,650	4,916,186	5,079,475	163,289
Interest on Investments	78,750	119,400	266,061	146,661
Trust Receipts	5,000	5,000	12,034	7,034
Miscellaneous	286,550	333,592	73,721	(259,871)
Total Revenues	<u>5,707,950</u>	<u>5,609,678</u>	<u>5,685,710</u>	<u>76,032</u>
EXPENDITURES:				
Treatment Services	1,376,187	1,376,187 (1)	1,366,989	9,198
Jo-Gro	467,664	468,613 (1)	451,598	17,015
Collection Services	514,761	514,761 (1)	453,185	61,576
Customer Services	269,360	269,368 (1)	260,595	8,773
General Operations	371,706	374,801 (1)	339,541	35,260
Debt service:				
Principal	266,249	266,249 (1)	266,249	-
Interest	232,001	229,001 (1)	225,957	3,044
Capital Outlay	6,189,050	6,779,264 (1)	2,144,429	4,634,835
Contingency	250,000	250,000 (1)	-	250,000
Total Expenditures	<u>9,936,978</u>	<u>10,528,244</u>	<u>5,508,543</u>	<u>5,019,701</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,229,028)</u>	<u>(4,918,566)</u>	<u>177,167</u>	<u>5,095,733</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers In	942,500	1,467,500	1,397,000	(70,500)
Transfers Out	(1,103,500)	(1,403,500) (1)	(1,329,500)	74,000
Total Other Financing Sources (Uses)	<u>(161,000)</u>	<u>64,000</u>	<u>67,500</u>	<u>3,500</u>
Net Change in Fund Balance	(4,390,028)	(4,854,566)	244,667	5,099,233
Beginning Fund Balance	4,912,387	5,396,267	5,396,267	-
Ending Fund Balance	<u>\$ 522,359</u>	<u>\$ 541,701</u>	<u>\$ 5,640,934</u>	<u>\$ 5,099,233</u>
Reconciliation to Net Assets				
Fixed Assets, net			30,612,243	
Deferred Revenue			210,216	
Notes Payable			<u>(6,476,152)</u>	
Total Net Assets			<u>\$ 29,987,241</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

HARBECK-FRUITDALE SEWER DISTRICT

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Special Assessments	\$ 6,200	\$ 5,700	\$ 3,717	\$ (1,983)
Interest	300	300	244	(56)
Miscellaneous	-	-	-	-
Total Revenues	<u>6,500</u>	<u>6,000</u>	<u>3,961</u>	<u>(2,039)</u>
EXPENDITURES:				
General program operations	3,375	3,460 (1)	3,254	206
Debt Service	6,000	3,100 (1)	3,100	-
Contingency	1,125	1,125 (1)	-	1,125
Total Expenditures	<u>10,500</u>	<u>7,685</u>	<u>6,354</u>	<u>1,331</u>
Excess of Revenues Over (Under) Expenditures	(4,000)	(1,685)	(2,393)	-708
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(4,000)	(1,685)	(2,393)	(708)
Beginning Fund Balance	5,923	4,021	4,021	0
Ending Fund Balance	<u>\$ 1,923</u>	<u>\$ 2,336</u>	<u>\$ 1,628</u>	<u>\$ (708)</u>
Reconciliation to Net Assets				
Fixed Assets, net			72,225	
Deferred Revenue			29,202	
Notes Payable			<u>(58,000)</u>	
Net Assets			<u>\$ 45,055</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007**

REDWOOD SANITARY SEWER DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 1,316,900	\$ 1,029,650	\$ 911,795	\$ (117,855)
Interest on Investments	61,000	51,500	51,970	470
	<u>1,377,900</u>	<u>1,081,150</u>	<u>963,765</u>	<u>(117,385)</u>
EXPENDITURES:				
Collection	77,090	92,404 (1)	64,745	27,659
Pump and Conveyance System	268,050	268,050 (1)	253,783	14,267
Customer Services	37,934	45,715 (1)	39,251	6,464
General Program Operations	176,007	144,743 (1)	128,141	16,602
Capital Outlay	10,200	10,200 (1)	6,046	4,154
Debt service:				
Principal	486,652	286,652 (1)	286,652	-
Interest	163,566	163,566 (1)	159,763	3,803
Contingency	171,565	129,274 (1)	-	129,274
	<u>1,391,064</u>	<u>1,140,604</u>	<u>938,381</u>	<u>202,223</u>
Excess of Revenues Over (Under) Expenditures				
OTHER FINANCING SOURCES				
Transfers In	250,000	200,000	50,000	(150,000)
Transfers Out	(250,000)	(200,000)	(50,000)	150,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(13,164)	(59,454)	25,384	84,838
Beginning Fund Balance	<u>1,103,638</u>	<u>1,160,894</u>	<u>1,160,894</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,090,474</u>	<u>\$ 1,101,440</u>	<u>\$ 1,186,278</u>	<u>\$ 84,838</u>
Reconciliation to Net Assets				
Fixed Assets, net			\$ 9,690,051	
Deferred Revenue			79,841	
Notes Payable			(3,893,998)	
Total Net Assets			<u>\$ 7,062,172</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2007**

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
ASSETS:					
Current assets					
Cash and Investments	\$ 2,581,173	\$ 482,078	\$ 778,427	\$ 1,828,627	\$ 5,670,305
Prepaid Items	-	12,900	750	11,140	24,790
Receivables					
Accounts, net	-	65,311	279	-	65,590
Accrued interest	5,746	1,026	1,544	11,851	20,167
Due from other funds	-	-	-	180,000	180,000
Total current assets	<u>2,586,919</u>	<u>561,315</u>	<u>781,000</u>	<u>2,031,618</u>	<u>5,960,852</u>
Fixed assets, net	<u>1,632,121</u>	<u>443,796</u>	<u>29,885</u>	<u>-</u>	<u>2,105,802</u>
Total assets	<u>\$ 4,219,040</u>	<u>\$ 1,005,111</u>	<u>\$ 810,885</u>	<u>\$ 2,031,618</u>	<u>\$ 8,066,654</u>
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
Current Liabilities					
Accounts Payable	\$ 40,978	\$ 24,638	\$ 40,376	\$ 167,790	\$ 273,782
Salaries, withholdings and taxes payable	16,777	187,033	228,300	2,652	434,762
Pending Claims				116,841	116,841
Due to other funds	-	125,000	-	-	125,000
Total Current Liabilities	<u>57,755</u>	<u>336,671</u>	<u>268,676</u>	<u>287,283</u>	<u>950,385</u>
Total Liabilities	<u>57,755</u>	<u>336,671</u>	<u>268,676</u>	<u>287,283</u>	<u>950,385</u>
NET ASSETS					
Invested in Capital Assets, net of related debt	1,632,121	443,796	29,885	-	2,105,802
Unrestricted	<u>2,529,164</u>	<u>224,644</u>	<u>512,324</u>	<u>1,744,335</u>	<u>5,010,467</u>
Total Net Assets	<u>4,161,285</u>	<u>668,440</u>	<u>542,209</u>	<u>1,744,335</u>	<u>7,116,269</u>
Total Liabilities and Net Assets	<u>\$ 4,219,040</u>	<u>\$ 1,005,111</u>	<u>\$ 810,885</u>	<u>\$ 2,031,618</u>	<u>\$ 8,066,654</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
OPERATING REVENUES:					
Charges for Services	\$ 974,860	\$ 2,393,648	\$ 2,544,932	\$ 2,792,512	\$ 8,705,952
Miscellaneous	10,633	31,582	1,003	246,187	289,405
Total Operating Revenues	<u>985,493</u>	<u>2,425,230</u>	<u>2,545,935</u>	<u>3,038,699</u>	<u>8,995,357</u>
OPERATING EXPENSES:					
Salaries and Wages	62,344	1,510,154	1,691,283	88,752	3,352,533
Operating Supplies	363,377	126,552	78,254	13,441	581,624
Repairs and Maintenance	5,434	155,737	2,161	-	163,332
Utilities	16	86,637	13,437	-	100,090
Professional Services	196,057	152,521	440,764	2,363,202	3,152,544
General, Administrative and Engineering	188,875	280,427	154,686	657,755	1,281,743
Depreciation	144,804	25,023	20,963	-	190,790
Total Operating Expenses	<u>960,907</u>	<u>2,337,051</u>	<u>2,401,548</u>	<u>3,123,150</u>	<u>8,822,656</u>
Total Operating Income (Loss)	24,586	88,179	144,387	(84,451)	172,701
NONOPERATING INCOME (LOSS)					
Gain (Loss) on the Sale of Assets	14,527	-	-	-	14,527
Intergovernmental	-	1,140	68,924	-	70,064
Interest Income	109,153	16,641	33,380	105,699	264,873
Total nonoperating income (expense)	<u>123,680</u>	<u>17,781</u>	<u>102,304</u>	<u>105,699</u>	<u>349,464</u>
Income, (Loss) Before Operating Transfers	148,266	105,960	246,691	21,248	522,165
TRANSFERS					
Transfers In	66,060	1,440	-	-	67,500
Transfers Out	(10,000)	(5,000)	-	-	(15,000)
Total Transfers	<u>56,060</u>	<u>(3,560)</u>	<u>-</u>	<u>-</u>	<u>52,500</u>
Change in Net Assets	204,326	102,400	246,691	21,248	574,665
Beginning Net Assets	<u>3,956,959</u>	<u>566,040</u>	<u>295,518</u>	<u>1,723,087</u>	<u>6,541,604</u>
Ending Net Assets	<u>\$ 4,161,285</u>	<u>\$ 668,440</u>	<u>\$ 542,209</u>	<u>\$ 1,744,335</u>	<u>\$ 7,116,269</u>

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007**

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 988,319	\$ 2,402,699
Cash Paid to Suppliers	(765,489)	(829,372)
Cash Paid to Employees	(63,523)	(1,493,493)
Net cash provided (used) by operating activities	<u>159,307</u>	<u>79,834</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental Revenue	-	1,140
Gain (Loss) on the Sale of Assets	14,527	-
Transfers In	66,060	126,440
Transfers Out	(10,000)	(5,000)
Net cash provided (used) by noncapital financing activities	<u>70,587</u>	<u>122,580</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(229,930)	(61,739)
Net cash provided (used) by capital financing activities	<u>(229,930)</u>	<u>(61,739)</u>
Cash flows from investing activities		
Interest on Investments	<u>109,153</u>	<u>16,641</u>
Net increase (decrease) in cash and investments	109,117	157,316
Cash and investments, beginning of year	<u>2,472,056</u>	<u>324,762</u>
Cash and investments, end of year	<u>\$ 2,581,173</u>	<u>\$ 482,078</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 24,586	\$ 88,179
Depreciation and Amortization	144,804	25,023
(Increase) Decrease in Receivables	2,826	(22,531)
Increase (Decrease) in Payables	(11,731)	(27,498)
Increase (Decrease) in Payroll Liabilities	(1,178)	16,661
Net Cash Provided by Operating Activities	<u>\$ 159,307</u>	<u>\$ 79,834</u>

ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
\$ 2,545,804	\$ 3,191,285	\$ 9,128,107
(693,193)	(2,944,279)	(5,232,333)
(1,738,336)	(91,480)	(3,386,832)
<u>114,275</u>	<u>155,526</u>	<u>508,942</u>
68,924	-	70,064
-	-	14,527
-	420,000	612,500
-	-	(15,000)
<u>68,924</u>	<u>420,000</u>	<u>682,091</u>
-	-	(291,669)
-	-	(291,669)
<u>33,380</u>	<u>105,699</u>	<u>264,873</u>
216,579	681,225	1,164,237
<u>561,848</u>	<u>1,147,402</u>	<u>4,506,068</u>
<u>\$ 778,427</u>	<u>\$ 1,828,627</u>	<u>\$ 5,670,305</u>
\$ 144,387	\$ (84,451)	\$ 172,701
20,963	-	190,790
(131)	152,586	132,750
(3,891)	90,119	46,999
(47,053)	(2,728)	(34,298)
<u>\$ 114,275</u>	<u>\$ 155,526</u>	<u>\$ 508,942</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

FLEET OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 225,000	\$ -	\$	\$
Charges for Services	939,281	939,281	974,860	35,579
Interest on Investments	62,840	70,900	109,153	38,253
Miscellaneous	350,229	10,000	10,633	633
Total Revenues	1,577,350	1,020,181	1,094,646	74,465
EXPENDITURES:				
Garage Operations	549,492	595,053 (1)	505,309	89,744
Equipment Replacement Operations	769,409	628,951 (1)	540,724	88,227
Contingency	316,353	292,727 (1)	-	292,727
Total Expenditures	1,635,254	1,516,731	1,046,033	470,698
Excess of Revenues Over (Under) Expenditures	(57,904)	(496,550)	48,613	545,163
OTHER FINANCING SOURCES:				
Transfers In	85,560	165,560	66,060	(99,500)
Sale of Assets	-	-	14,527	
Transfers Out	-	(90,000)	(10,000)	80,000
Total Other Financing Sources	85,560	75,560	70,587	(4,973)
Net Change in Fund Balance	27,656	(420,990)	119,200	540,190
Beginning Fund Balance	1,843,292	2,409,964	2,409,964	-
Ending Fund Balance	<u>\$ 1,870,948</u>	<u>\$ 1,988,974</u>	<u>\$ 2,529,164</u>	<u>\$ 540,190</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>1,632,120</u>	
Total Net Assets			<u>\$ 4,161,284</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

<u>SUPPORT SERVICES FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Intergovernmental	\$ 1,000	\$ 1,140	\$ 1,140	\$ -
Charges for Services	2,650,450	2,437,029	2,393,648	(43,381)
Interest on Investments	4,750	13,558	16,641	3,083
Miscellaneous Revenues	574	30,598	31,582	984
Total Revenues	2,656,774	2,482,325	2,443,011	(39,314)
EXPENDITURES:				
Property Management	449,918	468,138 (1)	426,746	41,392
Engineering Services	1,070,679	955,380 (1)	933,196	22,184
Community Development Management	637,263	620,292 (1)	551,732	68,560
Information Technology	458,828	493,532	461,558	31,974
Debt Service	18,500	1,001 (1)	534	467
Contingency	216,285	116,383 (1)	-	116,383
Total expenditures	2,851,473	2,654,726	2,373,766	280,960
Excess of Revenues Over (Under) Expenditures	(194,699)	(172,401)	69,245	241,646
OTHER FINANCING SOURCE (USES)				
Interfund Loans	125,000	125,000	125,000	-
Transfer In	1,440	1,440	1,440	-
Transfers Out	(31,000)	(21,000) (1)	(5,000)	16,000
Total Other Financing Sources (Uses)	95,440	105,440	121,440	16,000
Net Change in Fund Balance	(99,259)	(66,961)	190,685	257,646
Beginning Fund Balance	100,552	158,961	158,961	-
Ending Fund Balance	<u>\$ 1,293</u>	<u>\$ 92,000</u>	<u>\$ 349,646</u>	<u>\$ 257,646</u>
Reconciliation to Net Assets				
Interfund Loans			(125,000)	
Fixed Assets, net			443,796	
Total Net Assets			<u>\$ 668,442</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
 JOSEPHINE COUNTY, OREGON
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 ACTUAL AND BUDGET - BUDGETARY BASIS
 For the Fiscal Year Ended June 30, 2007

ADMINISTRATIVE SERVICES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 58,450	\$ 58,450	\$ 68,924	\$ 10,474
Charges for Services	2,583,529	2,571,054	2,544,932	(26,122)
Interest on Investments	13,500	31,000	33,380	2,380
Miscellaneous Revenues	200,000	200,000	1,003	(198,997)
	<u>2,855,479</u>	<u>2,860,504</u>	<u>2,648,239</u>	<u>(212,265)</u>
Total Revenues				
EXPENDITURES:				
Management Services	624,193	624,197 (1)	573,514	50,683
Legal Services	186,124	210,155 (1)	181,769	28,386
Administrative Services	1,501,232	1,478,250 (1)	1,398,103	80,147
General Program Operations	327,357	305,857 (1)	227,199	78,658
Contingency	200,000	198,500 (1)	-	198,500
	<u>2,838,906</u>	<u>2,816,959</u>	<u>2,380,585</u>	<u>436,374</u>
Total expenditures				
Net Change in Fund Balance	<u>16,573</u>	<u>43,545</u>	<u>267,654</u>	<u>224,109</u>
Beginning Fund Balance	<u>149,753</u>	<u>274,619</u>	<u>244,671</u>	<u>(29,948)</u>
Ending Fund Balance	<u>\$ 166,326</u>	<u>\$ 318,164</u>	<u>\$ 512,325</u>	<u>\$ 194,161</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>29,884</u>	
Total Net Assets			<u>\$ 542,209</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2007

INSURANCE SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 7,698	7,698	-	\$ (7,698)
Charges for Services	3,399,224	\$ 2,824,211	\$ 2,792,512	(31,699)
Interest on Investments	39,825	115,325	105,699	(9,626)
Miscellaneous	405,732	140,305	666,187	525,882
Total Revenues	3,852,479	3,087,539	3,564,398	476,859
EXPENDITURES:				
General Insurance Services	412,847	471,073 (1)	400,025	71,048
Benefits Administration	2,647,065	2,478,224 (1)	2,452,316	25,908
Workers' Compensation Insurance	570,114	378,917 (1)	270,808	108,109
Contingency	510,643	128,750 (1)	-	128,750
Total Expenditures	4,140,669	3,456,964	3,123,149	333,815
Net Change in Fund Balance	(288,190)	(369,425)	441,249	810,674
Beginning Fund Balance	1,396,904	1,723,088	1,723,087	(1)
Prior Period Adjustment			(600,000)	
Ending Fund Balance	<u>\$ 1,108,714</u>	<u>\$ 1,353,663</u>	<u>\$ 1,564,336</u>	<u>\$ 210,673</u>
Reconciliation to Net Assets				
Rounding			(1)	
Interfund Loans			180,000	
Total Net Assets			<u>\$ 1,744,335</u>	

(1) Appropriation Level

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Fiscal Year Ended June 30, 2007**

	Balance at June 30, 2006	Additions	Deductions	Balance at June 30, 2007
Assets				
Cash and Investments	\$ 3,185,238	\$ 4,261,399	\$ 3,185,238	\$ 4,261,399
Accounts Receivable	7,272	(3,066)	7,272	(3,066)
Total Assets	<u>\$ 3,192,510</u>	<u>\$ 4,258,333</u>	<u>\$ 3,192,510</u>	<u>\$ 4,258,333</u>
Liabilities				
Due to Others	<u>\$ 3,192,510</u>	<u>\$ 4,258,333</u>	<u>\$ 3,192,510</u>	<u>\$ 4,258,333</u>

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED**

For the Fiscal Year Ended June 30, 2007

GENERAL AND WATER FUNDS

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/06	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/07
Current:						
2006-07	\$ 11,019,070	\$ (849)	\$ (336,531)	\$ 4,233	\$ 10,326,444	\$ 361,177
Prior Years:						
2005-06	250,121	892	25,387	8,201	172,867	109,950
2004-05	75,165	118	(5,545)	4,925	37,776	36,651
2003-04	37,043	134	(9,530)	4,116	19,676	11,819
2002-03	13,612	142	(2,812)	2,733	11,555	1,836
2001-02	5,190	474	(3,675)	206	(21)	1,268
Prior	28,264	4,360	(24,350)	539	(2,295)	2,388
Total Prior	409,395	6,120	(20,525)	20,720	239,558	163,912
Total All Funds	\$ 11,428,465	\$ 5,271	\$ (357,056)	\$ 24,953	\$ 10,566,002	\$ 525,089

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 10,566,002
Accrual of Receivables:	
June 30, 2006	(74,873)
June 30, 2007	157,025
Miscellaneous Taxes	14,777
Total Revenue	\$ 10,662,931

PARKWAY REDEVELOPMENT AGENCY FUND

	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2006	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2007
Current:						
2006-07	\$ 1,805,559	\$ 143	\$ (54,755)	\$ 588	\$ 1,692,067	\$ 59,182
Prior Years:						
2005-06	45,845	(160)	6,545	1,284	33,681	20,153
2004-05	15,885	(25)	(1,115)	935	7,984	7,746
2003-04	7,535	(27)	(1,908)	752	4,002	2,404
2002-03	2,898	(24)	(659)	582	2,454	391
Prior	4,324	(1,084)	(5,360)	149	(572)	769
Total Prior	76,487	(1,320)	(2,497)	3,702	47,549	31,463
Total	\$ 1,882,046	\$ (1,177)	\$ (57,252)	\$ 4,290	\$ 1,739,616	\$ 90,645

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,739,616
Accrual of Receivables:	
June 30, 2006	(17,251)
June 30, 2007	26,808
Miscellaneous Taxes	3,111
Total Revenue	\$ 1,752,284

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

STATISTICAL SECTION

This part of the City of Grants Pass' comprehensive annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	74
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	80
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	87
Demographic and Economic Information	
<i>These schedules offer demographics and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	97
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	101

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

NET ASSETS BY COMPONENT

	For the last five fiscal years* (Unaudited)				
	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities					
Invested in Capital Assets, net of related debt	\$ 61,446,389	70,817,161	41,109,766	94,714,953	109,719,868
Unrestricted	<u>15,919,809</u>	<u>18,056,168</u>	<u>57,569,142</u>	<u>20,457,257</u>	<u>37,053,641</u>
Total governmental activities net assets	<u>\$ 77,366,198</u>	<u>88,873,329</u>	<u>98,678,908</u>	<u>115,172,210</u>	<u>146,773,509</u>
Business-Type Activities					
Invested in Capital Assets, net of related debt	\$ 61,220,836	62,607,143	66,870,761	71,185,429	76,870,093
Restricted					
Unrestricted	<u>7,128,214</u>	<u>8,969,442</u>	<u>11,226,231</u>	<u>11,829,156</u>	<u>13,009,932</u>
Total business-type activities net assets	<u>\$ 68,349,050</u>	<u>71,576,585</u>	<u>78,096,992</u>	<u>83,014,585</u>	<u>89,880,025</u>
Primary government					
Invested in Capital Assets, net of related debt	\$ 122,667,225	133,424,304	107,980,527	165,900,382	186,589,961
Unrestricted	<u>23,048,023</u>	<u>27,025,610</u>	<u>68,795,373</u>	<u>32,286,413</u>	<u>50,063,573</u>
Total primary government net assets	<u>\$ 145,715,248</u>	<u>160,449,914</u>	<u>176,775,900</u>	<u>198,186,795</u>	<u>236,653,534</u>

*The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CHANGES IN NET ASSETS

For the last five fiscal years
(Unaudited)

Fiscal Year

	2003	2004	2005	2006	2007
Expenses					
Governmental Activities					
Public Safety	\$ 6,861,932	\$ 8,967,348	\$ 11,308,389	\$ 8,505,477	\$ 13,897,740
Transportation	1,511,761	1,672,361	1,357,134	1,007,261	1,662,747
Building	644,421	862,341	1,110,231	765,541	1,178,647
Parks	1,139,412	361,174	1,518,671	1,135,134	1,666,934
Development	2,639,705	2,493,017	2,392,553	2,815,350	2,099,393
General Government	246,978	245,936	143,923	193,264	226,893
Solid Waste	325,399	378,738	2,050,240	(139,183)	787,168
Interest	149,460	364,393	173,982	339,344	212,221
Total Governmental Activities Expenses	13,519,068	15,345,308	20,055,123	14,622,188	21,731,743
Business-Type Activities					
Water	2,643,028	2,908,859	3,397,559	3,660,103	3,795,099
Sewer	3,394,601	3,606,999	5,015,385	4,544,046	4,673,214
Interest	416,330	547,767	***		
Total Business-Type Activities Expenses	6,453,959	7,063,625	8,412,944	8,204,149	8,468,313
Total Primary Government Expenses	\$ 19,973,027	\$ 22,408,933	\$ 28,468,067	\$ 22,826,337	\$ 30,200,056
Program Revenues					
Governmental Activities					
Charges for Service:	\$ 3,097,391	\$ 4,786,614	\$ 6,946,869	\$ 9,180,248	\$ -
Transportation	-	-	-	-	23,214,300
General Government	-	-	-	-	5,281,710
Other	-	-	-	-	2,127,083
Operating Grants and Contributions	59,361	274,952	377,726	2,239,659	142,581
Capital Grants					398,285
Dedicated Property Taxes	7,435,680	*	*	*	*
Total Governmental Activities Revenues	10,592,432	5,061,566	7,324,595	11,419,907	31,163,959
Business-Type Activities					
Charges for Service:	7,579,395	8,364,037	8,781,698	10,341,297	-
Water					5,052,827
Sewer					6,281,328
Operating Grants and Contributions	-	-	-	1,761,536	2,873,646
Total Business-Type Activities Revenues	7,579,395	8,364,037	8,781,698	12,102,833	14,207,801
Total Primary Government Revenues	\$ 18,171,827	\$ 13,425,603	\$ 16,106,293	\$ 23,522,740	\$ 45,371,760
Net (Expense)/Revenue					
Governmental Activities	\$ (2,926,636)	\$ (10,283,742)	(12,730,528)	(3,202,281)	9,432,217
Business-Type Activities	1,125,436	1,300,412	368,754	3,898,684	5,739,488
Total Primary Government Net Expense	\$ (1,801,200)	\$ (8,983,330)	\$ (12,361,774)	\$ 696,403	\$ 15,171,704

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CHANGES IN NET ASSETS (continued)

General Revenues and Other Changes in Net Assets

Governmental Activities							
Taxes	\$	2,936,236	\$	11,035,419	11,922,037	14,003,723	16,153,726
Licenses and Permits		58,381		**	**	**	**
Intergovernmental		4,264,905		3,636,796	3,805,599	3,727,927	3,551,395
Fines and Forfeitures		156,635		**	**	**	**
Special Assessments		893,573		**	**	**	**
Interest		421,389		307,318	535,698	914,546	1,459,814
Interest on Assessments		187,030		50,633	****	****	****
Trust Receipts		7,723		153,920	222,376	204,401	77,560
Contributions		6,450		6,168,301	5,520,142	****	****
Industrial Payments		68,572		100,441	36,716	29,835	69,068
Sale of Assets		460,857		171,194	****	****	****
Miscellaneous		395,065		76,351	51,624	749,580	735,071
Transfers		623,055		377,096	441,915	65,571	122,447
Total Governmental Activities	\$	10,479,871	\$	22,077,469	22,536,107	19,695,583	22,169,081
Business-Type Activities							
Taxes	\$	867	\$	380	146	-	-
Licenses and Permits		-		-	-	-	-
Intergovernmental		171,211		212,002	240,625	260,966	275,843
Fines and Forfeitures		-		-	-	-	0
Special Assessments		12,252		**	**	**	**
Interest		132,832		107,273	168,727	361,315	559,754
Interest on Assessments		-		-	-	-	-
Trust Receipts		39,559		113,339	91,044	176,422	100,445
Contributions		1,888,150		1,553,530	5,831,783	****	****
Industrial Payments		-		-	-	-	-
Sale of Assets		39,291		(70,560)	****	****	****
Miscellaneous		165,437		388,255	261,243	285,777	312,358
Transfers		(623,055)		(377,096)	(441,915)	(65,571)	-122,447
Total Business-Type Activities	\$	1,826,544	\$	1,927,123	6,151,653	1,018,909	1,125,953
Total Primary Government	\$	12,306,415	\$	24,004,592	28,687,760	20,714,492	23,295,034
Change in Net Assets							
Governmental Activities	\$	7,553,235	\$	11,793,727	9,805,579	16,493,302	31,601,298
Business-Type Activities		2,951,980		3,227,535	6,520,407	4,917,593	6,865,441
Total Primary Government	\$	10,505,215	\$	15,021,262	16,325,986	21,410,895	38,466,739

* Dedicated property taxes are reported in General Revenue under Taxes in 2004.

** From 2004 forward this revenue is reported as Charges for Services in Program Revenues.

*** From 2005 forward the interest expense is recorded in the activity in which it was expen

**** From 2005 forward the interest and interest on assessments is combined and the sale of assests is in miscellaneous.

*****From 2006 forward this revenue is reported as Charges for Services in Program Revenues.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

PROGRAM REVENUE BY FUNCTION

For the last five fiscal years
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
Program Revenues					
Governmental Activities					
Public Safety	\$ 6,335,774	\$ 792,525 *	529,560	484,070	343,114
Transportation	1,442,317	2,063,175	3,182,643	6,353,654	23,224,198
Building	909,784	1,155,723	1,394,747	1,241,980	903,800
Parks	15,814	36,387	19,550	827,167	4,750
Development	1,564,195	655,463	1,311,569	290,772	1,061,950
General Government	6,556	10,745	552,682	1,876,329	5,281,710
Solid Waste	317,992	347,548	333,844	345,935	344,437
Subtotal Governmental activities	<u>10,592,432</u>	<u>5,061,566</u>	<u>7,324,595</u>	<u>11,419,907</u>	<u>31,163,959</u>
Business- Type Activities					
Water	3,615,418	4,000,671	4,114,400	5,854,617	7,029,744
Sewer	3,963,977	4,363,366	4,667,298	6,248,216	7,178,057
Subtotal Business-Type Activities	<u>7,579,395</u>	<u>8,364,037</u>	<u>8,781,698</u>	<u>12,102,833</u>	<u>14,207,801</u>
Total Primary Government	<u>\$ 18,171,827</u>	<u>\$ 13,425,603</u>	<u>16,106,293</u>	<u>23,522,740</u>	<u>45,371,760</u>

* In FY'03 Public Safety program revenue included Dedicated Property Taxes.
From FY'04 forward Property Taxes are recorded in the General Revenues section
of the Statement of Activities.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

FUND BALANCES, GOVERNMENTAL FUNDS

For the last five fiscal years
(Unaudited)

	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ -	-	-		
Unreserved	2,727,493	2,423,670	3,019,923	4,438,485	5,581,614
Total General Fund	\$ 2,727,493	2,423,670	3,019,923	4,438,485	5,581,614
All Other Governmental Funds					
Reserved	\$ 945,262	(1,381,330)	(1,493,576)	(2,391,514)	(1,500,626)
Unreserved, reported in:					
Special Revenue Funds	5,240,358	5,637,517	5,767,543	5,645,630	5,728,115
Capital Projects Funds	4,956,270	6,566,730	6,580,497	5,549,350	17,027,517
Parkway Redevelopment Fund	204,170	1,006,724	2,361,678	2,260,888	3,707,773
Debt Service Funds	(1,916,214)	-	-	-	
Total All Governmental Funds	\$ 9,429,846	14,253,311	16,236,065	15,502,839	30,544,393

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS⁽⁴⁾

For the last ten fiscal years
(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues⁽¹⁾										
Taxes	7,035,244	7,154,545	7,511,590	7,898,609	8,441,907	10,380,444	11,093,602	11,854,212	14,006,903	16,118,499
Licenses and Permits	312,441	330,956	453,874	606,322	585,282	734,950	898,559	1,076,622	1,020,253	711,524
Intergovernmental	1,402,031	1,438,470	1,481,763	2,458,884	2,386,793	4,256,934	3,844,673	4,128,652	5,387,371	4,045,054
Charges for Services	2,997,655	3,143,862	3,574,603	2,133,777	1,200,539	2,287,356	3,299,013	4,970,440	5,002,020	3,889,361
Fines and Forfeitures	134,507	147,058	141,004	160,455	183,753	156,635	164,852	163,055	200,322	233,887
Special Assessments	459,105	166,803	80,439	102,060	222,021	521,448	517,331	428,056	591,532	1,051,627
Interest						544,835	311,951	443,858	779,618	1,275,934
Other Revenues ⁽²⁾	527,679	823,858	897,881	1,247,145	470,661	376,610	369,895	473,826	561,775	277,830
Total Revenues	12,868,662	13,205,552	14,141,154	14,607,252	13,490,953	19,259,212	20,499,876	23,538,721	27,549,794	27,603,716
Expenditures⁽¹⁾										
General Governmental	113,834	81,890	93,826	270,208	177,193	160,190	110,938	113,413	238,166	190,691
Public Safety	5,238,809	5,402,335	5,704,682	6,527,609	7,117,745	7,629,926	8,536,933	9,129,171	10,350,614	11,826,804
Field Operations	2,743,360	2,895,074	2,887,022	2,612,715	2,453,511	-	-	-	-	-
Community Development	927,148	1,120,811	1,210,034	1,488,285	1,599,375	3,037,279	2,428,001	1,934,013	3,439,641	1,786,695
Debt Service ⁽³⁾	209,138	208,870	317,665	91,882	93,305					
Principal						403,861	481,496	462,466	669,499	714,972
Interest						165,631	152,928	173,982	149,304	225,289
Solid Waste					6,842,294	377,602	1,884,141	392,357	399,179	376,302
Capital Outlay	518,609	723,088	299,287	713,738	382,517	5,414,335	4,786,154	9,132,159	9,499,093	3,703,899
Transportation						949,597	996,651	1,084,732	1,240,225	1,405,089
Building						697,950	792,896	893,389	938,973	999,912
Parks						1,076,203	1,115,138	1,225,688	1,389,164	1,417,736
Total Expenditures	9,750,898	10,432,068	10,512,516	11,704,437	18,665,940	19,912,574	21,285,276	24,541,370	28,313,858	22,647,389

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (CONTINUED) ⁽⁴⁾

For the last ten fiscal years
(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses)										9,998,031
Loan Proceeds							1,500,000			1,195
Sale of Assets						470,471	966,789	2,624,201	4,842	3,331,276
Operating Transfer In						4,325,468	3,064,292	3,801,142	4,109,259	(3,245,276)
Operating Transfers Out						(3,803,419)	(2,649,709)	(3,451,142)	(4,083,259)	
Total Other Financing Sources (Uses)						992,520	2,881,372	2,974,201	30,842	10,085,226
Net Change in Fund Balances						339,158	2,095,972	1,971,552	(733,222)	15,041,553
Debt Service as a percentage of noncapital expenditures						4.09%	4.00%	4.31%	4.55%	5.22%

(1) Includes General, Special Revenue and Debt Service Funds in years 1996-2002, from 2003 on, includes all governmental funds.

(2) 1995 - 2002 Includes net miscellaneous revenue, primarily interest.

(3) Principal and Interest component of Debt Service shown separately beginning with fiscal year 2003.

(4) This statistical page was reformatted for Fiscal Year 2004 and newly required information begins with Fiscal Year 2003.

Source: Annual financial statements of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS⁽¹⁾

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Property	Business	Franchise	Transient Room Tax	Total
1998	4,909,499	208,604	1,339,390	577,752	7,035,244
1999	4,910,494	190,578	1,449,605	603,868	7,154,545
2000	5,124,525	263,524	1,498,060	625,480	7,511,590
2001	5,375,396	245,783	1,590,649	686,781	7,898,609
2002	5,689,844	264,897	1,708,606	778,561	8,441,907
2003	7,438,564	257,322	1,761,362	923,195	10,380,443
2004	8,047,184	265,026	1,869,265	912,507	11,093,982
2005	8,705,901	289,165	1,931,515	927,631	11,854,212
2006	10,556,145	307,492	2,140,490	1,002,776	14,006,903
2007	12,450,442	305,103	2,351,245	1,046,936	16,153,726

(1) Includes General, Special Revenue and Debt Service Funds in years 1994-2002, from 2003 on, includes all governmental funds.

Source: Annual financial statements and internal accounting reports of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

PROPERTY TAX LEVIES AND COLLECTIONS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Taxes Levied by Assessor	Current Tax Collections	Current Tax Collections as a Percentage of Current Levy	Delinquent Taxes Collected	Total Tax Collections	Total Tax Collections as a Percentage of Current Levy	Uncollected Delinquent Taxes	Uncollected Taxes as a Percentage of Current Levy
1998	5,311,599	4,859,610	91%	331,096	5,190,706	98%	503,037	9%
1999	5,289,752	4,847,215	92%	364,713	5,211,928	99%	490,179	9%
2000	5,548,281	5,125,870	92%	362,303	5,488,173	99%	472,721	9%
2001	5,475,944	5,069,343	93%	319,633	5,388,976	98%	435,506	8%
2002	5,816,331	5,415,158	93%	297,333	5,712,491	98%	414,740	7%
2003	6,252,061	5,851,379	94%	288,342	6,139,722	98%	404,297	6%
2004	6,804,725	6,386,298	94%	275,413	6,661,711	98%	377,548	6%
2005	7,427,728	6,943,714	93%	274,297	7,218,011	97%	399,011	5%
2006	9,171,224	8,639,674	94%	259,400	8,899,074	97%	409,395	4%
2007	11,019,070	10,326,444	94%	239,558	10,566,002	96%	525,089	5%

Source: Annual financial statements and internal accounting reports of the City of Grants Pass

*does not include the Parking Redevelopment Fund

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CONSOLIDATED TAX RATES
(Per \$1,000 of Assessed Value)

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Total	General Fund	Debt Service Fund	Water Fund	Parkway Redevelopment Fund
1998	5.49	5.17	-	0.32	-
1999	5.29	4.98	-	0.31	-
2000	5.28	4.99	-	0.29	-
2001	4.98	4.98	-	-	-
2002	4.98	4.98	-	-	-
2003	4.98	4.98	-	-	-
2004	5.02	5.02	-	-	-
2005	5.02	5.02	-	-	-
2006	5.62	5.62	-	-	-
2007	5.62	5.62	-	-	-

Source: Annual financial statements and internal accounting reports of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CONSOLIDATED TAX LEVIES

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Total	General Fund	Debt Service Fund	Water Fund	Wastewater Fund	Parkway Redevelopment Fund
1998	6,805,405	5,001,599	-	310,000	-	1,493,806
1999	6,285,443	4,979,752	-	310,000	-	995,691
2000	6,684,935	5,238,282	-	310,000	-	1,136,653
2001	6,674,921	5,475,944	-	-	-	1,198,977
2002	7,003,863	5,816,331	-	-	-	1,187,532
2003	7,597,316	6,252,061	-	-	-	1,333,678
2004	8,188,825	6,804,725	-	-	-	1,384,100
2005	8,997,490	7,427,728	-	-	-	1,569,762
2006	10,852,219	9,171,224	-	-	-	1,680,995
2007	12,824,629	11,019,070	-	-	-	1,805,559

Source: Josephine County

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Real Property		Ratio of Assessed Value to Market Value
	Assessed Value	Market Value	
1998	968,450,868	N/A	N/A
1999	1,068,703,948	N/A	N/A
2000	1,129,100,398	N/A	N/A
2001	1,180,905,168	N/A	N/A
2002	1,253,169,191	1,410,511,653	89%
2003	1,350,701,461	1,551,801,287	87%
2004	1,446,214,463	1,770,587,263	82%
2005	1,579,311,858	2,173,784,655	73%
2006	1,728,922,043	2,689,529,405	64%
2007	2,065,307,699	3,690,578,756	56%

Source: Josephine County

N/A - Not Available

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	General Fund	Debt Service Fund	Parkway Redevelopment Fund	Water Fund	Total	Josephine County	School District No.7	Rogue Community College	Education Service District	4H Extension	Total	Measure 5 Total (2)
1997	4.08	-	-	0.30	4.38	0.66	13.37	1.21	0.87	-	20.49	(2) 13.40
1998	5.17	-	-	0.32	5.49	0.66	8.09 (3)	0.51	0.35	0.05	15.15	(2) 14.61
1999	4.98	-	-	0.31	5.29	0.66	7.98 (3)	0.51	0.35	0.05	14.84	(2) 14.42
2000	4.99	-	-	0.29	5.28	1.15	7.82 (3)	0.51	0.35	0.05	15.16	(2) 14.77
2001	4.98	-	-	-	4.98	1.52	7.63 (3)	0.51	0.35	0.05	15.04	(2) 14.65
2002	4.98	-	-	-	4.98	0.96	7.54 (3)	0.51	0.35	0.05	14.39	(2) 13.99
2003	4.98	-	-	-	4.98	0.93	7.46 (3)	0.51	0.35	0.05	14.28	(2) 13.88
2004	5.02	-	-	-	5.02	0.88	6.83 (3)	0.51	0.35	0.05	13.64	(2) 13.24
2005	5.02	-	-	-	5.02	0.85	7.16 (3)	0.51	0.35	0.05	13.94	(2) 13.54
2006	5.62	-	-	-	5.62	0.83	6.67 (3)	0.51	0.35	0.05	14.03	(2) 13.63

(1) Excludes Urban Renewal Agencies

(2) Rate limited due to effect of Measure 5

(3) Ballot Measure 50 approved by voters on May, 1997, recalculated taxing districts' levies into permanent tax rates.

Districts may levy local option levies or bond repayment levies in addition to the permanent rates with voter approval.

Source: Josephine County

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

SPECIAL ASSESSMENT COLLECTIONS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Assessments Outstanding Beginning of Year	Additional Assessments Made During Year	Assessments Collected During Year	Adjustments During Year	Assessments Outstanding End of Year	Ratio Collections to Outstanding Assessments During Year
1998	731,552	149,990	281,399	(115,505)	484,638	46.3%
1999	484,638	-	125,491	(4,982)	354,165	29.9%
2000	354,165	12,419	94,495	15,826	287,915	29.4%
2001	287,915	199,203	82,807	(7,329)	396,982	24.2%
2002	396,982	677,646	155,975	(4,783)	913,870	23.8%
2003	913,870	863,628	532,230	2,760	1,248,028	49.2%
2004	1,248,028	101,418	517,741	(82,271)	749,434	51.8%
2005*	749,434	566,527	457,152	12,609	871,418	52.5%
2006	871,418	1,563,448	561,900	0	1,872,966	30.0%
2007	1,872,966	11,674	341,434	70	1,543,277	22.1%

Source: Internal accounting reports of the City of Grants Pass

* Correction made to ending balance in 2005. Additions by ordinance not included in Addiitonal Assessments total.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

RATIO OF OUTSTANDING DEBT BY TYPE

For the last ten fiscal years
(Unaudited)

Fiscal year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Urban Renewal Refunding Bonds	Bancroft Bonds	General Obligation Bonds	Solid Waste Agency Loan	Water Bonds	SRF Loans			
1998	3,570,000	700,000	-	-	2,465,000	-	6,735,000	N/A	328
1999	3,410,000	535,000	-	-	4,080,000	-	8,025,000	N/A	388
2000	3,245,000	250,000	-	-	4,080,000	2,125,541	7,575,000	2.30%	362
2001	3,070,000	175,000	-	-	3,845,000	5,746,346	7,090,000	N/A	306
2002	2,735,000	90,000	-	-	3,600,000	6,007,072	6,425,000	N/A	271
2003	2,425,000	-	-	-	3,345,000	5,769,771	11,539,771	N/A	482
2004	2,070,000	-	-	1,500,000	3,080,000	5,523,312	12,173,312	2.96%	491
2005	1,695,000	-	-	1,420,000	2,800,000	12,142,747	18,057,747	4.20%	710
2006	1,300,000	-	-	1,335,000	2,505,000	10,923,053	16,063,053	2.61%	519
2007	885,000	-	9,820,000	1,223,799	2,200,000	10,428,215	24,557,014	4.12%	774

N/A - information not available

Source: Internal accounting reports of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND
NET BONDED DEBT PER CAPITA**

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Population	Assessed Value (In \$1,000)	Gross Bonded Debt (1)	Less Debt Payable from Enterprise Revenue (2)	Less Debt Payable from Nonenterprise Revenue (3)	Gross Bonded Debt Payable from General Revenue	Less Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt per Dollar Assessed Value	Net Bonded Debt per Capita
1998	20,537	968,451	6,035,000	2,465,000	3,570,000	-	-	-	0.00%	-
1999	20,674	1,068,704	8,770,000	5,360,000	3,410,000	-	-	-	0.00%	-
2000	20,935	1,129,100	7,325,000	4,080,000	3,245,000	-	-	-	0.00%	-
2001	23,170	1,180,905	6,915,000	3,845,000	3,070,000	-	-	-	0.00%	-
2002	23,670	1,253,169	6,335,000	3,600,000	2,735,000	-	-	-	0.00%	-
2003	23,870	1,350,701	5,770,000	3,345,000	2,425,000	-	-	-	0.00%	-
2004	24,470	1,446,214	5,150,000	3,080,000	2,070,000	-	-	-	0.00%	-
2005	25,423	1,579,312	4,495,000	2,800,000	1,695,000	-	-	-	0.00%	-
2006	30,930	1,728,922	3,805,000	2,505,000	1,300,000	-	-	-	0.00%	-
2007	31,740	2,065,308	3,423,799	2,200,000	885,000	9,820,000	-	9,820,000	0.47%	\$309

(1) Excludes General Obligation improvement bonds

(2) These amounts are being repaid by Enterprise revenue

(3) These amounts are being repaid by tax increment revenue

Source: Internal accounting reports of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

LEGAL DEBT MARGIN INFORMATION

For the last ten fiscal years
(Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2007

Total Real Market Value as of June 30, 2007					\$ 3,690,578,756
Less Non-Profit Housing					-2,493,550
					\$ 3,688,085,206
Debt limit, 3% of total assessed value - ORS 287.004					\$ 110,642,556
Amount of debt applicable to debt limit					
Total bonded debt, including special assessment bonds and public safety general obligation bonds			\$ 12,905,000		
Less					
Other deductions allowed by law					
Special assessment and revenue bonds	2,200,000				
Total deductions		2,200,000			
Total amount of debt applicable to debt limit				10,705,000	
Legal debt margin				<u>\$ 99,937,556</u>	

*Total Real Market Value as defined in ORS 308.207

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	29,053,526	32,034,007	33,873,012	35,427,155	37,595,076	40,521,044	43,386,434	47,379,356	90,246,736	110,642,556
Total net debt applicable to limit	-	3,570,000	3,245,000	3,070,000	2,735,000	2,425,000	2,070,000	1,695,000	1,300,000	10,705,000
Legal debt margin	<u>29,053,526</u>	<u>28,464,007</u>	<u>30,628,012</u>	<u>32,357,155</u>	<u>34,860,076</u>	<u>38,096,044</u>	<u>41,316,434</u>	<u>45,684,356</u>	<u>88,946,735</u>	<u>99,937,556</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	11.14%	9.58%	8.67%	7.27%	5.98%	4.77%	3.58%	1.44%	9.68%

Sources: Josephine County and annual financial statements of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

For the last ten fiscal years
(Unaudited)

Jurisdiction

Grants Pass School District No. 7

Fiscal Year Ended June 30,	Net Debt Outstanding	Percentage Applicable to City of Grants Pass	Amount Applicable to City of Grants Pass
1998	41,890,000	63.03%	26,403,267
1999	40,395,000	65.32%	26,386,014
2000	36,443,139	70.00%	25,510,197
2001	36,965,000	74.96%	27,708,964
2002	34,990,000	75.72%	26,494,428
2003	32,825,000	77.29%	25,370,443
2004	30,650,000	78.24%	23,980,560
2005	27,715,000	80.34%	22,266,231
2006	24,665,000	92.04%	22,701,660
2007	21,460,000	92.57%	19,865,522

Source: Entity listed above

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**RATIO OF ANNUAL GENERAL OBLIGATION BONDED DEBT SERVICE
EXPENDITURES TO GENERAL EXPENDITURES**

For the last ten fiscal years
(Unaudited)

Year of Maturity	Principal	Interest	Total Debt Service	Total General Expenditures (1)	Debt Service as a Percentage of General Expenditures
1998	-	-	-	9,750,898	N/A
1999	-	-	-	10,432,068	N/A
2000	-	-	-	10,512,516	N/A
2001	-	-	-	11,704,437	N/A
2002	-	-	-	18,665,940	N/A
2003	-	-	-	19,892,574	N/A
2004				21,285,276	N/A
2005				24,541,370	N/A
2006				28,313,858	N/A
2007				22,647,389	4.34%

(1) Includes General, Special Revenue and Debt Service Funds in 1996-2002, from 2003 on it includes all governmental funds.

Source: Annual financial statements of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**SCHEDULE OF REVENUE BOND COVERAGE
WATER BONDS**

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Gross Revenue (1)	Direct Operation Expenditures (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1998 (3)	3,402,829	1,364,172	2,038,657	1,115,000	204,342	1,319,342	1.55
1999 (3)	4,041,802	1,070,597	2,971,205	1,185,000	298,825	1,483,825	2.00
2000 (3)	3,879,416	1,242,621	2,636,795	1,280,000	251,045	1,531,045	1.72
2001 (3)	3,549,285	1,617,606	1,931,679	235,000	176,165	411,165	4.70
2002 (3)	3,619,296	1,822,033	1,797,263	245,000	169,614	414,614	4.33
2003 (3)	3,730,443	1,809,437	1,921,006	255,000	157,200	412,200	4.66
2004 (3)	4,219,848	2,891,158	1,328,690	265,000	147,473	412,473	3.22
2005 (3)	4,385,147	3,376,904	1,008,243	280,000	134,895	414,895	2.43
2006 (3)	5,070,651	3,669,862	1,400,789	295,000	123,058	418,058	3.35
2007 (3)	5,412,155	3,777,173	1,634,982	305,000	111,430	416,430	3.93

(1) Includes total operating revenue, interest income and taxes on a budgetary basis

(2) Includes total operating expenses, except for depreciation

(3) Includes revenues and expenses from Water Fund only

Source: Annual financial statements of the City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

SCHEDULE OF BONDS AND BOND INTEREST TRANSACTIONS

For the year ended June 30, 2007

	Interest Rates	Date of Issue	Original Issue	Outstanding June 30, 2006	Bond Transactions				Outstanding June 30, 2007
					Issued	Called	Matured	Paid	
General Obligation Bonds									
Supported Bonds									
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 6,165,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
2007 Public Safety		6/20/2007			\$ 9,820,000	-	-	-	-
Revenue Bonds									
1998 Water Revenue	3.9-4.5%	08/01/98	4,080,000	2,505,000	\$ -	\$ -	305,000	\$ 305,000	2,200,000
Bancroft Improvement Bonds									
Series of 1982	9.75-15.00%	6/01/82	532,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series of 1990	7.00-15.00%	11/1/90	930,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Urban Renewal Bonds									
Urban Renewal Refunding Bonds, 2001	5%	11/13/01	4,270,000	1,300,000	\$ -	\$ -	415,000	415,000	885,000
Total Bonds				\$ 3,805,000	\$ 9,820,000	\$ -	\$ 720,000	\$ 720,000	\$ 12,905,000

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	Interest Rates	Date of Issue	Outstanding June 30, 2006	Interest Coupons		Outstanding June 30, 2007
				Matured	Paid	
General Obligation Bonds						
Supported Bonds						
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 4,616	\$ -	\$ -	\$ 4,616
Revenue Bonds						
1998 Water Revenue	3.9-4.5%	08/01/98	\$ -	111,430	111,430	\$ -
Bancroft Improvement Bonds						
Series of 1982	9.75-15.00%	6/01/82	731	\$ -	\$ -	731
Series of 1990	7.00-15.00%	11/1/90	3,617	\$ -	\$ -	3,617
Urban Renewal Bonds						
Urban Renewal Refunding Bonds, 2001	5%	11/13/01	\$ -	54,625	54,625	\$ -
Total Bonds				\$ 8,964	\$ 166,055	\$ 8,964

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

SCHEDULE OF FUTURE DEBT SERVICE

For the Year Ended June 30, 2007

Governmental Activities

Year of Maturity	General Obligation Bond Public Safety Facilities		General Revenue Revenue Supported Bonds Total Requirements		OECD Special Public Works Fund (Loan for Fire Mt. Gems Project TR4445)		Interagency Loan to Josephine County/City of Grants Pass Solid Waste Agency	
	General Fund		General Fund		General Fund		General Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007-2008	630,000	390,445	320,000	98,163	5,235	10,045	95,000	31,882
2008-2009	700,000	387,000	340,000	84,083	5,496	9,784	95,000	28,177
2009-2010	560,000	359,000	355,000	69,123	5,771	9,509	100,000	24,375
2010-2011	630,000	336,600	375,000	53,325	6,059	9,221	105,000	20,377
2011-2012	685,000	311,400	395,000	36,450	6,361	8,919	110,000	16,185
2012-2013	740,000	284,000	415,000	18,675	6,678	8,601	115,000	11,797
2013-2014	800,000	254,400			7,012	8,268	115,000	7,312
2014-2015	865,000	222,400			7,362	7,918	120,000	2,730
2015-2016	930,000	187,800			7,729	7,551	9,991	195
2016-2017	1,010,000	141,300			8,115	7,165		
2017-2018	1,095,000	90,800			8,520	6,760		
2018-2019	1,175,000	47,000			8,945	6,335		
2019-2020					9,391	5,889		
2020-2021					9,860	5,420		
2021-2022					10,352	4,928		
2022-2023					10,868	4,412		
2023-2024					11,410	3,869		
2024-2025					11,980	3,300		
2025-2026					12,578	2,702		
2026-2027					13,205	2,075		
2027-2028					13,864	1,416		
2028-2030					14,510	724		
	<u>\$9,820,000</u>	<u>\$3,012,145</u>	<u>\$2,200,000</u>	<u>\$359,819</u>	<u>\$201,299</u>	<u>\$134,814</u>	<u>\$864,991</u>	<u>\$143,030</u>

Business-Type Activities

Urban Renewal Bonds		Department of Environmental Quality Long-term Notes			
Parkway Redevelopment Agency		Wastewater Fund		Redwood Sanitary Sewer Service	
Principal	Interest	Principal	Interest	Principal	Interest
430,000	33,500	275,460	219,790	298,174	171,514
455,000	11,375	284,989	210,261	310,160	158,037
		294,848	200,402	322,627	144,019
		305,049	190,201	335,596	129,437
		315,601	179,649	349,085	114,270
		326,520	168,730	363,117	98,493
		337,814	157,436	377,713	82,081
		349,500	145,750	392,895	65,011
		361,592	133,658	408,688	47,253
		374,101	121,149	425,116	28,782
		387,042	108,208	310,827	9,568
		400,432	94,818		
		414,284	80,966		
		428,616	66,634		
		443,443	51,807		
		458,783	36,467		
		474,656	20,594		
		243,424	3,399		
<u>\$885,000</u>	<u>\$44,875</u>	<u>\$6,476,154</u>	<u>\$2,189,919</u>	<u>\$3,893,998</u>	<u>\$1,048,465</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

PROPERTY VALUES, CONSTRUCTION VALUES AND BANK DEPOSITS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (in \$1,000) (2)	Property Value (3)		
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Nontaxable
1998	# 37	22,474,622	124	12,624,062	666,413	(4)	(4)	(4)
1999	# 25	6,790,303	260	25,802,704	664,670	(4)	(4)	(4)
2000	# 100	33,101,557	197	20,898,092	709,466	(4)	(4)	(4)
2001	# 52	50,110,899	247	31,564,269	753,956	(4)	(4)	(4)
2002	# 59	17,771,045	239	32,332,952	835,906	(4)	(4)	(4)
2003	# 45	18,098,182	274	49,745,662	901,476	(4)	(4)	(4)
2004	31	4,991,043	463	77,950,022	959,242	(4)	(4)	(4)
2005	32	33,579,289	470	79,408,188	1,038,152	(4)	(4)	(4)
2006	17	19,666,915	508	80,933,576	1,030,196	(4)	(4)	(4)
2007	32	18,799,032	278	40,407,617	1,179,020	(4)	(4)	(4)

- Source:
- (1) City Building Division
 - (2) FDIC, Credit Union not included
 - (3) City's value, per Josephine County
 - (4) Information not currently available

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

DEMOGRAPHIC STATISTICS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Population (1)	Personal Income (<i>thousands of dollars</i>)	Per Capita Income (2)	Median Age	School Enrollment (3)	Unemployment Rate (2)
1998	20,537	N/A	N/A	N/A	5,094	7.8%
1999	20,674	N/A	N/A	N/A	5,254	7.6%
2000	20,935	329,559	15,742	43	5,199	7.0%
2001	23,170	N/A	N/A	N/A	5,396	7.1%
2002	23,670	N/A	N/A	N/A	5,347	8.2%
2003	23,965	N/A	N/A	N/A	5,535	8.7%
2004	24,790	411,117 (est.)	16,584 (est.)	39.7	5,596	7.3%
2005	25,423	429,471 (est.)	16,893 (est.)	39.4	5,707	7.2%
2006	30,930	616,744 (est.)	19,940 (est.)	38.2	5,779	6.9%
2007	31,740	593,301 (est.)	18,702 (est.)	43.5	5,655	6.7%

N/A = Information not available

- Sources:
- (1) Portland State University Center of Population and Research
 - (2) City of Grants Pass Economic Development Department (see note)
 - (3) Grants Pass School District No. 7

Note: The City of Grants does not have a large enough population to be considered an MSA (metropolitan service area). Annual gathering of statistics is not done by the U.S. Census Bureau, therefore the 2000 census numbers are the numbers used for most reporting. To get more up to date statistics, the City subscribes to a service, DemographicsNow. These numbers, while for the current year, are only estimates. DemographicsNow uses the City of Grants Pass, the Harbeck-Fruitdale CDP (census designated place) and the Redwood CDP to derive its numbers.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

INSURANCE AND SURETY BONDS IN FORCE

June 30, 2007
(Unaudited)

Company	Policy Number	Amount	Coverage	Policy Term	Premium
City - County Insurance Services	06LGSP	\$ 2,000,000	Comprehensive general liability	7/01/2006 - 6/30/2007	\$ 209,956
City - County Insurance Services	06APDGSP	Various	Auto physical damage	7/01/2006 - 6/30/2007	32,121
City - County Insurance Services	06PGSP	15,892,500	Property insurance (includes earthquake and flood)	7/01/2006 - 6/30/2007	68,171
Travelers	100834725	50,000	Public Official Bond Director of Admin Serv	8/10/2005 - 8/09/2008	188
Travelers	104717452	50,000	Public Official Bond - City Manager	3/22/2006 - 11/30/2008	250
Life Insurance Company of North America	SPS900303	30,000	Volunteer accident	7/01/2006 - 6/30/2007	1,091
City - County Insurance Services	06EQGP	5,000,000	Excess earthquake	7/01/2006 - 6/30/2007	2,500
National District Attorneys Association	CP0507770	50,000	City Attorney	2/01/2006 - 2/01/2007	208
Safety National Casualty	AGC-9977-OR	1,000,000	Excess workers' compensation	7/01/2006 - 6/30/2007	33,979
American International Specialty Lines	PLS1957953	10,000,000	Pollution Legal Liability	12/31/2001 - 12/31/2011	200,000
American International Specialty Lines	EPP1957147	13,000,000	Solid waste-closure/post- closure	7/01/2001 - 7/01/2031	6,756,809
City - County Insurance Services	06LGSP	4,500,000	Excess Liability Coverage	7/01/2005 - 7/01/2006	42,201
City - County Insurance Services	06CGSP	200,000	Excess Crime	7/01/2006 - 6/30/2007	850

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

JOSEPHINE COUNTY PRINCIPAL EMPLOYERS

For the Last Five Fiscal Years
(Unaudited)

Employer	Type of Business	2003			2004			2005		
		Approximate Employment	Rank	Percentage of Total County Employment	Approximate Employment	Rank	Percentage of Total County Employment	Approximate Employment	Rank	Percentage of Total County Employment
Three Rivers Community Hospital	* Health Care	750	1	3.39%	750	1	3.14%	852	1	3.56%
Master Brand Cabinets	* Wood products manufacturing	510	6	2.31%	725	2	3.02%	710	2	2.96%
Rogue Community College	Education	715	2	3.23%	715	3	2.98%	425	7	1.77%
Josephine County	* Government	700	3	3.16%	700	4	2.92%	621	5	2.59%
Three Rivers School District	Education	670	4	3.03%	670	5	2.81%	670	3	2.80%
Grants Pass School District No. 7	* Education	650	5	2.94%	650	6	2.71%	641	4	2.68%
Fire Mountain Gems	* Catalog Sales	225	9	1.02%	350	7	1.46%	350	8	1.46%
Wal-Mart	* Department Store	330	7	1.49%	330	8	1.38%	498	6	2.08%
Rogue Valley Door	* Wood products manufacturing	255	8	1.15%	305	9	1.27%	350	8	1.46%
Fred Meyer	* Department Store									
Highland House Nursing Center	* Health Care	210	10	0.95%	210	10	0.88%	210	12	0.88%
ECS Composites	Plastics manufacturing				210	10	0.88%	300	9	1.25%
Hach Ultra Analytics	Electronics									
Royale Gardens	* Health Care	210	10	0.95%	210	10	0.88%	227	10	0.95%
SPARC Inc. Recycling	Health Care									
City of Grants Pass	Government									
Diversified Collection Services	* Collections agency				210	10	0.88%	225	11	0.94%
ESAM	Electronics									
Total employees		<u>5,225</u>		<u>23.62%</u>	<u>6,035</u>		<u>25.21%</u>	<u>6,079</u>		<u>25.38%</u>

* Indicates businesses within the Grants Pass city limits.

Note: The employment numbers are very fluid and therefore are approximate numbers based on the data available at time of request.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

Source: City of Grants Pass Economic Development Department

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

JOSEPHINE COUNTY PRINCIPAL EMPLOYERS (CONTINUED)

For the Last Five Fiscal Years
(Unaudited)

Employer	Type of Business	2006			2007		
		Approximate Employment	Rank	Percentage of Total County Employment	Approximate Employment	Rank	Percentage of Total County Employment
Three Rivers Community Hospital	* Health Care	650	3	2.44%	700	1	2.10%
Master Brand Cabinets	* Wood products manufacturing	700	1	2.62%	625	2	1.86%
Rogue Community College	Education	350	9	1.31%	350	7	1.05%
Josephine County	* Government	621	5	2.33%	400	6	1.19%
Three Rivers School District	Education	682	2	2.56%	603	3	1.80%
Grants Pass School District No. 7	* Education	641	4	2.40%	700	1	2.10%
Fire Mountain Gems	* Catalog Sales	500	6	1.87%	560	4	1.67%
Wal-Mart	* Department Store	498	7	1.87%	500	5	1.49%
Rogue Valley Door	* Wood products manufacturing	400	8	1.50%	200	12	0.59%
Fred Meyer	* Department Store	300	10	1.12%	203	11	0.61%
Highland House Nursing Center	* Health Care				190	13	0.57%
ECS Composites	Plastics manufacturing	300	10	1.12%	200	12	0.59%
Hach Ultra Analytics	Electronics	235	12	0.88%			
Royale Gardens	* Health Care	227	13	0.85%	185	14	0.55%
SPARC Inc. Recycling	Health Care				220	9	0.66%
City of Grants Pass	Government				205	10	0.61%
Diversified Collection Services	* Collections agency	225	14	0.84%			
ESAM	Electronics	225	14	0.84%	225	8	0.67%
Total employees		6,554		24.55%	6,066		18.11%

* Indicates businesses within the Grants Pass city limits.

Note: The employment numbers are very fluid and therefore are approximate numbers based on the data available at time of request.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**TEN LARGEST TAXPAYERS
WITHIN CITY LIMITS**

For the Last Five Fiscal Years
(Unaudited)

Name	Type of Business	2003			2004			2005		
		City Assessed Value	Rank	Percentage of Total City Assessed Value	City Assessed Value	Rank	Percentage of Total City Assessed Value	City Assessed Value	Rank	Percentage of Total City Assessed Value
QWEST Corporation	Utility	\$ 21,789,540	1	1.61%	\$ 20,419,916	1	1.41%	\$ 27,147,900	1	1.72%
Grant Kent Partners LP	Commercial	11,281,710	2	0.84%	11,857,360	2	0.82%			
Zak Realty	Commercial	10,581,537	3	0.78%						
Lynn-Ann Development LLC	Developer								4	
Auerbach Grants Pass LLC & Freeman Freeman Grants Pass LLC	Commercial	-			10,578,340	3	0.73%	11,477,780	4	0.73%
The Suites Assisted Living Community LLC	Rental	-						6,115,230	9	0.39%
Albertson's Inc.	Commercial	-			8,285,211	4	0.57%	12,567,975	3	0.80%
Wal-Mart Stores Inc.	Commercial	7,120,444	6	0.53%	8,113,563	5	0.56%	13,234,825	2	0.84%
Jensen, Robert A & Shirley Y	Commercial	7,415,458	4	0.55%	7,611,908	6	0.53%	7,747,631	6	0.49%
Hillebrand Children Riverwood Apts.	Rental	6,326,184	8	0.47%	7,508,090	7	0.52%	7,733,270	7	0.49%
Pacificorp (PP&L)	Utility	7,038,700	7	0.52%	6,974,000	8	0.48%	5,468,000	10	0.35%
Marquis Suites	Sr. Housing	5,941,473	9	0.44%						
Masterbrand Cabinets	Industrial	5,760,190	10	0.43%	6,261,500	9	0.43%	6,639,570	8	0.42%
Johnson, Carl D	Commercial	7,186,030	5	0.53%	5,948,330	10	0.41%			
Avista Corp.	Utility									
SPM - Grants LLC	Commercial							10,765,340	5	0.68%
Total of top-ten taxpayers		<u>90,441,266</u>		<u>6.70%</u>	<u>93,558,218</u>		<u>6.46%</u>	<u>108,897,521</u>		<u>6.90%</u>
Other Taxpayers		<u>1,260,260,195</u>		<u>93.30%</u>	<u>1,352,656,245</u>		<u>93.54%</u>	<u>1,470,414,337</u>		<u>93.10%</u>
Total City Assessed Value		<u>\$ 1,350,701,461</u>		<u>100.00%</u>	<u>\$ 1,446,214,463</u>		<u>100.00%</u>	<u>\$ 1,579,311,858</u>		<u>100.00%</u>

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**TEN LARGEST TAXPAYERS (CONTINUED)
WITHIN CITY LIMITS**

For the Last Five Fiscal Years
(Unaudited)

Name	Type of Business	2006			2007		
		City Assessed Value	Rank	Percentage of Total City Assessed Value	City Assessed Value	Rank	Percentage of Total City Assessed Value
QWEST Corporation	Utility	\$ 17,182,200	1	0.99%	\$ 15,485,500	1	0.75%
Grant Kent Partners LP	Commercial						
Zak Realty	Commercial						
Lynn-Ann Development LLC	Developer		3		11,950,810	2	0.58%
Auerbach Grants Pass LLC & Freeman Freeman Grants Pass LLC	Commercial	11,501,360	3	0.67%	11,846,370	3	0.57%
The Suites Assisted Living Community LLC	Rental	6,298,680	9	0.36%			
Albertson's Inc.	Commercial	12,510,356	2	0.72%	10,880,578	6	0.53%
Wal-Mart Stores Inc.	Commercial	10,396,905	5	0.60%	10,930,042	4	0.53%
Jensen, Robert A & Shirley Y	Commercial	7,720,830	8	0.45%	7,961,021	9	0.39%
Hillebrand Children Riverwood Apts.	Rental	7,965,230	6	0.46%	8,266,131	8	0.40%
Pacificorp (PP&L)	Utility	5,835,000	10	0.34%			
Marquis Suites	Sr. Housing			0.00%			
Masterbrand Cabinets	Industrial	7,982,850	7	0.46%	8,538,210	7	0.41%
Johnson, Carl D	Commercial			0.00%			
Avista Corp.	Utility				6,933,100	10	0.34%
SPM - Grants LLC	Commercial	10,765,340	4	0.62%	10,916,500	5	0.53%
Total of top-ten taxpayers		<u>98,158,751</u>		<u>5.68%</u>	<u>103,708,262</u>		<u>5.02%</u>
Other Taxpayers		<u>1,630,763,292</u>		<u>94.32%</u>	<u>1,961,599,437</u>		<u>94.98%</u>
Total City Assessed Value		<u>\$ 1,728,922,043</u>		<u>100.00%</u>	<u>\$ 2,065,307,699</u>		<u>100.00%</u>

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

Source: Josephine County Assessor

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

OPERATING INDICATORS BY FUNCTION

		June 30, 2007 (Unaudited)				
		2003	2004	2005	2006	2007
Public Safety						
Traffic stops	(1)			5,519	6,318	6,755
Warnings issued	(1)			3,870	4,232	4,340
Citations issued	(1)	6,381	5,469	5,180	4,416	4,119
Calls for service - Police	(1)	27,146	28,209	33,591**	36,324**	37,296
Calls for service - Fire	(1)	3,491	3,426	3,190	3,126	3,591
Businesses inspected	(1)	439	557*	249**	839	1,295
Business self-inspections	(1)	455	503*	454**	614	607
Citizen Public Safety Academy attendance	(1)	52	52	50	40	29
Student Public Safety Academy attendance	(1)					30
Transportation						
Street overlays (square yards)	(5)	73,830	52,648	41,289**	0***	30,369
Street overlays (tons of asphalt)	(5)	8,561	8,773	7,506**	0***	7,228
Signage additions	(5)	143	141	279**	177	121
Signage replacements	(5)	339	135	189**	352	265
Miles of restriping	(5)	12.17	13.14	7.34**	12.3	20
Building						
Total Permits issued	(2)	3,900	5,154	5,606	5,334	3,804
New single family permits	(2)	205	325	361	362	234
New multi-family permits	(2)	31	59	44	54	20
New commercial permits	(2)	16	17	31	17	32
Total Inspections	(2)	11,695	14,024	15,507	17,043	12,366
Parks						
Swimming pool attendance	(5)	10,664	9,601	16,464	11,555	18,083
Rental of facilities	(5)	154	200	199	207	232
Number of games scheduled	(5)	1,577	1,387*	1,458	1,727	1,575
Development						
Total land use applications	(2)	250	289	325	347	221
Subdivision final plats	(2)	12	20	29	20	22
Commercial site plan review	(2)	55	53	51	56	49
Water						
New connections	(2)	291	482	561	581	308
Number of consumers	(3)	8,869	9,158	9,521	10,038	10,413
Total water produced (1000s of gallons)	(4)	1,755,727	1,779,523	1,766,136	1,800,673	2,114,600
Average daily production (gallons)	(4)	4,850,000	5,166,992	4,959,750	5,007,417	5,809,341
Wastewater						
Wastewater treated (1000s of gallons)	(4)	2,151,709	2,029,600	2,114,400	2,569,300	2,252,000
Sludge to co-compost (yards)	(4)	6,868	6,800	5,617	6,725	7,631
Greenwaste received (cubic yards)	(4)	31,752	37,495	43,961	37,081	37,764
Woodwaste received (cubic yards)	(4)	40,591	43,103	50,871	61,916	58,028
JO-GRO™ sales (cubic yards)	(4)	7,035	7,471	5,248	5,754	5,748

Sources:

- | | |
|---|--|
| (1) City Public Safety Department | (3) City Administrative Services Department |
| (2) City Community Development Department | (4) City Public Works Department |
| | (5) City Parks and Community Services Department |

Notes:

* The 2004 Business Inspection numbers are from January 1 through September 30, 2004. The Little League played games at Rogue Community College in 2004 which lowered usage of All Sports Park.

** In 2005, Out for Contact and Community Oriented Policing Codes are included in the Calls for Service number. The Business Inspection numbers are from January 1 through August 31, 2005. In the Transportation section, the numbers are calculated from January 1 through October 11, 2005.

***In FY'06 it was decided to postpone overlays until the next year to have additional funding for a major project on Washington Blvd.in FY'07.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

CAPITAL ASSETS STATISTICS BY FUNCTION

		For the last five years. (Unaudited)				
		2003	2004	2005	2006	2007
Public Safety						
Police stations	(1)	1	1	1	1	1
Sub-stations	(1)	1	1	1	1	1
Marked Patrol Units	(5)	9	9	9	10	11
Un-marked Patrol Units	(1)					11
K-9 units	(5)	2	2	2	2	2
Motorcycles	(5)	2	2	2	2	3
Specialty Vehicles	(1)					7
T3	(1)					1
Equipment Trailers	(1)					5
Fire stations	(1)	2	2	2	2	2
Pumpers	(1)	3	3	3	3	3
Ladder Trucks	(1)	1	1	1	1	1
Wildland Engine	(1)	1	1	1	1	1
Transportation						
Streets (miles)	(2)	99	102	105	106	131
Streetlights	(4)	1,165	1,452	1,460	1,517	1,537
City Owned				118	125	125
PP&L Owned				1,342	1,392	1,412
Traffic signals	(4)	6	6	7	7	8
Parks						
Number of parks	(5)	12	13	14	15	15
Acreage of parks	(5)	116	128	134	134	134
Swimming pools	(5)	1	1	1	1	1
Playgrounds	(5)	6	7	7	8	9
Baseball/softball fields	(5)	10	10	12	12	12
Soccer fields	(5)	4	4	4	5	6
Tennis courts	(5)	12	12	14	14	14
Water						
Water mains (miles)	(4)	157	153	172	175	180
Fire hydrants	(4)	1,063	1,295	1,359	1,472	1,489
Storage capacity (millions of gallons)	(4)	19.2	19.2	19.2	19	19
Reservoirs	(4)	8	8	8	8	8
Wastewater						
Sanitary sewers (miles)	(4)	160	153	166	167	168
Storm drains (miles)	(4)	32	36	101	103	104
Lift stations	(4)	2	2	2	2	2
Pumping Station (includes RSSSD)	(4)	3	3	3	3	3
Treatment capacity (millions of gallons)	(4)	4	4	4	4	6.4*

*The City Wastewater Plant's hydraulic capacity permit is for 4.0 MGD. Parametrix, consultant for the Wastewater Treatment Plant, conducted a capacity analysis after Phase 1 of the plant upgrade at DEQ's request and it was determined the capacity was actually 6.4 MGD. A technical memo was submitted to DEQ for approval.

Sources:

- | | |
|---|--|
| (1) City Public Safety Department | (3) City Administrative Services Department |
| (2) City Community Development Department | (4) City Public Works Department |
| | (5) City Parks and Community Services Department |

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

MISCELLANEOUS STATISTICS

June 30, 2007
(Unaudited)

Date of Incorporation -1887

Form of government - Council/Manager

Area	(2)	<u>2003</u> Acres - 5,562	<u>2004</u> Acres - 5,856	<u>2005</u> Acres - 6,166	<u>2006</u> Acres - 7,026	<u>2007</u> Acres - 7,026
Number of police and officers	(1)	42	40	41	43	44
Number of firefighters and officers	(1)	17	17	17	17	17
Employees						
Classified service	(3)	168	168	165	169	187.5
Exempt	(3)	9	9	9	9	9

Sources:

- (1) City Public Safety Department
- (2) City Community Development Department
- (3) City Administrative Services Department

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

STAFF ALLOCATION BY ACTIVITY*

Department/Activity	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administration										
Management	3.45	3.45	3.55	4.75	4.75	4.90	5.90	5.90	5.90	5.90
Information Technology	-	-	-	-	-	2.00	2.00	3.00	0.00	0.00
Administrative Services	11.60	11.60	11.60	15.00	15.00	13.00	13.00	14.00	15.00	15.00
Legal	1.10	1.10	1.10	0.85	0.85	0.80	0.80	0.80	0.80	0.75
Risk Insurance	0.25	0.25	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Solid Waste	-	-	-	-	-	-	-	-	-	-
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00
Tourism Development	-	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	0.00
Downtown	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00	0.00
	17.90	18.90	18.90	23.40	23.40	24.50	25.50	27.50	25.00	21.95
Community Development										
Management	3.00	4.00	4.00	5.00	6.00	6.00	6.00	7.00	7.00	7.00
Engineering	5.00	5.50	6.50	8.00	8.00	8.00	8.00	8.00	9.20	9.00
Planning	7.00	8.00	8.00	9.00	9.00	11.00	14.00	7.00	9.00	8.00
Building & Safety	-	-	-	-	-	-	-	7.00	6.00	6.00
Economic Development	-	-	-	-	-	-	-	-	-	-
Parking Enf./Downtown	-	-	-	-	-	-	-	-	-	-
	15.00	17.50	18.50	22.00	23.00	25.00	28.00	29.00	31.20	30.00
Parks and Community Services										
Information Services	-	-	-	-	-	-	-	0.00	3.55	2.65
Park Maintenance	6.20	6.30	6.30	6.35	6.30	6.30	6.30	6.40	6.40	6.45
Property Management	1.35	1.30	1.30	1.25	1.20	1.20	1.20	1.00	1.05	0.90
Aquatics	0.30	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.35	0.30
Street Maintenance	5.55	6.55	6.55	6.50	7.45	7.45	6.45	7.50	6.60	0.00
Recreation	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Garage Operations	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.35	0.55	0.40
Equipment Repair	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.40	0.45	0.55
Tourism Development	-	-	-	-	-	-	-	0.00	0.00	2.00
Downtown	-	-	-	-	-	-	-	0.00	0.00	1.00
	14.00	15.00	15.00	15.00	16.00	16.00	15.00	16.00	19.00	14.30
Public Works										
Water Treatment	3.70	3.79	4.79	4.45	5.00	5.40	5.40	5.40	5.17	4.39
Water Distribution	5.70	6.07	7.07	6.95	7.00	8.00	8.00	8.00	8.44	8.98
Wastewater Collection	2.70	3.07	3.07	3.95	4.00	4.00	4.00	4.00	4.44	5.98
Wastewater Treatment	9.20	8.79	8.79	9.12	7.75	8.25	8.25	8.75	8.84	8.73
JO-GRO™	-	-	-	3.33	3.25	3.35	3.35	3.85	3.91	3.91
Capital Projects	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	1.30	1.38	1.38	1.30	1.10	-	-	0.00	0.00	0.01
Storm Water	-	-	-	-	-	-	-	0.00	0.00	0.00
Street Maintenance	-	-	-	-	-	-	-	0.00	0.00	6.70
	23.60	24.10	26.10	30.10	29.10	30.00	30.00	31.00	31.80	39.70
Public Safety										
Field Operations	50.50	50.50	50.50	51.50	52.50	54.50	52.50	54.50	59.00	60.00
Support Operations	18.00	16.00	16.00	26.00	26.00	27.00	26.00	26.00	28.00	26.00
Code Enforcement	-	-	-	-	-	-	-	-	1.00	3.05
	68.50	66.50	66.50	77.50	78.50	81.50	78.50	80.50	88.00	89.05
Total	135.00	142.00	145.00	168.00	170.00	177.00	177.00	184.00	195.00	195.00

* Actual full-time positions

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**WATER UTILITY
TEN LARGEST REVENUE SOURCES**

For the last five fiscal years
(Unaudited)

Customer (classification)	2003				2004				2005			
	Annual Consumption Units (100 hcf)	Annual Revenue	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Rank	Percent of Total Revenue
City of Grants Pass (public)	67,471	\$ 95,239	1	2.93%	77,221	\$ 98,849	1	3.05%	53,982	\$ 116,945	1	3.60%
School District 7 (public)	54,955	69,797	2	2.15%	51,132	67,457	2	2.08%	48,765	56,202	2	1.73%
Josephine County (public)	34,178	59,434	3	1.83%	31,826	55,766	3	1.72%	30,154	47,362	4	1.46%
Three Rivers Hospital (commercial)	27,433	37,096	4	1.14%	35,030	41,526	4	1.28%	30,941	39,083	3	1.20%
Riverwood Apts. (multi-family)	19,869	30,052	5	0.93%	20,444	31,213	5	0.96%				0.00%
State of Oregon (public)	20,018	28,352	6	0.87%	20,985	29,775	6	0.92%	11,506	15,698	9	0.48%
Timber Products (commercial)	27,133	25,422	7	0.78%				0.00%	28,673	25,378	5	0.78%
Grants Pass Shopping Center (commercial)	15,540	24,948	8	0.77%	13,431	25,582	7	0.79%				0.00%
Grants Pass Hardwoods (commercial)	27,618	22,185	9	0.68%	37,424	23,926	8	0.74%	23,079	20,880	6	0.64%
Spring Pointe/Spring Village (commercial)	12,949	20,819	10	0.64%	13,139	14,593	9	0.45%	15,009	21,993	7	0.68%
Wal-Mart (commercial)					9,496	12,238	10	0.38%	12,145	13,734	8	0.42%
Sub-total	307,164	413,344		12.74%	300,632	400,925		11.98%	242,109	357,275		10.59%
All other sources		2,831,815		87.26%		2,976,687		88.02%		3,121,695		89.41%
*Total Water Revenues		\$ 3,245,159		100.00%		\$ 3,377,612		100.00%		\$ 3,478,970		100.00%

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See Next page for Notes.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

**WATER UTILITY
TEN LARGEST REVENUE SOURCES (CONTINUED)**

For the last five fiscal years
(Unaudited)

Customer (classification)	2006				2007			
	Annual Consumption Units (100 hcf)	Annual Revenue***	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue	Rank	Percent of Total Revenue
City of Grants Pass (public)	234,635	\$ 219,801	1	6.77%	323,766	\$ 122,740	1	3.78%
School District 7 (public)	46,379	34,752	4	1.07%	145,243	115,499	2	3.56%
Josephine County (public)	47,807	55,879	2	1.72%	74,476	90,821	3	2.80%
Three Rivers Hospital (commercial)	43,855	38,342	3	1.18%				
Riverwood Apts. (multi-family)	31,233	25,570	5	0.79%	44,243	66,166	4	2.04%
State of Oregon (public)	19,976	19,347	8	0.60%	145,243	115,499	8	3.56%
Timber Products (commercial)	33,673	22,942	6	0.71%	66,625	44,045	6	1.36%
Grants Pass Shopping Center (commercial)	5,743	10,413	10	0.32%	6,424	22,208	9	0.68%
Grants Pass Hardwoods (commercial)					27,618	22,185	9	0.68%
Jack's Landing & RV Resore (commercial)					11,349	12,748	11	0.39%
Spring Pointe/Spring Village (commercial)	22,655	21,337	7	0.66%	36,573	36,728	7	1.13%
Wal-Mart (commercial)	18,627	13,912	9	0.43%	30,097	51,205	5	1.58%
Sub-total	<u>504,583</u>	<u>462,295</u>		<u>13.82%</u>	<u>911,657</u>	<u>699,844</u>		<u>21.57%</u>
All other sources		<u>2,965,309</u>		<u>86.18%</u>		<u>3,254,233</u>		<u>78.43%</u>
*Total Water Revenues		<u>\$ 3,427,604</u>		<u>100.00%</u>		<u>\$ 3,954,077</u>		<u>100.00%</u>

hcf = hundred cubic feet

*exclusive of service charges total of \$56,203 in 2003, \$65,240 in 2004 and \$85,615 in 2005

**While consumption may be similar, revenue can vary due to class and size of service.

*** In FY'06 some clients were put on interruptible irrigation and charged a lower rate which caused the lower revenue numbers.

NOTE: The reporting of these statistics began after GASB 34 implementation, therefore only five years are reported.

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

UTILITY STATISTICS

WATER USAGE CUSTOMER ANALYSIS

For the last eight fiscal years
(Unaudited)

Number of Accounts

Fiscal Year Ended June 30,	Residential	Multi-Family	Commercial	Public	Fire Protection	Outside City Surcharge	Total
1999	5,601	704	970	129	79	39	7,523
2000	5,814	721	967	145	77	40	7,765
2001	6,094	722	980	120	76	85	8,078
2002	6,333	743	995	170	95	176	8,513
2003	6,553	766	1,027	173	97	252	8,869
2004	6,780	808	1,046	168	100	255	9,157
2005	6,909	874	1,095	189	116	270	9,453
2006	7,400	940	1,138	172	123	233	10,006
2007	7,708	948	1,134	181	135	207	10,313

Water Consumption (hcf)

Fiscal Year Ended June 30,	Residential	Multi-Family	Commercial	Public	Fire Protection	Outside City Surcharge	Total
1999	924,500	313,554	524,725	166,585	369	8,522	1,938,225
2000	939,679	314,895	529,133	162,411	1,682	8,004	1,955,804
2001	972,185	314,311	517,178	164,882	705	14,141	1,983,402
2002	966,914	304,344	504,619	179,148	367	34,393	1,989,785
2003	1,026,069	308,281	516,551	200,821	278	46,200	2,098,200
2004	1,103,582	322,686	521,548	202,270	431	51,244	2,201,761
2005	1,268,695	354,590	576,633	225,770	1,858	51,326	2,478,872
2006	1,777,033	429,727	800,893	264,922 *	2,405	50,162	3,325,142
2007	1,761,357	440,405	783,055	278,658	1,639	35,471	3,300,585

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

Water and Sewer Rates

Water and Sewer Rates from 1993 through November 1, 2005

	Water ⁽¹⁾		Sewer	
	Monthly Base Rate first 500 cf ⁽²⁾	Commodity Charge Per 100 cf above 500 cf	Monthly Service Charge	Volume Charge
Residential	\$12.30	0.87	\$4.31	\$1.50 X awwc ⁽³⁾
Multifamily	\$12.30	0.55	\$4.31	\$1.50 X awwc ⁽³⁾
Commercial	\$12.30	0.57	\$4.31	\$1.50 X awc ⁽⁴⁾
Public	\$12.30	0.71	\$4.31	\$1.50 X awc ⁽⁴⁾

(1) Additional monthly charges may apply depending on geographical elevation in which service is provided (service level charge) and whether the fire protection charge applies.

(2) Rate is based on the 3/4 inch meter which is the most common meter used.

Water Rates as of February, 2006

Meter Size	Monthly Base Rate	Add'l Unit Chrg for multi- family & PUD
3/4 " or less	\$ 8.30	\$ 3.10
1"	18.50	3.10
1.5"	34.90	3.10
2"	56.00	3.10
3"	108.00	3.10
4"	179.00	3.10
6"	340.00	3.10
8"	541.00	3.10
10"	838.00	3.10

Single Family Residential		
0-10	11-25 unit	>26 units
\$0.77	\$0.98	\$1.16

Customer Class	
Multi-Family & PUD	\$ 0.76
Commercial/Public	0.91
Irrigation-All Classes	1.32
Standby-All Classes	1.32

Service Level Charge	
Service Level	Per Unit Chrg
1	0
2	\$0.09
3	\$0.19
4	\$0.28
5	\$0.37

Sewer Rates as of October, 2005

Class	Per Month
Residential	
Monthly Service Charge	\$ 10.60
Volume Charge x awwc	2.18
Multi-Family	
Monthly Service Charge	\$ 10.60
Volume Charge x awwc	2.18
Commercial Normal Strength	
Monthly Service Charge	\$ 10.60
Volume Charge x awc	2.18
Commercial High Strength	
Monthly Service Charge	\$ 10.60
Volume Charge x awc	2.18
Public	
Monthly Service Charge	\$ 10.60
Volume Charge x awc	2.18

(3) awwc: average winter water consumption

(4) awc: actual water consumption

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON**

Water and Sewer Rates

Annually the water and sewer rates will be increased by the 12-month average of Cost of Living Index which is 3.43% for 2007.

Water Rates as of January 1, 2007

Meter Size	Monthly Base Rate	Add'l Unit Chrg for multi-family & PUD
3/4 " or less	\$ 8.58	\$ 3.21
1"	19.13	3.21
1.5"	36.10	3.21
2"	57.92	3.21
3"	111.70	3.21
4"	185.14	3.21
6"	351.66	3.21
8"	559.56	3.21
10"	866.74	3.21

Single Family Residential		
0-10	11-25 unit	>26 units
\$0.77	\$0.98	\$1.20

Customer Class	
Multi-Family & PUD	\$ 0.79
Commercial/Public	0.94
Irrigation-All Classes	1.37
Standby-All Classes	1.37

Service Level Charge	
Service Level	Per Unit Chrg
1	0
2	\$0.09
3	\$0.20
4	\$0.29
5	\$0.38

Sewer Rates as of January 1, 2007

Class	Per Month
Residential	
Monthly Service Charge	\$ 10.96
Volume Charge x awwc	2.25
Multi-Family	
Monthly Service Charge	\$ 10.96
Volume Charge x awwc	2.25
Commercial Normal Strength	
Monthly Service Charge	\$ 10.96
Volume Charge x awc	2.25
Commercial High Strength	
Monthly Service Charge	\$ 10.96
Volume Charge x awc	3.15
Public	
Monthly Service Charge	\$ 10.96
Volume Charge x awc	2.25

(3) awwc: average winter water consumption
(4) awc: actual water consumption

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

January 25, 2008

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 Grants Pass, Oregon, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 25, 2008.

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 Grants Pass, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and 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 the preparation of Basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of City of Grants Pass, 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 significant deficiency in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

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 January 25, 2008.

These factors were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated January 25, 2008.

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

2006-06 AND 2007-07 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.

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

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

We are not aware of any failure to comply with legal requirements related to the amount and adequacy of collateral pledged by depositories to secure funds of the City.

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.

2006-2007 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

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.

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

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