



WHERE THE ROGUE RIVER RUNS



© City of Grants Pass

City of Grants Pass, Oregon
**Comprehensive Annual
Financial Report**
For the year ended June 30 2008

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2008

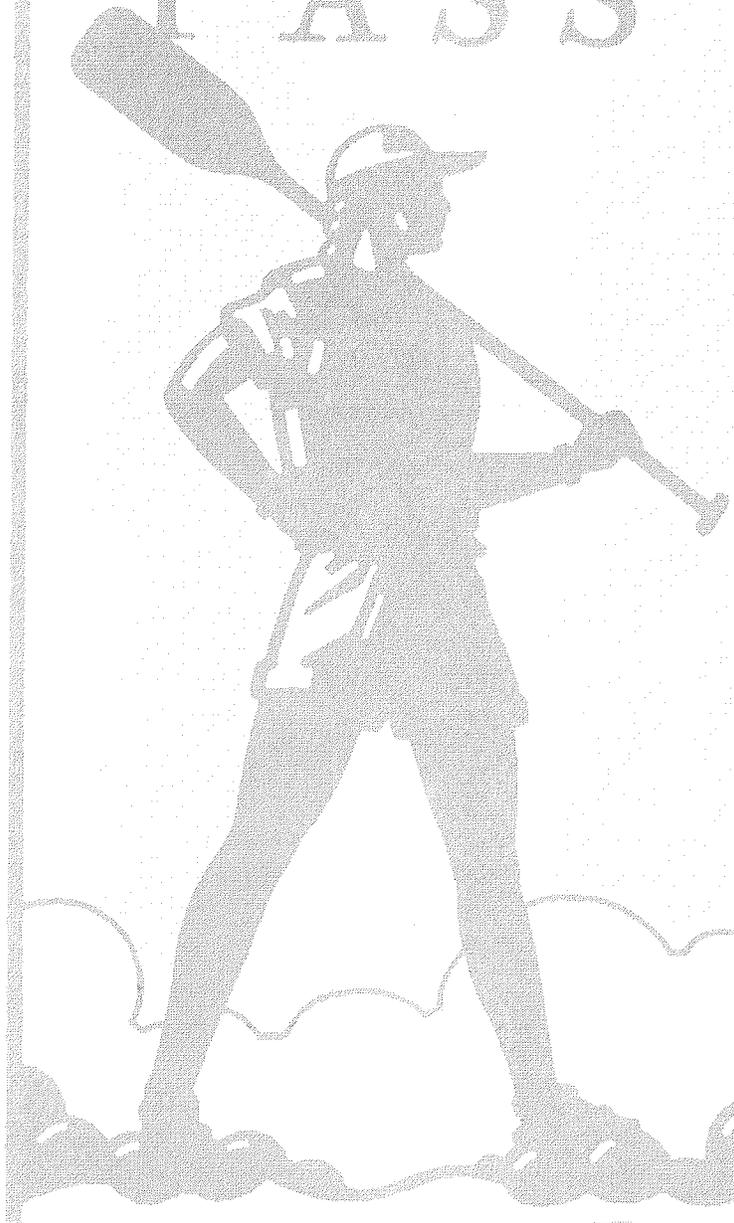
Prepared by:

City of Grants Pass Finance Department

David Reeves, Finance Director
Jay Meredith, Assistant Finance Director

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GRANTS PASS



O R E G O N

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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, 2008

<u>NAME</u>	<u>TERM EXPIRES</u>
Len Holzinger, Mayor	December 31, 2008
Jeff Hyde, 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
Jocelyn Richardson, SW – Ward 4	December 31, 2008

All council members receive mail at the address listed below.

CITY MANAGER

David W. Frasher

FINANCE DIRECTOR

David Reeves

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

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December 18, 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 operations 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.

Geography of the City of Grants Pass

Grants Pass has grown to a population of an estimated 32,290 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 providing 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 83,290.

Factors Impacting Financial Conditions

The City of Grants Pass continues to experience growth and now ranks 16th in population among 242 communities in Oregon. Grants Pass’ assessed value rose 6.9% while the County experienced a 6.0% increase in assessed value.

While Grants Pass continues to grow, development has slowed significantly during the past two years. Residential construction decreased 33% in number of units and \$13.2M in value from the previous year. Commercial construction declined 48% with a \$9.0M decrease in value. Thus the immediate demand for planning and building inspection for all classes of construction has slowed considerably.

The local housing market has experienced a decrease in the number of homes sold over the last year. For the month of November 2008 the median house price for a 3 bedroom home was \$209,000 and for a four bedroom home was \$251,000. The average price for a house sold in Grants Pass for the month of November 2007 was \$262,000. 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.

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 declined by 15 in FY’08, while the total permits issued declined 25% from the previous year to 2,857 permits in total. 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) and public safety bond (\$0.5097) totaled \$6.1332/\$1,000 assessed value and generated 12.4M of the 12.8M public safety budget. However, despite increasing

demands on the public safety staff, in November of 2008 voters declined to renew the local public safety levy for the next four years. Without a replacement for this revenue this spring, public safety and other departments within the City will be forced to make significant cuts to various services beginning in FY'10.

Public safety officers currently handle more calls per officer than almost any other medium sized Oregon City. However, the failed levy measure represented funding for approximately 50 police and fire staff. The City also 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.

Grants Pass is not immune to the decline in employment facing the nation as a whole. In fact, Grants Pass lost 240 jobs from October 2007 to October 2008. Some sections of the economy did buck this trend with wholesale trade increasing jobs by 50 people, retail trade up 60, and health care and social assistance up 70. This was countered by the loss of 140 construction jobs, 240 manufacturing jobs and 20 leisure and hospitality jobs.

Josephine County has an unemployment rate of 9.3% as of October 31, 2008, up from 6.7% on October 31, 2007. Currently, 32,733 people are employed compared to 35,251 people employed in 2007. In October of 2008, 3,338 people were unemployed compared to 2,372 in October 2007.

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 fell dramatically over the last year, largely in the last six months of the year. We saw many local employers reduce employee hours with many of the firms going to a four day week or six hour day. Masterbrand Cabinets laid off 104 people in early September and Timber Products laid off 46 a month later. On the plus side, Fire Mountain Gems is still going strong and plans to start its very first Spanish language catalog. Rogue Pro Industrial has moved into Spalding Industrial Park and now employs 15 people. Carry's Candies has found a new outlet and increased employment to over 30 people. The Guild Complex has completed its third building and Diversified Collection Services (DCS) has moved in, increasing their employment by 25 people.

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 fourth round of comprehensive surveys was launched in early 2008 and the findings were announced in late September. Of the 78 businesses surveyed, on a scale of 1 to 5, where 5 is excellent, they rated Grants Pass a 3.9 as a place to do business and as a 4.7 as a community in which to live. While 45% of the firms expressed plans to modernize or expand their present facilities,

32% of the businesses do not have sufficient property for expansion. It is very important to remain cognizant of this information as the City continues work on its Urban Growth Boundary expansion project.

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.), 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), economic development programs, 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 four divisions, Management, Legal, Finance, and Human Resources. 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 for 2007-08. Through these goals, the Mayor and Council have reaffirmed the importance of maintaining “a home town feel” to the community, a community that:

- ▶ Feels safe and is safe
- ▶ Places emphasis on the central role of the Rogue River
- ▶ Protects our natural environment
- ▶ Enhances and expands parks and recreation opportunities
- ▶ Upgrades our ability to respond to growth, and to effectively manage the impact of growth
- ▶ Assures the opportunity for economic development
- ▶ Provides local government services that are effective and efficient

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 85% of the 117 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 2008, 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 protection from losses in excess of \$400,000. During FY'08 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, 2007. 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.

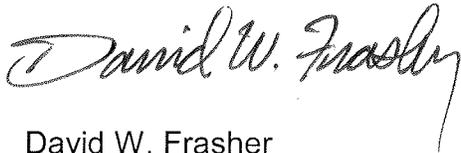
A Certificate of Achievement is valid for a period of one year only. The City has received this Certificate for the last twenty-three consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for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

Acknowledgements

The preparation of this report could not have been accomplished without the dedicated effort of the City Finance 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.

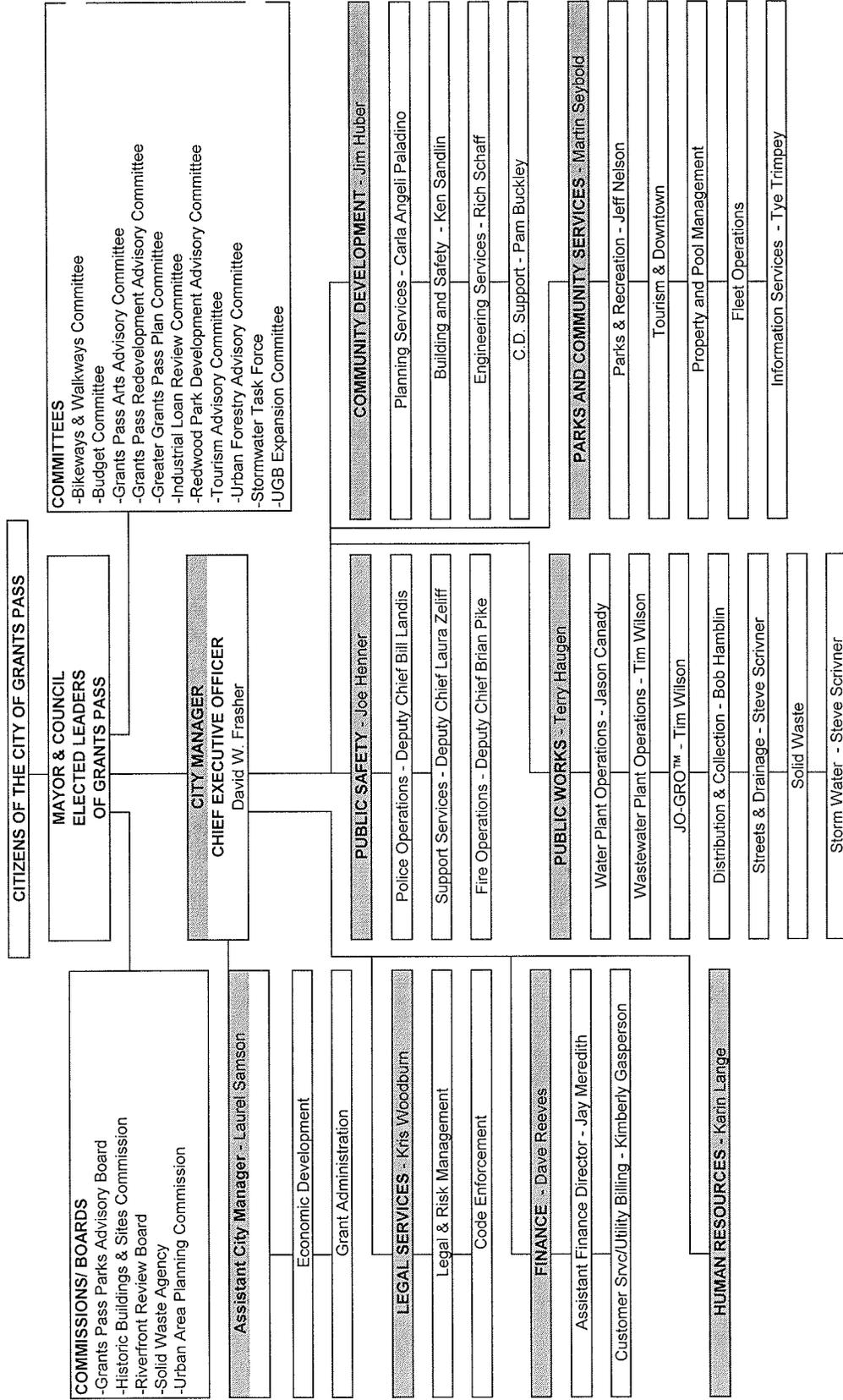
Sincerely,



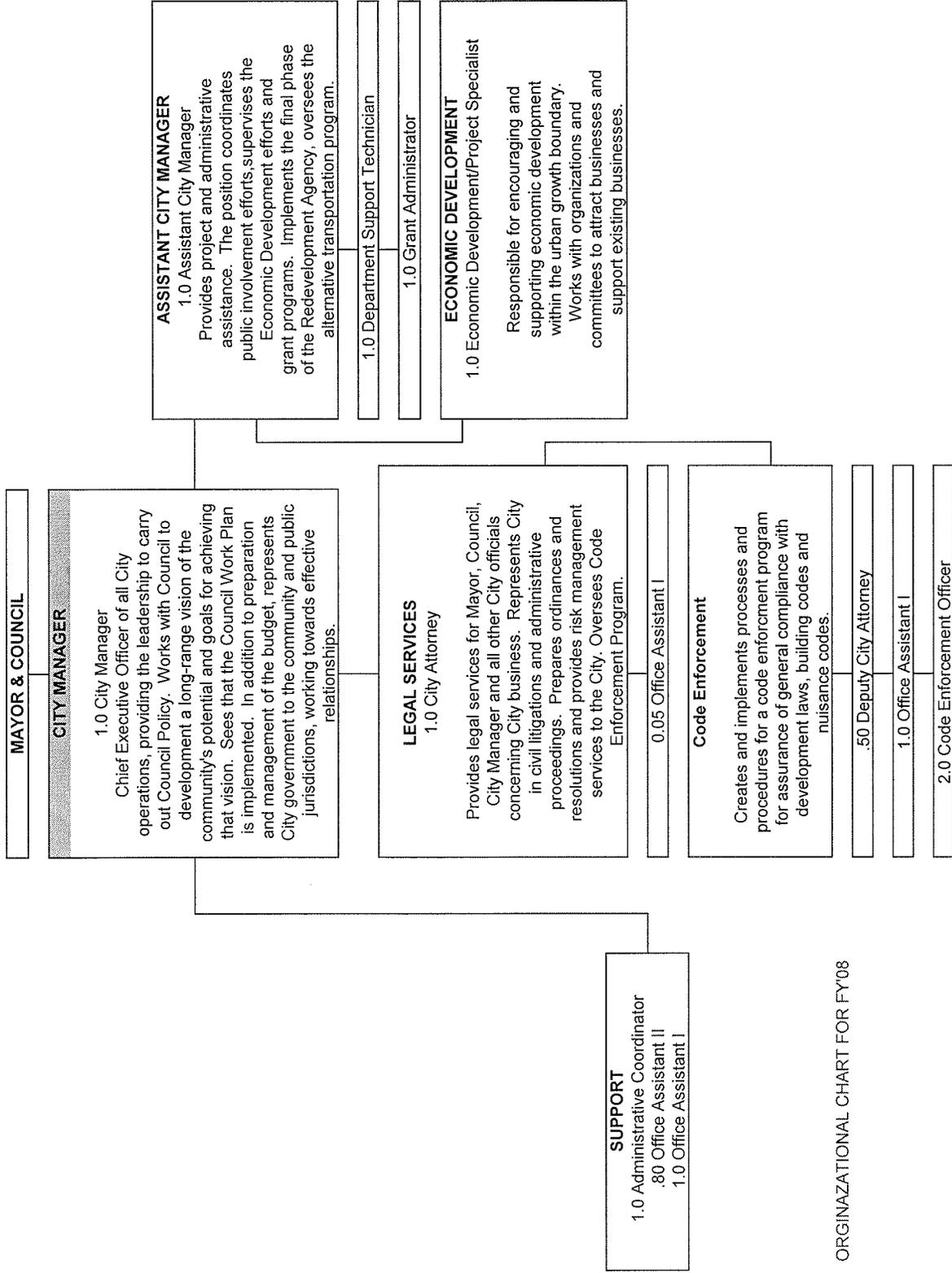
David W. Frasher
City Manager



David Reeves
Finance Director



ORGANIZATIONAL CHART FY08



ORGANIZATIONAL CHART FOR FY08

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, 2007

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



A handwritten signature in black ink, appearing to read "M. L. R. +".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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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

December 18, 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, 2008, 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, 2008 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.

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, 2008. 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 \$253,419,741 on June 30, 2008.
- The City's net assets increased by \$16,766,207 during the year.
- The general fund reported a fund balance this year of \$7,482,929.

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.
- *Internal service funds* - These are used 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 \$253,419,741 on June 30, 2008.

**Statement of Net Assets at June 30, 2008
(In thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS:						
Current and Other Assets	\$ 39,168	\$ 40,409	\$ 12,022	\$ 14,680	\$ 51,190	\$ 55,089
Capital Assets	137,411	122,913	94,493	89,426	231,904	212,339
Total Assets	<u>\$ 176,579</u>	<u>\$ 163,322</u>	<u>\$ 106,515</u>	<u>\$ 104,106</u>	<u>\$ 283,094</u>	<u>\$ 267,428</u>
LIABILITIES:						
Current and Other Liabilities	\$ 2,759	\$ 1,909	\$ 708	\$ 1,612	\$ 3,467	\$ 3,521
Long-Term Liabilities	14,484	14,639	11,723	12,614	26,207	27,253
Total Liabilities	<u>17,243</u>	<u>16,548</u>	<u>12,431</u>	<u>14,226</u>	<u>29,674</u>	<u>30,774</u>
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	129,196	109,720	82,828	76,870	212,024	186,590
Restricted	3,707	-	-	-	3,707	-
Unrestricted	26,433	37,054	11,256	13,010	37,689	50,064
Total Net Assets	<u>\$ 159,336</u>	<u>\$ 146,774</u>	<u>\$ 94,084</u>	<u>\$ 89,880</u>	<u>\$ 253,420</u>	<u>\$ 236,654</u>

Governmental Activities

The major reason for the 8.6% increase, or approximately \$12.6M in net assets was the City's capital and infrastructure improvement projects. While Revenues exceeded expenditures by \$2.06M in the General Fund, the Transportation Capital Projects Fund and the Land and Buildings Capital Projects Fund together used \$4.83M more resources than revenue and other financing sources provided during the year.

Fixed Asset activity primarily consisted of transportation infrastructure projects and building the two new public safety stations. During FY'08, \$5.5M in progress payments were made on the construction of the new police/fire stations. Right-of-Way totaling 619,000 square feet and valued at \$2.6M was added to the system in addition to \$370,134 for storm drains, catch basins and manholes, \$321,490 in curb and gutter work along with \$810,500 in concrete sidewalks. Other Transportation enhancements included improvements underway on Redwood Avenue and Rogue River Highway. Other capital projects undertaken in FY'08 include development at Redwood Park, tennis court and basketball court renovations, improvements at Riverside Park, Fruitdale Creek Park, and Rogue Path, all reported in Land & Building Capital Projects Fund. An increase in accrued payroll and retainage payable accounts for the majority of 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 declined by \$875,361 as compared to FY'07, a 7.5% decrease. System development charge revenues, while generally influenced by the decline in development and growth, sustained minor reductions in revenues. Reduced accounts payable for capital projects accounts for the decrease in current liabilities. Long-term liabilities were reduced by

annual debt service payments of \$320,000 in the Water Fund, \$275,460 in the Sewer Fund, and \$298,174 in the Redwood Sanitary Sewer Service District.

\$1.6M of fixed asset value was added to the Water Fund through the installation of 19,178 linear feet of various size water lines and installation of 80 hydrants and associated valves. The Sewer Fund increased capital assets \$1.2M through the addition of 8,504 linear feet of line, 49 manholes and 6 cleanouts. Completion of the Pine/Booth Sewer Replacement project together with installation of a mechanical bar screen at the Wastewater Treatment facility added another \$5.1M to fixed assets.

Statement of Activities for the Year Ended June 30, 2008

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.

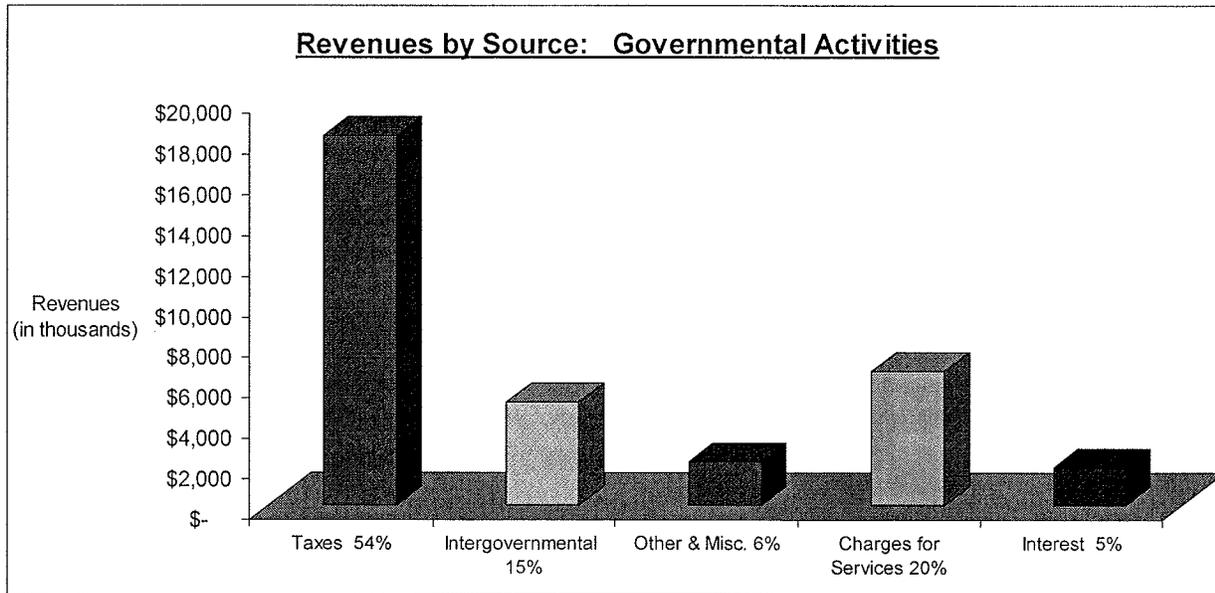
Taxable values for FY'08 increased 6.9%. This value increase of \$141.7M was due to small increases from residential and commercial assessments and small increases from light residential and commercial growth. In March, 2005 the voters approved an increase in a four-year Local Option Levy from \$.89 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 \$3.3M for Public Safety (above the permanent rate) of which approximately 96.5% was collected. While all operating divisions realized increases in personnel rates in accord with approved labor contracts, some of the major divisions experienced a decrease in total allocated expenses in FY'08 as compared to FY'07.

CITY OF GRANTS PASS - CHANGES IN NET ASSETS

(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program Revenues:						
Charges for Services	\$ 6,642	\$ 30,623	\$ 10,402	\$ 11,334	\$ 17,044	\$ 41,957
Operating Grants & Contributions	184	541	1,010	2,873	1,194	3,414
General Revenues:						
Taxes	18,241	16,154	-	-	18,241	16,154
Intergovernmental	5,072	3,551	257	275	5,329	3,826
Other	4,084	2,342	827	973	4,911	3,315
Total Revenues	34,223	53,211	12,496	15,455	46,719	68,666
EXPENSES:						
Public Safety	12,104	13,898	-	-	12,104	13,898
Transportation	1,430	1,663	-	-	1,430	1,663
Building	910	1,179	-	-	910	1,179
Parks	1,451	1,667	-	-	1,451	1,667
Development	3,279	2,099	-	-	3,279	2,099
General Government	219	227	-	-	219	227
Solid Waste	1,475	787	-	-	1,475	787
Water	-	-	3,019	3,795	3,019	3,795
Sewer	-	-	5,618	4,675	5,618	4,675
Interest	445	212	-	-	445	212
Total Expenses	21,313	21,732	8,637	8,470	29,950	30,202
Change in Net Assets before Transfers	12,910	31,479	3,859	6,985	16,769	38,464
Transfers	(347)	122	347	(122)	-	-
Change in Net Assets	12,563	31,601	4,206	6,863	16,769	38,464
Beginning Net Assets	146,773	115,172	89,878	83,015	236,651	198,187
Prior Period Adjustment	-	-	-	-	-	-
Ending Net Assets	\$ 159,336	\$ 146,773	\$ 94,084	\$ 89,878	\$ 253,420	\$ 236,651

The City's total revenues were \$46.7M of which a significant portion, 39.0%, came from taxes, while 47.9% 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 12.9% in FY'08 generating approximately \$2,087,000 more in revenues than in FY'07. A 6.9% increase in taxable assessed value was the major factor for this change. Revenue from the property tax levy increased from \$12,450,442 to \$14,411,920 with actual current year collections \$155,382 less than estimates. The Parkway Redevelopment Agency, a component unit of the City, experienced 8.5% growth in taxable assessed value that generated a 7.6% increase in its property tax revenue.

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 third 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 decrease in Charges for Services is largely attributed to annexations that took place in the previous year (in FY07 approximately \$24.5M of the Charges for Services revenues were due to capital assets such as right-of-way, curbs, sidewalks, and other infrastructure acquired through property annexations). Building permit revenues generated \$830,966 from the issuance of 189 structural permits. The number of issued structural permits dropped 33.9% from the previous year and experienced declines in all categories. Total commercial construction units declined by 15 in number and \$9.0M in value, while total residential construction declined by 93 units and \$13.2M in value as compared to FY'07. A total of 166 single-family residential permits were issued compared to 234 for FY'07, while the number of multi-family permits fell to 6 compared to 20 in FY'07. Commercial permits totaled 17 in the current year as compared to 32 in FY'07.

Transportation system development charge revenues went from \$1.3M in FY'07 to \$1.0M FY'08, a decrease of \$300,000, reflecting decreased volume in building permits. Parks system development charges generated \$247,957 compared to \$338,697 in FY'07 while Storm Drain system development charges decreased to \$96,722 in FY'08 from \$146,205 in FY'07. 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.

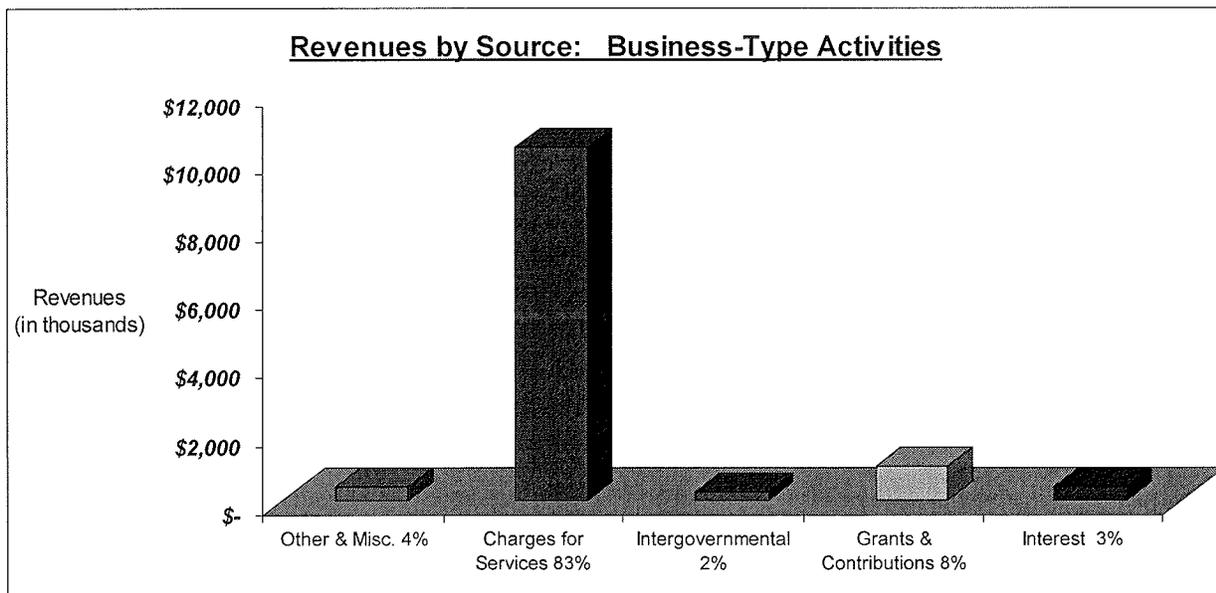
Operating Grants reflect the award received from the Oregon Parks & Recreation Department for development of Redwood Park and the SAFER Grant for the Fire division. The Transportation program gas tax receipts were approximately the same as FY'07, declining only \$7,358 to a total of \$1,361,919 for the current year.

Program Expenses

The Adopted FY'08 Budget authorized fifteen additional staff. Eight of these positions were projected to be filled in the Fire Division to adequately staff the two new stations slated to open in 2008. With the decline in revenues in the Community Development department, the City has acted proactively in choosing to leave positions “unfilled” with eight positions that are authorized but not filled and by laying off one employee in the Building and Safety Division. Dispatch services to Josephine County, provided under contract by the City, were discontinued as of June, 2008 resulting in the layoff of four employees. Recruitment has still been an issue in law enforcement leaving positions unfilled at the end of the fiscal year. The Classification and Compensation Study was completed and the results were accepted by Council in April, 2008. The new job classifications and descriptions and a new salary range will be brought to Council for implementation in July, 2008.

Compensation adjustments equal to cost-of-living were granted to Police and Fire on 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.

Total Public Safety program allocated expenses decreased 12.9%, or about \$1,793,000 over FY'07, largely the result of capital spending consuming a larger percentage of total current year expenditures as compared to the previous year. Approximately \$16M of new infrastructure and capital assets were added to governmental funds for the year, and these amounts (less depreciation of \$1.3M and a real estate sale of \$0.9M) contributed to the noteworthy FY'08 increase in the Change of Net Assets. During FY'08, Total personnel costs added \$1.4M, operating supplies and materials increased by \$0.3M, and contractual services/leases decreased by \$.4M across all governmental funds (exclusive of capital project funds).



BUSINESS-TYPE ACTIVITIES

Program Revenues

Each of the City's utilities experienced a small amount of growth in the number of accounts. However, total demand and sales revenues experienced declines in the major business program areas. For example, Water utility accounts rose 1.7% but revenues from sales declined 11.7% generating \$591,477 less in sales compared to FY'07. Wastewater accounts also grew modestly (+116, or 1.1%) 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 2.54%, applied to all utility user fees effective January, 2008, impacted Wastewater revenues. However, total Wastewater service charge revenues declined by 5.4% compared to the previous year and total wastewater treated declined by 5.7% in total volume.

The Redwood Sanitary Sewer Service District experienced a mere 1.3% increase, \$13,231, in user revenues while the District's number of accounts increased by 37 or 1.7%. The slight revenue increase resulted from a Cost-Of-Living adjustment applied to user fees effective January 1, 2008. Continued infrastructure development and capital improvement projects accounts for a major portion of the FY'08 change in Net Assets.

Fluctuation in revenue between FY'07 and FY'08 were prompted by smaller amounts of infrastructure contributions of \$0.7M in water and \$0.3M in wastewater, 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'08. Staff completed a very successful upgrade to the Water plant's solids handling facilities which will allow for less staff intervention in the future. Staff will now have more time to plan for a long-term solution. The addition of two new collection system workers also improved the Wastewater departmental maintenance efficiency.

Declines in certain operating expenses such as supplies, maintenance, utilities, and professional services more than offset the \$298,518 increase in salaries and wages compared to FY'07. However, total operating expenses excluding depreciation increased \$288,109 or 4.9% compared to FY'07. General, administrative, and engineering expenses increased \$655,219 and were the main reason total expenses increased over the previous year.

FY'08 depreciation on capital improvements was \$2,135,717 and \$70,765 higher than the previous year due to placing additional fixed assets in service during the year. Large capital assets placed in service during the year included the completion of the intake structure at the Water Filtration Plant, sewer lines at Pine and Booth Streets, and the influent pumping system and a second mechanical bar screen in the primary wastewater treatment system.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Activities

The General Fund balance ended the year at \$7.5 million, an increase of 34.1% or \$1,901,315. While all activities ended the fiscal year under their respective appropriation limit, the most notable was Planning

and Building and Safety, coming in at a total of \$565,155 under budget expenditure appropriations. Temporary Building and Safety activity surpluses resulted from not filling open positions and reduced clerical support charges. While many revenue categories were slightly lower than expected due in large part to lower levels of property development during the year, total tax revenues exceeded estimates. Total expenditures for the General Fund were \$1.7M under appropriation levels and total revenues exceeded estimates by \$.5M for the year.

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 the 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. However, this Agency just finished its 20th and last year of approved tax levies and will cease to collect property taxes during FY'09.

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, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Bancroft Bond	\$ (1,386,260)	\$ (1,500,626)	\$ 114,366
Transportation Projects Fund	5,940,096	7,617,579	(1,677,483)
Solid Waste	3,360,485	3,329,906	30,579
Lands & Buildings Project Fund	6,259,092	9,409,938	(3,150,846)
Parkway Redevelopment Agency	<u>3,711,979</u>	<u>3,707,773</u>	<u>4,206</u>
Total Fund Balances	<u>\$ 17,885,392</u>	<u>\$ 22,564,570</u>	<u>\$ (4,679,178)</u>

Special assessment revenues of \$202,536, 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'08 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 additional work on a \$3.0M project on Redwood Avenue and a \$1.5M pedestrian safety project on Rogue River Highway.

The \$3.2M decrease in the fund balance of the Land & Buildings Project Fund is largely the result of completing a majority of the total construction for the two new Public Safety stations. In June of 2007, \$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 proceeds.

**Schedule of Other Major Business-type Unrestricted Net Assets
As of June 30, 2008 and 2007**

	2008	2007	Change
Water Fund	\$ 4,682,452	\$ 3,743,841	\$ 938,611
Sewer Fund	2,758,675	5,851,152	(3,092,477)
Harbeck-Fruitdale Sewer District	(30,545)	(27,170)	(3,375)
Redwood Sanitary Sewer Service District	1,403,167	1,266,120	137,047
Total Fund Balances	\$ 8,813,749	\$ 10,833,943	\$ (2,020,194)

Business-type Activities

The operating segment of the Water Fund, ended the year with an unrestricted fund balance of \$1.2M compared to an ending balance of \$1.0M in FY'07. Expenditures excluding capital were under budget by \$117,758 or 3.5%. While revenues for water sales were \$331,794 under budget, total excess revenues were \$1.1M for the year, largely a result of lower than planned spending on capital projects. For the capital projects portion of the fund, expenditures were \$590,814 while revenues totaled \$1.2M with \$109,828 generated by revenues from operations. Systems development revenues together with interest earnings made up the difference. This resulted in the Water capital fund increasing from a \$2.8M balance in FY'07 to an ending fund balance of \$3.4M in FY'08. 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, upgrades to the solids handling infrastructure, and the 4th Street water main project.

Both the operating segment and the capital projects segment of the Sewer Fund ended FY'08 with healthy unrestricted fund balances. Operations ended with a balance of \$569,156, up 6.6% from FY'07 and Capital projects ended with \$2.2M as compared to a budgeted estimate of \$2.0M. User fees generated \$4.4M, approximately the same amount as FY'07, while system development charge revenues, a development driven revenue, declined to \$581,034 as compared to \$685,881 in FY'07.

Among other efforts, construction work was completed on the \$4.9M Pine/Booth Street sewer rehabilitation project. Installation of a second mechanical bar screen and associated odor control facilities, a \$2.5M project, was also completed at the wastewater treatment plant. The completion of these capital projects resulted in the large decrease of unrestricted net assets in the Sewer Fund.

The Redwood Sanitary Sewer Service District (RSSSD) ended the year with a \$1.4M unrestricted fund balance, about \$0.2M higher than planned. Revenues came in at 91.6% of budget while expenditures ended at 88.9% of appropriations.

General Fund Budgetary Highlights

During FY'08, events occurred that were not specifically anticipated at the time of budget hearings. The Council authorized transfers or other general appropriations to cover these occurrences, most of which were small in nature during FY08. The Grants Pass Redevelopment Agency made transfers to the City's capital project funds based on the progress of various capital projects. Engineering charges of \$42,000 for work performed for the operating divisions of the Water Fund and Transportation Fund were also anticipated to exceed estimates provided for in the original budget and were adjusted in a supplemental budget resolution.

Reimbursement received by the Solid Waste Fund for payment of debt service prompted the changes to that fund. The Solid Waste Fund made an extra bank loan payment in the amount of \$168,286 above the planned amortization schedule. Slightly 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 reconstruction of Washington Boulevard from Evelyn to Savage Street, installation of the Redwood Avenue/Willow Lane traffic signal, sidewalk improvements at Wharton Drive, and the bulk of the planned improvements on Redwood Avenue. Other major Transportation projects in process included Lewis Avenue realignment, W. Park widening, and the Rogue River Highway pedestrian improvements.

Public Safety field services had unplanned overtime costs related to a number of events and Street Lighting experienced higher than expected utility costs. The \$60,000 extra appropriations needed for these two areas were provided by availability in the Public Safety support services budget.

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.

A new division, Human Resources, was also created during FY08. Appropriations of \$50,000 in the Administrative Services Fund were moved from the Finance division to this new division of the Administrative Services Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had invested \$231,903,658 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 \$19.57 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.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Beginning Balance	122.91	97.56	89.42	84.33	212.33	181.89
Additions	18.53	27.19	11.41	7.15	29.94	34.34
Retirement						
Other	-2.35	0.00	-4.20	0.00	-6.55	0.00
Depreciation	-1.68	-1.84	-2.14	-2.06	-3.82	-3.90
Ending Balance	137.41	122.91	94.49	89.42	231.9	212.33

Major additions to Governmental Activities assets for the year were generated by Transportation projects and building the two new Public Safety stations. Progress payments on the new Public Safety stations added \$5.5M to Governmental activity capital assets, Redwood Avenue improvements added \$1.9M, and Rogue River Highway improvements added \$1.2M to capital assets. The Business Activities gained 19,178 linear feet of water lines and 8,504 linear feet of sewer lines with a total value of \$2.8M. Developer installed improvements included \$370,134 of storm drain improvements. The Pine/Booth Sewer rehabilitation and installation of a second mechanical screen at the Wastewater Treatment Plant, added an additional \$5.1M to capital assets during the year. Other projects in progress included Lewis Avenue realignment for \$227,000, development of Redwood and Riverside Parks, and ongoing development and cleanup of the River Road property. The Redwood Sanitary Sewer Service District gained 51 manholes and 9 cleanouts valued at \$164,460.

Long-Term Debt

At year-end the City had bonds, contracts and notes outstanding that totaled \$24,862,664.

Outstanding Debt at Year End (in millions)		2008	2007
Governmental:			
General obligation	\$	9.65	\$ 10.71
Post-Closure Care costs		2.56	1.45
Notes and Contract payable		.93	1.22
Sub Total		<u>13.14</u>	<u>13.38</u>
Business-type Activities:			
Revenue Bonds payable	\$	1.88	\$ 2.20
Less Unamortized discount		-0.01	-0.01
Notes and Contracts Payable		9.85	10.43
Sub Total		<u>11.72</u>	<u>12.62</u>
Total	\$	<u>24.86</u>	\$ <u>26.00</u>

No new forms of long-term debt were added during FY'08. 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 \$1.1M to that long-term debt.

Payment of debt service on the 1998 Water revenue bonds reduced bonds payable by \$320,000 as reflected in the Business-type activities. Notes and Contracts Payable reflect the annual debt service payment of \$275,460 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 \$298,174. 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 in 2005 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. However, in November of 2008 Council placed a similar levy proposal in front of voters at a rate of \$1.89/\$1,000 assessed value intended to finance Public Safety from 2010 through 2013. The November 2008 proposal failed by a thin margin and Council will now have to decide on a new levy proposal, program budget cuts starting in fiscal year 2010, or both.

The City has not been immune to the national construction slowdown. The number of issued structural permits dropped 33.9% from the previous year and experienced declines in all categories. Total commercial construction units declined by 15 in number and \$9.0M in value, while total residential construction declined by 93 units and \$13.2M in value as compared to FY'07. A total of 166 single-family residential permits were issued compared to 234 for FY'07, while the number of multi-family

permits fell to 6 compared to 20 in FY'07. Commercial permits totaled 17 in the current year as compared to 32 in FY'07. This significant change in the issuance of permits, together with a decline in average median price of local home sales, suggests the City is experiencing a decline from development trends of several years ago.

Even though the health insurance premium increase for January, 2008 was only 5%, the City budgeted for a 10% increase in FY'09. With increases nationwide averaging between 12 and 15%, the City needs to be prepared for increases, not relying on the good experience levels that had kept the premiums low for the last few years. This budgeting strategy paid off as the quote for renewal reflected an increase of almost 20%. An insurance committee composed of labor representatives, the City's agent of record, and management, looked at ways to lower these costs. In the end, a small change in our benefit package resulted in a quote that only increased 9.71%. The dual choice selection and use of a 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 expire December 31, 2008. The City opened negotiations with police in June, 2008. After mediation, a balanced contract with minimal increases, locked for three years was agreed upon with both sides recognizing the importance of concessions at a time when the economy was in turmoil. Fire signed a Memorandum of Understanding with the City for a one year extension of their contract to receive cost of living based on the October, 2008 Consumer Price Index. This also was taken as recognition of the economy and the uncertainty of the City's budget with a levy up for renewal. The City will be opening negotiations with Fire and Teamsters in the spring of 2009. As salaries for all these groups escalate, the salary margin for supervisors becomes an issue. And in turn equity questions arise when comparing management salaries across the organization. Wages and cost sharing of benefits will continue to be issues brought to the negotiation table.

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. Final hearings and adoption of the Utility are expected in 2009.

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 a period of 5 to 20 years at an interest rate that is usually significantly lower than that 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 have been put on hold because a significant portion of their funding would be generated by LIDs. Additional modifications to current ordinances are expected to be put before the Council in the spring.

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,

2008 \$132,155 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.

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, increased an average of 3.50% effective July 1, 2007 for the following 24-month period. The rate for sworn OPSRP personnel went from 14.45% to 17.76% and from 10.84% to 14.49% for non-sworn personnel. 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 through FY'09 and contribution rates will change again starting in FY'10.

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 had been one of few municipal PERS covered employers in the state that did 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 Grants Pass to other municipalities.

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. In November, 2007 the voters of Oregon approved an initiative making changes to Measure 37. The City Council has adopted a process for accepting claims.

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 Finance Department at the City of Grants Pass at (541) 474-6360, 101 N.W. "A" Street, Grants Pass, Oregon, 97526.

WHERE THE ROGUE RIVER RUNS



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

BASIC FINANCIAL STATEMENTS

WHERE THE ROGUE RIVER RUNS



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

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	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	\$ 33,962,682	\$ 997,599	\$ 34,960,281	\$ 1,411,015
Receivables, net	6,102,974	1,832,502	7,935,476	4,214
Prepaid Items	24,089	-	24,089	-
Internal Balances	(2,442,156)	2,442,156	-	-
Restricted Assets:			-	-
Cash and Cash Equivalents	1,395,901	6,638,740	8,034,641	-
Receivables, net	124,073	111,358	235,431	-
Capital Assets not being depreciated	61,509,409	1,731,473	63,240,882	-
Capital Assets, net of Accumulated Depreciation	75,901,794	92,760,982	168,662,776	-
Total Assets	176,578,766	106,514,810	283,093,576	1,415,229
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts Payable and Other Current Liabilities	1,617,425	336,841	1,954,266	163
Accrued Payroll	864,322	368,039	1,232,361	-
Unearned Revenue	-	-	-	-
Retainage Payable	277,513	2,670	280,183	-
Noncurrent Liabilities				
Due Within One Year	1,398,958	935,149	2,334,107	95,000
Due in More than One Year	13,084,847	10,788,071	23,872,918	506,705
Total Liabilities	17,243,065	12,430,770	29,673,835	601,868
Net Assets:				
Invested in Capital Assets, net of related debt (1)	129,195,607	82,828,135	212,023,742	-
Restricted for Capital Purposes	3,706,534	-	3,706,534	-
Unrestricted (1)	26,433,560	11,255,905	37,689,465	813,361
Total Net Assets	\$ 159,335,701	\$ 94,084,040	\$ 253,419,741	\$ 813,361

(1) - refer to note 15 for unspent bond offering proceeds into the Land and Buildings Project Fund that affect the calculation of Unrestricted Net Assets.

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, 2008

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants
Primary Government				
Governmental Activities				
Public Safety	\$ 12,104,326	\$ 388,539	\$ 100,158	\$ -
Transportation	1,430,601	3,541,708	260	-
Building	910,259	830,966	4,600	-
Parks	1,450,608	373,497	79,266	-
Development	3,278,657	20,758	-	-
General Government	218,905	1,161,947	-	-
Solid Waste	1,474,560	325,075	-	-
Interest	445,088	-	-	-
Total Governmental Activities	<u>21,313,004</u>	<u>6,642,490</u>	<u>184,284</u>	<u>-</u>
Business-Type Activities				
Water	3,019,237	4,461,350	743,524	
Sewer	5,617,811	5,940,872	266,616	
Total Business-Type Activities	<u>8,637,048</u>	<u>10,402,222</u>	<u>1,010,140</u>	<u>-</u>
Total Primary Government	<u>\$ 29,950,052</u>	<u>\$ 17,044,712</u>	<u>\$ 1,194,424</u>	<u>-</u>
Component Unit				
Josephine County-City of Grants				
Pass Solid Waste Agency	<u>\$ 53,088</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			Component Unit Josephine County City of Grants Pass Solid Waste Agency
	Primary Government			
	Governmental Activities	Business-Type Activities	Total	
	\$ (11,615,629)	\$ -	\$ (11,615,629)	\$ -
	2,111,367	-	2,111,367	-
	(74,693)	-	(74,693)	-
	(997,845)	-	(997,845)	-
	(3,257,899)	-	(3,257,899)	-
	943,042	-	943,042	-
	(1,149,485)	-	(1,149,485)	-
	(445,088)	-	(445,088)	-
	<u>(14,486,230)</u>	<u>-</u>	<u>(14,486,230)</u>	<u>-</u>
	-	2,185,637	2,185,637	-
	-	589,677	589,677	-
	-	<u>2,775,314</u>	<u>2,775,314</u>	-
	<u>(14,486,230)</u>	<u>2,775,314</u>	<u>(11,710,916)</u>	<u>-</u>
	-	-	-	(53,088)
General Revenues				
Taxes:				
Property	14,411,920	-	14,411,920	-
Business	320,413	-	320,413	-
Franchise	2,484,617	-	2,484,617	-
Transient Room	1,024,431	-	1,024,431	-
Intergovernmental-unrestricted	5,071,345	257,045	5,328,390	279,783
Interest	1,856,733	407,972	2,264,705	59,310
Trust Receipts - unrestricted	233,637	67,968	301,605	-
Industrial Payments	7,151	-	7,151	-
Miscellaneous	1,985,656	350,236	2,335,892	168,286
Transfers	(347,481)	347,481	-	-
Total General Revenues and Transfers	<u>27,048,422</u>	<u>1,430,702</u>	<u>28,479,124</u>	<u>507,379</u>
Change in Net Assets	12,562,192	4,206,016	16,768,208	454,291
Beginning Net Assets	<u>146,773,509</u>	<u>89,880,024</u>	<u>236,653,533</u>	<u>359,070</u>
Prior Period Adjustment	-	(2,000)	(2,000)	-
Ending Net Assets	<u>\$ 159,335,701</u>	<u>\$ 94,084,040</u>	<u>\$ 253,419,741</u>	<u>\$ 813,361</u>

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<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	\$ 5,637,043	\$ 1,782,409	\$ 143,211	\$ 6,467,792		
Receivables:						
Taxes	982,837	-	-	-		
Intergovernmental	95,011	-	-	-		
Accounts, net	142,844	48,624		2,900		
Accrued Interest	9,824	-	11,849	11,212		
Notes and Contracts	189,782	601,705	-	577,284		
Grants	51,860	-	-	-		
Assessment Liens	-	-	2,016,624	-		
Due from Other Funds	1,630,000	1,540,000	-	-		
Prepaid Items	-	-	-	-		
Restricted Assets						
Cash and Cash Equivalents	-	-	-	-		
Notes and Taxes Receivable	-	-	-	-		
Accrued Interest Receivable	-	-	-	-		
Total Assets	<u>\$ 8,739,201</u>	<u>\$ 3,972,738</u>	<u>\$ 2,171,684</u>	<u>\$ 7,059,188</u>		
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	298,359	10,371	-	492,647		
Salaries, Withholdings and Taxes Payable	239,048	177	-	417		
Accrued Interest Payable	-	-	732	-		
Due to Other Funds	-	-	1,540,000	-		
Deferred Revenue	522,802	601,705	2,017,212	577,284		
Assessment Trust Payable	-	-	-	-		
Note Payable	196,063	-	-	-		
Retainage Payable	-	-	-	48,744		
Total Liabilities	<u>1,256,272</u>	<u>612,253</u>	<u>3,557,944</u>	<u>1,119,092</u>		
Fund Balances:						
Reserved for Debt Service	-	-	-	-		
Reserved for Capital Purposes	-	-	-	-		
Unreserved Reported in:						
General Fund	7,482,929	-	-	-		
Special Revenue Funds	-	3,360,485	-	-		
Debt Service Funds	-	-	(1,386,260)	-		
Capital Projects Funds	-	-	-	5,940,096		
Total Fund Balances	<u>7,482,929</u>	<u>3,360,485</u>	<u>(1,386,260)</u>	<u>5,940,096</u>		
Total Liabilities and Fund Balances	<u>\$ 8,739,201</u>	<u>\$ 3,972,738</u>	<u>\$ 2,171,684</u>	<u>\$ 7,059,188</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>
\$ 8,451,376	\$ 2,285,115	\$ 2,252,481	\$ 27,019,427
-	-	-	982,837
-	-	108,316	203,327
16,426	-	96,925	307,719
5,252	-	4,905	43,042
170,145	644,331	247,271	2,430,518
-	-	-	51,860
-	-	-	2,016,624
-	-	-	3,170,000
-	-	-	-
-	1,395,901	-	1,395,901
-	114,417	-	114,417
-	9,656	-	9,656
<u>\$ 8,643,199</u>	<u>\$ 4,449,420</u>	<u>\$ 2,709,898</u>	<u>\$ 37,745,328</u>
355,133	2,169	62,706	1,221,385
60	-	12,492	252,194
-	-	-	732
1,630,000	-	55,000	3,225,000
170,145	735,272	247,271	4,871,691
-	-	-	-
-	-	-	196,063
228,769	-	-	277,513
<u>2,384,107</u>	<u>737,441</u>	<u>377,469</u>	<u>10,044,578</u>
-	-	-	-
3,706,534	-	-	3,706,534
-	-	-	7,482,929
-	-	2,332,429	5,692,914
-	-	-	(1,386,260)
2,552,558	3,711,979	-	12,204,633
<u>6,259,092</u>	<u>3,711,979</u>	<u>2,332,429</u>	<u>27,700,750</u>
<u>\$ 8,643,199</u>	<u>\$ 4,449,420</u>	<u>\$ 2,709,898</u>	<u>\$ 37,745,328</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
JUNE 30, 2008

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

Fund Balances	\$	27,700,750
<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		135,506,432
<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	\$	(9,645,000)
Post Closure Costs		(2,561,675)
Notes and Contracts Payable		(736,706)
Net Adjustment		<u>(12,943,381)</u>
<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		(1,344,361)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Deferred Revenue		4,871,691
<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>5,544,570</u>
Total Net Assets	\$	<u><u>159,335,701</u></u>

The accompanying notes are an integral part of this statement.

WHERE THE ROGUE RIVER RUNS



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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, 2008**

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS
	GENERAL	SOLID WASTE	BANCROFT BOND	TRANSPORTATION PROJECTS
REVENUES:				
Taxes	\$ 15,234,283	\$ -	\$ -	\$ -
Licenses and Permits	471,840	3,070	-	-
Intergovernmental	1,686,720	295,276	-	1,362,793
Charges for Services	848,070	312,005	-	979,353
Fines and Forfeitures	253,766	-	-	-
Special Assessments	-	-	202,536	-
Interest on Investments	352,602	150,985	-	327,314
Interest on Assessments	-	-	4,634	-
Trust Receipts	-	-	-	44,571
Contributions	-	-	-	260
Industrial and Other Loans	-	-	-	-
Miscellaneous Revenues	1,024,976	12,077	-	-
Total Revenues	19,872,257	773,413	207,170	2,714,291
EXPENDITURES:				
Current:				
Public Safety	12,596,250	-	-	-
Transportation	-	-	-	-
Building	961,444	-	-	-
Parks	1,512,891	-	-	-
Development	1,560,225	-	-	-
General Government	156,100	-	81,301	-
Solid Waste	-	369,431	-	-
Capital Outlay	-	58,983	-	5,266,007
Debt Service	1,020,445	294,420	-	-
Total Expenditures	17,807,355	722,834	81,301	5,266,007
Excess of Revenues Over, (Under) Expenditures	2,064,902	50,579	125,869	(2,551,716)
Other Financing Sources, (Uses)				
Sale of Assets	-	-	-	-
Transfers In	931,829	38,000	-	874,233
Transfer Out	(1,095,407)	(58,000)	(11,503)	-
Total Other Financing Sources, (Uses)	(163,578)	(20,000)	(11,503)	874,233
Net Change in Fund Balance	1,901,324	30,579	114,366	(1,677,483)
Beginning Fund Balance	5,581,605	3,329,906	(1,500,626)	7,617,579
Ending Fund Balance	\$ 7,482,929	\$ 3,360,485	\$ (1,386,260)	\$ 5,940,096

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>
\$ -	\$ 1,885,277	\$ 1,024,431	\$ 18,143,991
-	-	17,465	492,375
437,951	-	1,442,289	5,225,029
503,513	-	862,874	3,505,815
-	-	-	253,766
-	-	-	202,536
511,262	216,507	113,612	1,672,282
-	-	-	4,634
-	189,066	-	233,637
4,600	-	-	4,860
-	-	7,151	7,151
5,419	831	6,306	1,049,609
<u>1,462,745</u>	<u>2,291,681</u>	<u>3,474,128</u>	<u>30,795,685</u>
-	-	-	12,596,250
-	-	1,529,698	1,529,698
-	-	-	961,444
-	-	-	1,512,891
-	1,808,695	24,836	3,393,756
-	-	-	237,401
-	-	-	369,431
6,309,406	-	117,883	11,752,279
-	478,780	2,464	1,796,109
<u>6,309,406</u>	<u>2,287,475</u>	<u>1,674,881</u>	<u>34,149,259</u>
<u>(4,846,661)</u>	<u>4,206</u>	<u>1,799,247</u>	<u>(3,353,574)</u>
878,942	-	-	878,942
866,873	-	50,000	2,760,935
(50,000)	-	(1,915,027)	(3,129,937)
<u>1,695,815</u>	<u>-</u>	<u>(1,865,027)</u>	<u>-</u>
(3,150,846)	4,206	(65,780)	(2,843,634)
<u>9,409,938</u>	<u>3,707,773</u>	<u>2,398,209</u>	<u>30,544,384</u>
<u>\$ 6,259,092</u>	<u>\$ 3,711,979</u>	<u>\$ 2,332,429</u>	<u>\$ 27,700,750</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, 2008**

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 \$ (2,843,634)

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	\$	13,735,442	
Capital Contributions		2,290,412	
Depreciation Expense		(1,331,406)	
Net Adjustment		14,694,448	14,694,448

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	\$	(80,478)	
General Obligation Bond Payments		1,060,000	
Post Closure Costs		(1,115,376)	
Notes and Contracts Payable		291,021	
Net Adjustment		155,167	155,167

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

Property Taxes	\$	97,390	
Special Assessments		(59,583)	
Notes and Contracts		(85,887)	
Net Adjustment		(48,080)	(48,080)

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		604,291	
Change in Net Assets	\$	12,562,192	

The accompanying notes are an integral part of this statement.

WHERE THE ROGUE RIVER RUNS



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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER SERVICE
ASSETS:			
Current Assets			
Cash and Investments	\$ 503,017	\$ 311,836	\$ 18
Prepaid Items	-	-	-
Receivables			
Taxes	1	-	-
Accounts, net	710,262	642,569	91
Notes	148,031	176,363	28,161
Grants	-	-	-
Accrued Interest	9,839	11,813	85
Due From Other Funds	-	-	-
Restricted Assets			
Cash and Investments	3,559,199	1,991,240	-
Accrued Interest and Accounts Receivable	943	2,307	-
Notes	-	30,148	-
Total Current Assets	4,931,292	3,166,276	28,355
Capital Assets			
Capital Assets, Net	50,274,438	34,514,260	69,015
Total Capital Assets	50,274,438	34,514,260	69,015
Total assets	\$ 55,205,730	\$ 37,680,536	\$ 97,370
LIABILITIES AND NET ASSETS:			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 69,159	\$ 51,689	\$ -
Salaries, Withholdings and Taxes Payable	155,847	201,172	-
Accrued Interest Payable	7,007	70,894	-
Bonds, Notes Payable Within One Year	340,000	284,989	-
Due To Other Funds	-	-	-
Deferred Revenue	-	-	-
Liabilities Payable from Restricted Assets			
Accounts Payable	9,058	77,925	-
Salaries, withholdings and taxes payable	5,099	5,921	-
Deferred Revenue	-	-	-
Contractor Retainage	2,670	-	-
Total Current Liabilities	588,840	692,590	-
Long-Term Liabilities			
Notes Payable	-	5,915,705	58,900
General Obligation Revenue Bonds Payable	1,527,802	-	-
Total Long-Term Liabilities	1,527,802	5,915,705	58,900
Total Liabilities	2,116,642	6,608,295	58,900
NET ASSETS			
Invested in Capital Assets, net of related debt	48,406,636	28,313,566	69,015
Unrestricted	4,682,452	2,758,675	(30,545)
Total Net Assets	53,089,088	31,072,241	38,470
Total Liabilities and Net Assets	\$ 55,205,730	\$ 37,680,536	\$ 97,370

REDWOOD SANITARY SEWER SERVICE	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 182,728	\$ 997,599	\$ 6,943,255
-	-	24,089
681	682	-
101,800	1,454,722	67,047
2,580	355,135	-
-	-	-
226	21,963	-
-	-	55,000
1,088,301	6,638,740	-
77,960	81,210	-
-	30,148	-
1,454,276	9,580,199	7,089,391
9,634,742	94,492,455	1,904,771
9,634,742	94,492,455	1,904,771
\$ 11,089,018	\$ 104,072,654	\$ 8,994,162

\$ 3,404	\$ 124,252	\$ 395,308
-	357,019	612,128
47,705	125,606	-
310,160	935,149	-
-	-	-
-	-	-
-	86,983	-
-	11,020	-
-	-	-
-	2,670	-
361,269	1,642,699	1,007,436
3,285,664	9,260,269	-
-	1,527,802	-
3,285,664	10,788,071	-
3,646,933	12,430,770	1,007,436
6,038,918	82,828,135	1,904,771
1,403,167	8,813,749	6,081,955
7,442,085	91,641,884	7,986,726
\$ 11,089,018	\$ 104,072,654	\$ 8,994,162

Reconciliation of Net Assets to page 18 Net Assets p. 24A	\$ 91,641,884
Internal Service Fund Net Assets	2,442,156
Total Net Assets p. 18	\$ 94,084,040

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, 2008

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
OPERATING REVENUES			
Charges for Services	\$ 4,461,350	\$ 4,936,005	\$ -
Special assessments	-	-	1,326
Trust receipts	64,828	3,140	-
Miscellaneous	240,740	64,054	-
Total Operating Revenue	<u>4,766,918</u>	<u>5,003,199</u>	<u>1,326</u>
OPERATING EXPENSES			
Salaries and Wages	709,794	766,696	-
Operating Supplies	341,424	1,047,656	-
Repairs and Maintenance	83,979	90,908	-
Utilities	253,230	357,358	-
Professional Services	494,675	101,773	803
General, Administrative and Engineering	188,529	1,411,275	-
Depreciation and Amortization	911,555	1,001,181	3,210
Total Operating Expenses	<u>2,983,186</u>	<u>4,776,847</u>	<u>4,013</u>
Total Operating Income (Loss)	<u>1,783,732</u>	<u>226,352</u>	<u>(2,687)</u>
NONOPERATING INCOME (LOSS)			
Gain (loss) on disposal of capital assets	-	-	-
Intergovernmental	-	245,708	-
Taxes	-	-	-
Interest Income	181,254	92,965	102
Interest Expense	(96,989)	(216,641)	(2,000)
Total Nonoperating Income (Expense)	<u>84,265</u>	<u>122,032</u>	<u>(1,898)</u>
Capital Contribution	743,524	266,616	-
Income (Loss) Before Transfers	<u>2,611,521</u>	<u>615,000</u>	<u>(4,585)</u>
TRANSFERS			
Transfers In	1,284,000	3,139,800	-
Transfers Out	(1,416,000)	(2,669,800)	-
Total Transfers	<u>(132,000)</u>	<u>470,000</u>	<u>-</u>
Change in Net Assets	2,479,521	1,085,000	(4,585)
Beginning Net Assets	<u>50,609,567</u>	<u>29,987,241</u>	<u>45,055</u>
Prior Period Adjustment	-	-	(2,000)
Ending Net Assets	<u>\$ 53,089,088</u>	<u>\$ 31,072,241</u>	<u>\$ 38,470</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE DISTRICT	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 1,004,867	\$ 10,402,222	\$ 10,163,852
-	1,326	-
-	67,968	-
-	304,794	144,278
<u>1,004,867</u>	<u>10,776,310</u>	<u>10,308,130</u>
-	1,476,490	4,089,729
35,338	1,424,418	439,055
64,791	239,678	193,490
23,012	633,600	114,495
13,345	610,596	576,634
175,058	1,774,862	3,999,799
219,771	2,135,717	351,568
<u>531,315</u>	<u>8,295,361</u>	<u>9,764,770</u>
<u>473,552</u>	<u>2,480,949</u>	<u>543,360</u>
-	-	-
-	245,708	37,077
-	-	-
54,448	328,769	259,020
(148,088)	(463,718)	-
<u>(93,640)</u>	<u>110,759</u>	<u>296,097</u>
-	1,010,140	-
<u>379,912</u>	<u>3,601,848</u>	<u>839,457</u>
-	4,423,800	81,000
-	(4,085,800)	(50,000)
-	338,000	31,000
379,912	3,939,848	870,457
<u>7,062,173</u>	<u>87,704,036</u>	<u>7,116,269</u>
-	(2,000)	-
<u>\$ 7,442,085</u>	<u>\$ 91,641,884</u>	<u>\$ 7,986,726</u>
Change in Net Assets		\$ 3,939,848
Internal Service Fund Change in Net Assets		<u>266,168</u>
Total Business Type Change in Net Assets		<u>\$ 4,206,016</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 4,769,626	\$ 4,944,399	\$ 1,313
Cash Paid to Suppliers	(1,405,091)	(2,979,606)	(803)
Cash Paid to Employees	(668,695)	(744,173)	-
Net cash provided (used) by operating activities	<u>2,695,840</u>	<u>1,220,620</u>	<u>510</u>
Cash Flows From Noncapital Financing Activities			
Transfers In	1,284,000	3,139,800	-
Transfers Out	(1,416,000)	(2,669,800)	-
Intergovernmental	-	245,708	-
Taxes Collected	-	-	-
Decrease (Increase) in Notes Receivable	70,632	63,706	1,040
Net cash provided (used) by noncapital financing activities	<u>(61,368)</u>	<u>779,414</u>	<u>1,040</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from Issuance of Debt	-	-	-
Principal Payments on Notes	-	(275,460)	-
Principal Payments on Revenue Bonds	(317,622)	-	(1,100)
Interest Paid on Bonds and Contracts	(96,989)	(216,641)	(2,000)
Acquisition and Construction of Capital Assets	(1,391,318)	(5,581,009)	-
Disposition of Property	-	-	-
Net cash provided (used) by capital financing activities	<u>(1,805,929)</u>	<u>(6,073,110)</u>	<u>(3,100)</u>
Cash flows from investing activities			
Interest on Investments	181,254	92,965	102
Net increase (decrease) in cash and investments	1,009,797	(3,980,111)	(1,448)
Cash and investments, beginning of year	\$ 3,052,419	\$ 6,283,187	\$ 1,466
Cash and investments, end of year	<u>\$ 4,062,216</u>	<u>\$ 2,303,076</u>	<u>\$ 18</u>
Composition of cash and investments, end of year			
Current cash and investments	\$ 503,017	\$ 311,836	\$ 18
Restricted cash and investments	3,559,199	1,991,240	-
Total cash and investments	<u>\$ 4,062,216</u>	<u>\$ 2,303,076</u>	<u>\$ 18</u>
Noncash Capital Transactions			
Developer Installed Public Utility Improvements	\$ 743,524	\$ 266,616	\$ -
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income	\$ 1,783,732	\$ 226,352	\$ (2,687)
Depreciation and Amortization	911,555	1,001,181	3,210
(Increase) Decrease in Receivables	2,708	(58,800)	(13)
Increase (Decrease) in Payables	(43,254)	29,364	-
Increase (Decrease) in Deferred Revenue	-	-	-
Increase (Decrease) in Payroll Liabilities	41,099	22,523	-
Net Cash Provided by Operating Activities	<u>\$ 2,695,840</u>	<u>\$ 1,220,620</u>	<u>\$ 510</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE	TOTAL	INTERNAL SERVICE FUNDS
\$ 981,571	\$ 10,696,909	\$ 10,327,541
(320,977)	(4,706,477)	(5,318,788)
-	(1,412,868)	(3,912,363)
<u>660,594</u>	<u>4,577,564</u>	<u>1,096,390</u>
-	4,423,800	206,000
-	(4,085,800)	(50,000)
-	-	37,077
-	-	-
-	135,378	-
<u>-</u>	<u>473,378</u>	<u>193,077</u>
-	-	-
(1,516)	(276,976)	-
(298,174)	(616,896)	-
(148,088)	(463,718)	-
(164,460)	(7,136,787)	(275,537)
-	-	-
<u>(612,238)</u>	<u>(8,494,377)</u>	<u>(275,537)</u>
54,448	328,769	259,020
102,804	(2,868,958)	1,272,950
\$ 1,168,225	\$ 10,505,297	\$ 5,670,305
\$ 1,271,029	\$ 7,636,339	\$ 6,943,255
\$ 182,728	\$ 997,599	\$ 6,943,255
1,088,301	6,638,740	-
\$ 1,271,029	\$ 7,636,339	\$ 6,943,255
\$ -	\$ 1,010,140	\$ -
\$ 473,552	\$ 2,480,949	\$ 543,360
219,771	2,135,717	351,568
(23,296)	(79,401)	19,411
(9,433)	(23,323)	4,685
-	-	-
-	63,622	177,366
<u>\$ 660,594</u>	<u>\$ 4,577,564</u>	<u>\$ 1,096,390</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

AGENCY FUND

ASSETS:

Cash and Investments	\$	3,582,922
Receivables:		
Accounts, net		<u>-</u>
Total assets	\$	<u><u>3,582,922</u></u>

LIABILITIES

Liabilities:		
Accounts payable	\$	29,328
Building Permit Suspense		85,547
Contractor Escrow Payable		2,964
Miscellaneous Trust Liabilities		3,341,870
Water Deposits		115,388
Deposit Suspense		<u>7,825</u>
Total liabilities	\$	<u><u>3,582,922</u></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, 2008, 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, 2008.

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 before 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, 2008, 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, 2008 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 1,200
Demand Deposits	559,640
Investments	47,428,019
	<hr/>
Total	\$ 47,988,859
	<hr/> <hr/>
Unrestricted	\$ 34,960,281
Restricted	8,034,641
Fiduciary Fund	3,582,922
Component Unit	1,411,015
	<hr/>
Total	\$ 47,988,859
	<hr/> <hr/>

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 \$559,640. The total bank balance per the bank statements is \$1,428,936. Of these deposits, \$111,857 is covered by federal depository insurance and \$329,270 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, 2008, 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, 2008, 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/ Money Market	\$ 16,217,417	15,967,417	250,000	-
State Treasurer's investment pool	31,210,602	31,210,602	-	-
Total	<u>\$ 47,428,019</u>	<u>47,178,019</u>	<u>250,000</u>	<u>-</u>

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, 2008.

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, 2008 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, 2008, the City's delinquent assessments receivable totaled \$20,146.

4. NOTES AND CONTRACTS RECEIVABLE

Notes and Contracts Receivable consisted of the following at June 30, 2008:

CDBG - HUD Loans Receivable	\$ 203,480
Josephine County Solid Waste Note Receivable	601,705
Other Notes Receivable	1,625,333
	<hr/>
	\$ 2,430,518
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**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, 2008 are as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	June 30, 2007	Additions	Disposals	June 30, 2008
Capital Assets, not being depreciated				
Land	\$ 59,299,272	\$ 2,767,061	\$ 556,920	\$ 61,509,413
Construction in Progress	4,741,571	3,831,552	482,367	8,090,756
Total, not being depreciated	64,040,843	6,598,613	1,039,287	69,600,169
Buildings	4,582,759			4,582,759
Improvements	5,902,050	1,680,531	187,786	7,394,795
Machinery & Equipment	4,956,197	215,139		5,171,336
Infrastructure	63,114,793	10,027,543	1,118,364	72,023,972
Total, being depreciated	78,555,799	11,923,213	1,306,150	89,172,862
Less Accumulated Depreciation				
Buildings	2,137,998	106,747		2,244,745
Improvements	2,750,917	217,261		2,968,178
Machinery & Equipment	2,914,521	403,711		3,318,232
Infrastructure	11,880,652	1,080,985	130,964	12,830,673
Total Accumulated Depreciation	19,684,088	1,808,704	130,964	21,361,828
Total Capital Assets being Depreciated, net	58,871,711	10,114,509	1,175,186	67,811,034
Governmental Activities Capital Assets, net	\$ 122,912,554	\$ 16,713,122	\$ 2,214,473	\$ 137,411,203

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

	Governmental Funds
Transportation	\$ 133,978
Parks	132,506
Public Safety	1,107,620
General Government	20,793
Development	297,242
Building	84,208
Solid Waste	32,357
	\$ 1,808,704

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

	<u>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS</u>			
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Capital Assets, not being depreciated				
Land	\$ 858,712	\$ -	\$ 4,900	\$ 853,812
Construction in Progress	4,510,589	563,577	4,196,508	877,658
Total, not being depreciated	<u>5,369,301</u>	<u>563,577</u>	<u>4,201,408</u>	<u>1,731,470</u>
Buildings	6,486,852	-	-	6,486,852
Improvements	1,798,082	-	-	1,798,082
Machinery & Equipment	8,423,714	4,455,636	-	12,879,350
Infrastructure	95,805,989	6,387,880	-	102,193,869
Total, being depreciated	<u>112,514,637</u>	<u>10,843,516</u>	<u>-</u>	<u>123,358,153</u>
Less Accumulated Depreciation				
Buildings	1,748,432	167,122	-	1,915,554
Improvements	650,376	80,620	-	730,996
Machinery & Equipment	2,580,684	432,262	-	3,012,946
Infrastructure	23,478,776	1,458,896	-	24,937,672
Total Accumulated Depreciation	<u>28,458,268</u>	<u>2,138,900</u>	<u>-</u>	<u>30,597,168</u>
Total Capital Assets being Depreciated, net	<u>84,056,369</u>	<u>8,704,616</u>	<u>-</u>	<u>92,760,985</u>
Business-Type Activities Capital Assets, net	<u>\$ 89,425,670</u>	<u>\$ 9,268,193</u>	<u>\$ 4,201,408</u>	<u>\$ 94,492,455</u>

6. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2008, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,630,000	\$ -
Solid Waste Fund	1,540,000	-
Transportation Capital Projects	-	-
Bancroft Bond Fund	-	1,540,000
Land and Building Projects	-	1,630,000
Nonmajor governmental Funds	-	55,000
Internal Service Funds	55,000	-
Total Funds	<u>\$ 3,225,000</u>	<u>\$ 3,225,000</u>

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, of which \$870,000 was paid back during FY'08 after a property sale. 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	\$ 931,829	1,095,407
Solid Waste Fund	38,000	58,000
Bancroft Bond Fund	-	11,503
Transportation Capital Projects	874,233	-
Lands & Buildings Capital Projects	866,873	50,000
Water Fund	1,284,000	1,416,000
Sewer Fund	3,139,800	2,669,800
Redwood Sanitary Sewer Fund		
Nonmajor governmental Funds	50,000	1,915,025
Internal Service Funds	81,000	50,000
Total Funds	<u>\$ 7,265,735</u>	<u>\$ 7,265,735</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 \$653,373 appropriated for Lands & Building Capital Projects and \$295,634 appropriated for Transportation Projects. Transportation Projects also received \$289,653 from Street Utility fees, \$68,096 from the State Gas Tax Fund, and \$66,000 from the Water Fund. In addition to the transfer indicated above from the General Fund, Lands & Building Capital Projects received \$158,500 from Transient Room Tax and \$50,000 from the Support Services 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 \$50,000 from Public Safety, \$20,000 from Sewer Treatment, and \$11,000 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, 2008, 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>
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
2012-2013	740,000	284,000	415,000	18,675
2013-2018	4,700,000	896,700	-	-
2018-2022	<u>1,175,000</u>	<u>47,000</u>	-	-
Less: Discount			<u>(12,198)</u>	
	<u>\$ 9,645,000</u>	<u>\$ 2,633,075</u>	<u>\$ 1,867,802</u>	<u>\$ 261,654</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%	9,645,000
Business-Type Revenue Bonds	3.9-4.5%	1,880,000

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%	\$ 331,063
Governmental Loans Payable	3.9%	601,705
Business Type Notes Payable	3.98%	3,595,824
Business Type Notes Payable	3.43%	6,200,694
Business Type Notes Payable	0%	20,000
Business Type Notes Payable	3%	38,900
		\$ 10,788,186

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

NOTES & CONTRACTS PAYABLE

<u>GOVERNMENTAL ACTIVITIES</u>			<u>BUSINESS-TYPE ACTIVITIES</u>		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2008-2009	\$ 122,997	\$ 37,568	2008-2009	\$ 595,147	\$ 350,319
2009-2010	128,271	32,387	2009-2010	617,473	327,993
2010-2011	133,559	27,090	2010-2011	640,642	304,824
2011-2012	138,861	21,584	2011-2012	664,684	280,782
2012-2013	144,178	15,867	2012-2013	689,633	255,833
2013-2018	137,943	40,175	2013-2018	3,725,275	870,678
2018-2023	49,415	26,984	2018-2023	2,184,443	330,697
2023-2028	63,036	13,363	2023-2028	738,121	24,772
2028-2033	14,508	724	2028-2033	-	-
	\$ 932,768	\$ 215,742		\$ 9,855,418	\$ 2,745,898

**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, 2008, is as follows:

CHANGES IN LONG-TERM DEBT					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	\$ 10,705,000	\$ -	\$ 1,060,000	\$ 9,645,000	\$ 1,155,000
Post-Closure Care Costs	1,446,301	1,115,374	-	2,561,675	120,962
Notes and Contracts Payable	1,223,799	-	291,031	932,768	100,496
Governmental activities					
Long-Term Debt	\$ 13,375,100	\$ 1,115,374	\$ 1,351,031	\$ 13,139,443	\$ 1,376,458
Business-type Activities:					
Revenue Bonds Payable	\$ 2,200,000	\$ -	\$ 320,000	\$ 1,880,000	\$ 340,000
Less Unamortized Discount	(14,637)	-	(2,439)	(12,198)	-
Notes and Contracts Payable	10,428,215	-	571,697	9,856,518	595,147
Business-type Activities					
Long-Term Debt	\$ 12,613,578	\$ -	\$ 889,258	\$ 11,724,320	\$ 935,147

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, 2008 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.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2007 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, 2008, 2007, and 2006, 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.

Schedule of Funding Progress

Valuation Date	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%

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

NOTES TO BASIC FINANCIAL STATEMENTS

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 \$90,048 in 2008. 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 \$1,386,260. The City anticipates that the deficit balances will be liquidated by transfers from other funds and future revenues.

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 \$2,561,675. This is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2008, the City had entered into several capital construction projects with various vendors. The outstanding commitments for these projects at June 30, 2008 are \$ 2,221,535.

At June 30, 2008 there was \$3,706,534 of unspent bond proceeds in the Land and Buildings Project Fund for the two new Public Safety Stations. This amount affects the Net Asset calculation on the Statement of Net Assets, because this cash is restricted for capital purposes.

16. COMPENSATED ABSENCES

Changes in governmental compensated absences are as follows:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>	<u>Amount Due within one year</u>
Vacation and Sick Leave Payable	\$ 1,263,883	\$ 119,666	\$ 39,188	\$ 1,344,361	\$ 300,000

17. PRIOR PERIOD ADJUSTMENTS

There was an adjustment made to the Harbeck Fruitdale Fund, this was made to correct a long term liability amount that was off by \$2,000 last year.

18. FUTURE PRONOUNCEMENTS

Next year the City will adopt GASB 45 which will have a significant impact on the Net Assets of the City. GASB 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", provides guidance on all aspects of OPEB reporting for employers.

WHERE THE ROGUE RIVER RUNS



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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

Individual Major Governmental Fund Statements

WHERE THE ROGUE RIVER RUNS



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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, 2008

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 15,148,833	\$ 15,056,870	\$ 15,234,283	\$ 177,413
Licenses and Permits	713,450	714,300	471,840	(242,460)
Intergovernmental	1,534,484	1,720,984	1,686,720	(34,264)
Charges for Services	949,134	1,012,543	848,070	(164,473)
Fines and Forfeitures	216,500	265,000	253,766	(11,234)
Interest on Investments	357,000	386,800	352,602	(34,198)
Miscellaneous	743,350	251,561	1,024,976	773,415
Total Revenues	19,662,751	19,408,058	19,872,257	464,199
EXPENDITURES:				
Mayor and Council	147,996	159,071 (1)	139,676	19,395
Public Safety Field Services	8,942,457	9,101,708 (1)	9,030,743	70,965
Public Safety Support Services	3,255,359	3,202,059 (1)	3,094,238	107,821
Crisis Support Services	35,000	38,500 (1)	38,500	-
Street Lighting	242,000	252,000 (1)	250,985	1,015
Code Enforcement	214,427	199,226 (1)	181,784	17,442
Park Maintenance Services	1,363,589	1,363,589 (1)	1,310,976	52,613
Aquatic Services	126,215	126,215 (1)	72,678	53,537
Recreation Services	144,658	144,681 (1)	129,237	15,444
Planning Services	1,075,035	1,075,035 (1)	820,106	254,929
Building and Safety Services	1,397,352	1,271,670 (1)	961,444	310,226
Economic Development	166,867	156,570 (1)	134,891	21,679
Downtown Development	290,212	287,997 (1)	287,483	514
Tourism Promotion	325,312	325,312 (1)	317,745	7,567
General Program Operations	(954,100)	100,850 (1)	16,424	84,426
Debt Service	1,070,231	1,074,709 (1)	1,020,445	54,264
Contingency	1,050,000	625,682 (1)	-	625,682
Total Expenditures	18,892,610	19,504,874	17,807,355	1,697,519
Excess of Revenues Over (Under) Expenditures	770,141	(96,816)	2,064,902	2,161,718
OTHER FINANCING SOURCES (USES)				
Transfers In	961,082	933,897	931,829	(2,068)
Sale of Assets	2,000	2,000	-	(2,000)
Interfund Loans	-	-	870,000	870,000
Transfers Out	(1,096,400)	(1,096,400) (1)	(1,095,407)	993
Total other financing uses	(133,318)	(160,503)	706,422	866,925
Net Change in Fund Balance	636,823	(257,319)	2,771,324	3,028,643
Beginning Fund Balance	5,005,108	5,581,605	3,081,605	(2,500,000)
Ending Fund Balance	\$ 5,641,931	\$ 5,324,286	\$ 5,852,929	\$ 528,643
Reconciliation to GAAP Fund Balance				
Interfund Loans			1,630,000	
Total GAAP Fund Balance			\$ 7,482,929	

(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, 2008**

SOLID WASTE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Licenses and Permits	\$ 2,000	\$ 2,000	\$ 3,070	\$ 1,070
Intergovernmental	141,831	342,929	295,276	(47,653)
Charges for Services	410,750	549,664	312,005	(237,659)
Interest on Investments	160,000	165,500	150,985	(14,515)
Miscellaneous Revenue	177,500	12,000	12,077	77
Total Revenues	892,081	1,072,093	773,413	(298,680)
EXPENDITURES:				
Environmental Waste Fees	288,750	427,785 (1)	228,398	199,387
Field Operations	31,982	31,932 (1)	19,003	12,929
Post-closure	122,000	111,831 (1)	90,595	21,236
General Program Operations	7,213	17,382 (1)	31,435	(14,053)
Capital Outlay	2,814,211	3,398,961 (1)	58,983	3,339,978
Debt Service	141,831	295,168 (1)	294,420	748
Contingency	12,805	12,805 (1)	-	12,805
Total Expenditures	3,418,792	4,295,864	722,834	3,573,030
Excess of Revenues Over (Under) Expenditures	(2,526,711)	(3,223,771)	50,579	3,274,350
OTHER FINANCING SOURCES (USES)				
Transfers In	38,000	38,000	38,000	-
Loan Proceeds	-	-	-	-
Transfers Out	(58,000)	(58,000)	(58,000)	-
Total Other Financing Sources (Uses)	(20,000)	(20,000)	(20,000)	-
Net Change in Fund Balance	(2,546,711)	(3,243,771)	30,579	3,274,350
Beginning Fund Balance	2,824,696	3,329,906	3,329,906	-
Ending Fund Balance	<u>\$ 277,985</u>	<u>\$ 86,135</u>	<u>\$ 3,360,485</u>	<u>\$ 3,274,350</u>

(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.

WHERE THE ROGUE RIVER RUNS



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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

SUPPLEMENTARY INFORMATION

Combining, Individual Fund, and
Other Financial Schedules

WHERE THE ROGUE RIVER RUNS



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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, 2008**

	<u>BANCROFT BOND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Special Assessments	\$ 593,000	\$ 164,000	\$ 202,536	\$ 38,536
Interest on Assessments	-	4,250	4,634	384
Total Revenues	<u>593,000</u>	<u>168,250</u>	<u>207,170</u>	<u>38,920</u>
EXPENDITURES:				
Materials and Services	93,875	84,000 (1)	81,301	2,699
Debt Service	499,125	110,000 (1)	-	110,000
Contingency	-	974 (1)	-	974
Total Expenditures	<u>593,000</u>	<u>194,974</u>	<u>81,301</u>	<u>113,673</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(26,724)</u>	<u>125,869</u>	<u>152,593</u>
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	1,724,000	4,258,850	-	(4,258,850)
Transfers Out	<u>(1,724,000)</u>	<u>(1,296,500) (1)</u>	<u>(11,503)</u>	<u>1,284,997</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,962,350</u>	<u>(11,503)</u>	<u>(2,973,853)</u>
Net Change in Fund Balance	-	2,935,626	114,366	(2,821,260)
Beginning Fund Balance	-	(2,935,626)	39,374	2,975,000
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,740</u>	<u>\$ 153,740</u>
Reconciliation to GAAP Equity				
Interfund Loan			<u>\$ (1,540,000)</u>	
GAAP Equity			<u>\$ (1,386,260)</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, 2008**

TRANSPORTATION PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 1,466,756	\$ 2,048,000	\$ 1,362,793	\$ (685,207)
Charges for Services	2,375,000	1,320,000	979,353	(340,647)
Interest on Investments	98,700	111,138	327,314	216,176
Trust Receipts	-	-	44,571	44,571
Contributions	105,000	15,000	260	(14,740)
Miscellaneous Revenues	100,000	-	-	-
Total Revenues	4,145,456	3,494,138	2,714,291	(779,847)
EXPENDITURES:				
Contingency	-	-	-	-
Capital Outlay	10,859,819	13,275,217 (1)	5,266,007	8,009,210
Total Expenditures	10,859,819	13,275,217	5,266,007	8,009,210
Excess of Revenues Over (Under) Expenditures	(6,714,363)	(9,781,079)	(2,551,716)	7,229,363
OTHER FINANCING SOURCES (USES)				
Transfers In	2,612,000	2,163,500	874,233	(1,289,267)
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	2,612,000	2,163,500	874,233	(1,289,267)
Net Change in Fund Balance	(4,102,363)	(7,617,579)	(1,677,483)	5,940,096
Beginning Fund Balance	4,102,363	7,617,579	7,617,579	-
Ending Fund Balance	\$ -	\$ -	\$ 5,940,096	\$ 5,940,096

(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, 2008**

LAND AND BUILDING PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 680,000	\$ 437,951	\$ 437,951	\$ -
Charges for Services	670,000	506,000	503,513	(2,487)
Interest on Investments	14,000	160,000	511,262	351,262
Contributions	250,000	200,000	4,600	(195,400)
Miscellaneous	11,000	5,500	5,419	(81)
Total Revenues	<u>1,625,000</u>	<u>1,309,451</u>	<u>1,462,745</u>	<u>153,294</u>
EXPENDITURES:				
Capital Outlay	14,611,643	15,840,896 (1)	7,179,407	8,661,489
Total expenditures	<u>14,611,643</u>	<u>15,840,896</u>	<u>7,179,407</u>	<u>8,661,489</u>
Excess of Revenues Over (Under) Expenditures	<u>(12,986,643)</u>	<u>(14,531,445)</u>	<u>(5,716,662)</u>	<u>8,814,783</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	-	-	
Transfers In	818,695	877,564	866,873	(10,691)
Sale of Assets	2,840,000	1,793,942	878,942	(915,000)
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
Total Other Financing Sources (Uses)	<u>3,608,695</u>	<u>2,621,506</u>	<u>1,695,815</u>	<u>(925,691)</u>
Net Change in Fund Balance	(9,377,948)	(11,909,939)	(4,020,847)	7,889,092
Beginning Fund Balance	<u>9,377,948</u>	<u>11,909,939</u>	<u>11,909,939</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,889,092</u>	<u>\$ 7,889,092</u>
Reconciliation to GAAP Fund Balance				
Interfund Loans			<u>(1,630,000)</u>	
Total GAAP Fund Balance			<u>\$ 6,259,092</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, 2008**

PARKWAY REDEVELOPMENT AGENCY

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,794,105	\$ 1,794,105	\$ 1,885,277	\$ 91,172
Intergovernmental	-	500,000	-	(500,000)
Interest on Investments	234,750	242,750	216,507	(26,243)
Trust Receipts	15,050	46,050	189,066	143,016
Miscellaneous	500,000	-	831	831
Total revenues	<u>2,543,905</u>	<u>2,582,905</u>	<u>2,291,681</u>	<u>(291,224)</u>
EXPENDITURES:				
Materials and Services	138,550	81,350 (1)	83,217	(1,867)
Capital Outlay	641,726	1,725,685 (1)	1,725,478	207
Debt Service				
Principal	435,236	435,236 (1)	435,235	1
Interest	45,545	45,545 (1)	43,545	2,000
Contingency	134,768	63,605 (1)	-	63,605
Total Expenditures	<u>1,395,825</u>	<u>2,351,421</u>	<u>2,287,475</u>	<u>63,946</u>
Net Change in Fund Balance	1,148,080	231,484	4,206	(227,278)
Beginning Fund Balance	<u>3,027,245</u>	<u>3,707,773</u>	<u>3,707,773</u>	<u>-</u>
Ending Fund Balance	<u>\$ 4,175,325</u>	<u>\$ 3,939,257</u>	<u>\$ 3,711,979</u>	<u>\$ (227,278)</u>

(1) Appropriation Level

WHERE THE ROGUE RIVER RUNS



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CITY OF GRANTS PASS
 JOSEPHINE COUNTY, OREGON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	SPECIAL REVENUE FUNDS		
	TRANSIENT ROOM TAX FUND	STREET UTILITY FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND
ASSETS:			
Cash and Investments	\$ -	\$ 69,133	\$ 859,416
Receivables			
Intergovernmental	-	108,316	-
Accounts, net	-	96,397	-
Notes	-	-	203,480
Grants	-	-	-
Accrued Interest	-	-	2,157
	<u>-</u>	<u>-</u>	<u>2,157</u>
Total Assets	<u>\$ -</u>	<u>\$ 273,846</u>	<u>\$ 1,065,053</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 62,706	\$ -
Salaries, withholdings and taxes payable	-	12,492	-
Due To Other Funds	-	-	-
Deferred Revenue	-	-	203,480
	<u>-</u>	<u>-</u>	<u>203,480</u>
Total Liabilities	<u>-</u>	<u>75,198</u>	<u>203,480</u>
Fund Balances:			
Unreserved	<u>-</u>	<u>198,648</u>	<u>861,573</u>
Total fund balances	<u>-</u>	<u>198,648</u>	<u>861,573</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 273,846</u>	<u>\$ 1,065,053</u>

SPECIAL REVENUE FUNDS

<u>HOUSING & ECONOMIC DEVELOPMENT FUND</u>	<u>STORM WATER & OPEN SPACE FUND</u>	<u>TOTAL</u>
\$ 976,559	\$ 347,373	\$ 2,252,481
-	-	108,316
528	-	96,925
6,810	36,981	247,271
-	-	-
<u>609</u>	<u>2,139</u>	<u>4,905</u>
<u>\$ 984,506</u>	<u>\$ 386,493</u>	<u>\$ 2,709,898</u>
-	-	62,706
-	-	12,492
-	55,000	55,000
<u>6,810</u>	<u>36,981</u>	<u>247,271</u>
<u>6,810</u>	<u>91,981</u>	<u>377,469</u>
<u>977,696</u>	<u>294,512</u>	<u>2,332,429</u>
<u>977,696</u>	<u>294,512</u>	<u>2,332,429</u>
<u>\$ 984,506</u>	<u>\$ 386,493</u>	<u>\$ 2,709,898</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, 2008

	SPECIAL REVENUE FUNDS		
	TRANSIENT ROOM TAX FUND	STREET UTILITY FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND
REVENUES:			
Taxes	\$ 1,024,431	\$ -	\$ -
Licenses and Permits	-	17,465	-
Intergovernmental	-	1,442,289	-
Charges for Services	-	766,152	-
Interest on Investments	-	11,555	38,904
Industrial and Other Loans	-	-	4,317
Miscellaneous Revenues	-	6,306	-
Total Revenues	<u>1,024,431</u>	<u>2,243,767</u>	<u>43,221</u>
EXPENDITURES:			
Development	15,370	-	9,466
Field Operations	-	1,428,568	-
Debt Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>15,370</u>	<u>1,428,568</u>	<u>9,466</u>
Excess of Revenues Over, (Under) Expenditures	<u>1,009,061</u>	<u>815,199</u>	<u>33,755</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Sale of Assets	-	-	-
Transfers Out	(1,018,931)	(831,096)	-
Total Other Financing Sources (Uses)	<u>(1,018,931)</u>	<u>(831,096)</u>	<u>-</u>
Net Change in Fund Balance	(9,870)	(15,897)	33,755
Beginning Fund Balance	<u>9,870</u>	<u>214,545</u>	<u>827,818</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ 198,648</u>	<u>\$ 861,573</u>

SPECIAL REVENUE FUNDS

HOUSING & ECONOMIC DEVELOPMENT FUND	STORM WATER & OPEN SPACE FUND	TOTAL
\$ -	\$ -	\$ 1,024,431
-	-	17,465
-	-	1,442,289
-	96,722	862,874
42,980	20,173	113,612
2,834	-	7,151
-	-	6,306
<u>45,814</u>	<u>116,895</u>	<u>3,474,128</u>
-	-	24,836
-	101,130	1,529,698
-	2,464	2,464
-	117,883	117,883
-	<u>221,477</u>	<u>1,674,881</u>
<u>45,814</u>	<u>(104,582)</u>	<u>1,799,247</u>
-	50,000	50,000
(5,000)	(60,000)	(1,915,027)
<u>(5,000)</u>	<u>(10,000)</u>	<u>(1,865,027)</u>
40,814	(114,582)	(65,780)
<u>936,882</u>	<u>409,094</u>	<u>2,398,209</u>
<u>\$ 977,696</u>	<u>\$ 294,512</u>	<u>\$ 2,332,429</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, 2008

TRANSIENT ROOM TAX FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes	\$ 1,068,177	\$ 1,036,560	\$ 1,024,431	\$ (12,129)
Total Revenues	<u>1,068,177</u>	<u>1,036,560</u>	<u>1,024,431</u>	<u>(12,129)</u>
EXPENDITURES:				
Materials and Services	<u>14,800</u>	<u>15,370 (1)</u>	<u>15,370</u>	<u>-</u>
Total Expenditures	<u>14,800</u>	<u>15,370</u>	<u>15,370</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>1,053,377</u>	<u>1,021,190</u>	<u>1,009,061</u>	<u>(12,129)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(1,053,377)</u>	<u>(1,031,060)</u>	<u>(1,018,931)</u>	<u>12,129</u>
Total Other Financing Sources (Uses)	<u>(1,053,377)</u>	<u>(1,031,060)</u>	<u>(1,018,931)</u>	<u>12,129</u>
Net Change in Fund Balance	-	(9,870)	(9,870)	-
Beginning Fund Balance	<u>-</u>	<u>9,870</u>	<u>9,870</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2008**

	<u>STREET UTILITY FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Licenses and permits	\$ 40,000	\$ 19,250	\$ 17,465	\$ (1,785)
Intergovernmental	1,440,000	1,383,230	1,442,289	59,059
Charges for services	775,900	759,450	766,152	6,702
Interest on investments	5,000	7,500	11,555	4,055
Trust Receipts	-	-	-	-
Miscellaneous	53,000	5,000	6,306	1,306
Total Revenues	<u>2,313,900</u>	<u>2,174,430</u>	<u>2,243,767</u>	<u>69,337</u>
EXPENDITURES:				
Street and drainage services	982,746	978,042 (1)	954,132	23,910
Support services	65,565	65,565 (1)	58,335	7,230
General operations	430,589	420,149 (1)	416,101	4,048
Contingency	-	640 (1)	-	640
Total Expenditures	<u>1,478,900</u>	<u>1,464,396</u>	<u>1,428,568</u>	<u>35,828</u>
Excess of Revenues Over (Under) Expenditures	<u>835,000</u>	<u>710,034</u>	<u>815,199</u>	<u>105,165</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assest	-	-	-	-
Transfers Out	(835,000)	(835,000) (1)	(831,096)	3,904
Total Other Financing Sources (Uses)	<u>(835,000)</u>	<u>(835,000)</u>	<u>(831,096)</u>	<u>3,904</u>
Net Change in Fund Balance	-	(124,966)	(15,897)	109,069
Beginning Fund Balance	-	214,545	214,545	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 89,579</u>	<u>\$ 198,648</u>	<u>\$ 109,069</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, 2008**

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 800,000	\$ -	\$ -	\$ -
Charges for Services	200	-	-	-
Interest on Investments	30,900	39,385	38,904	(481)
Loan Repayments	13,808	13,408	4,317	(9,091)
Contributions	-	-	-	-
Total Revenues	844,908	52,793	43,221	(9,572)
EXPENDITURES:				
Materials and Services	108,150	25,500 (1)	9,466	16,034
Capital Outlay	800,000	-	-	-
Contingencies	250,000	75,000 (1)	-	75,000
Total Expenditures	1,158,150	100,500	9,466	91,034
Net Change in Fund Balance	(313,242)	(47,707)	33,755	81,462
Beginning Fund Balance	630,314	827,818	827,818	-
Ending Fund Balance	\$ 317,072	\$ 780,111	\$ 861,573	\$ 81,462

(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, 2008**

HOUSING AND ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest on Investments	45,450	45,450	42,980	(2,470)
Industrial and Other Loan Payments	13,100	13,100	2,834	(10,266)
Miscellaneous Revenues	150	150	-	(150)
Total Revenues	58,700	58,700	45,814	(12,886)
EXPENDITURES:				
Materials and Services	200,000	60,000 (1)	-	60,000
Contingencies	100,000	20,000 (1)	-	20,000
Total Expenditures	300,000	80,000	-	80,000
Excess of Revenues Over (Under) Expenditures	(241,300)	(21,300)	45,814	67,114
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	(246,300)	(26,300)	40,814	67,114
Beginning Fund Balance	708,933	936,882	936,882	-
Ending Fund Balance	<u>\$ 462,633</u>	<u>\$ 910,582</u>	<u>\$ 977,696</u>	<u>\$ 67,114</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, 2008

STORM WATER AND OPEN SPACE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 500,000	\$ 103,000	\$ 96,722	\$ (6,278)
Interest on Investments	20,000	4,500	20,173	
Miscellaneous	-	-	-	-
Total Revenues	520,000	107,500	116,895	9,395
EXPENDITURES:				
Stormwater Maintenance	76,870	31,629	18,329	13,300
Customer Services	76,572	39,760	39,760	-
General Program Operations	33,201	40,567	43,041	(2,474)
Capital Outlay	425,000	486,479	117,883	368,596
Debt Service	57,300	2,600	2,464	136
Contingency	50,000	-	-	-
Total Expenditures	718,943	601,035	221,477	379,558
Excess of Revenues Over (Under) Expenditures	(198,943)	(493,535)	(104,582)	388,953
OTHER FINANCING SOURCES (USES)				
Transfers In	-	50,000	50,000	-
Loan Proceeds	-	91,605	-	(91,605)
Transfers Out	(35,000)	(60,000) (1)	(60,000)	-
Total Other Financing Sources (Uses)	(35,000)	81,605	(10,000)	(91,605)
Net Change in Fund Balance	(233,943)	(411,930)	(114,582)	297,348
Beginning Fund Balance	395,948	464,094	464,094	-
Ending Fund Balance	<u>\$ 162,005</u>	<u>\$ 52,164</u>	<u>\$ 349,512</u>	<u>\$ 297,348</u>
Reconciliation to GAAP Equity				
Interfund Loans			<u>\$ (55,000)</u>	
GAAP Equity			<u>\$ 294,512</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, 2008

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for Services	4,941,775	4,862,490	4,530,696	(331,794)
Interest on Investments	82,000	158,500	181,254	22,754
Trust Receipts	90,000	90,000	64,828	(25,172)
Miscellaneous Revenues	57,300	123,305	240,740	117,435
Total Revenues	<u>5,171,075</u>	<u>5,234,295</u>	<u>5,017,518</u>	<u>(216,777)</u>
EXPENDITURES:				
Treatment Services	1,252,530	1,252,530 (1)	1,192,168	60,362
Distribution Services	977,156	965,156 (1)	983,428	(18,272)
Customer Services	430,555	431,155 (1)	392,512	38,643
General Operations	337,440	337,440 (1)	301,589	35,851
Debt Service				
Principal	320,000	320,000 (1)	320,000	-
Interest	98,163	98,163 (1)	96,989	1,174
Capital Outlay	2,380,500	1,047,715 (1)	590,814	456,901
Contingency	200,000	200,000 (1)	-	200,000
Total Expenditures	<u>5,996,344</u>	<u>4,652,159</u>	<u>3,877,500</u>	<u>774,659</u>
Excess of Revenues Over (Under) Expenditures	<u>(825,269)</u>	<u>582,136</u>	<u>1,140,018</u>	<u>557,882</u>
OTHER FINANCING SOURCES (USES):				
Sale of Assets	-	-	-	-
Transfers In	1,322,000	1,284,000	1,284,000	-
Transfers Out	(1,405,000)	(1,416,000) (1)	(1,416,000)	-
Total Other Financing Sources (Uses)	<u>(83,000)</u>	<u>(132,000)</u>	<u>(132,000)</u>	<u>-</u>
Net Change in Fund Balance	(908,269)	450,136	1,008,018	557,882
Beginning Fund Balance	<u>2,861,565</u>	<u>3,526,964</u>	<u>3,526,964</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,953,296</u>	<u>\$ 3,977,100</u>	<u>\$ 4,534,982</u>	<u>\$ 557,882</u>
Reconciliation to Net Assets				
Fixed Assets, net			50,274,438	
General Obligation Bonds Payable			(1,867,863)	
Deferred Revenue			147,531	
Total Net Assets			<u>\$ 53,089,088</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, 2008

<u>SEWER FUND</u>				VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Intergovernmental	\$ 238,000	\$ 238,000	\$ 245,708	\$ 7,708
Charges for Services	4,970,000	4,970,000	4,998,610	28,610
Interest on Investments	103,000	103,000	92,965	(10,035)
Trust Receipts	5,000	5,000	3,140	(1,860)
Miscellaneous	328,625	328,625	64,054	(264,571)
Total Revenues	<u>5,644,625</u>	<u>5,644,625</u>	<u>5,404,477</u>	<u>(240,148)</u>
EXPENDITURES:				
Treatment Services	1,393,242	1,393,242 (1)	1,356,660	36,582
Jo-Gro	482,698	504,967 (1)	494,694	10,273
Collection Services	521,719	521,719 (1)	533,111	(11,392)
Customer Services	237,869	257,869 (1)	261,379	(3,510)
General Operations	375,798	375,798 (1)	348,983	26,815
Debt service:				
Principal	275,460	275,460 (1)	275,460	-
Interest	219,790	219,790 (1)	216,641	3,149
Capital Outlay	6,271,324	5,712,751 (1)	5,417,419	295,332
Contingency	250,000	230,000 (1)	-	230,000
Total Expenditures	<u>10,027,900</u>	<u>9,491,596</u>	<u>8,904,347</u>	<u>587,249</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,383,275)</u>	<u>(3,846,971)</u>	<u>(3,499,870)</u>	<u>347,101</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	3,103,000	3,143,462	3,139,800	(3,662)
Transfers Out	(2,653,000)	(2,673,462) (1)	(2,669,800)	3,662
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>470,000</u>	<u>470,000</u>	<u>-</u>
Net Change in Fund Balance	(3,933,275)	(3,376,971)	(3,029,870)	347,101
Beginning Fund Balance	<u>4,822,174</u>	<u>5,640,934</u>	<u>5,640,934</u>	<u>-</u>
Ending Fund Balance	<u>\$ 888,899</u>	<u>\$ 2,263,963</u>	<u>\$ 2,611,064</u>	<u>\$ 347,101</u>
Reconciliation to Net Assets				
Fixed Assets, net			34,514,260	
Deferred Revenue			147,611	
Notes Payable			<u>(6,200,694)</u>	
Total Net Assets			<u>\$ 31,072,241</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, 2008

HARBECK-FRUITDALE SEWER DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Special Assessments	\$ 5,000	\$ 2,700	\$ 2,366	\$ (334)
Interest	150	120	102	(18)
Miscellaneous	-	-	-	-
Total Revenues	5,150	2,820	2,468	(352)
EXPENDITURES:				
General program operations	1,550	600 (1)	803	(203)
Debt Service	3,100	3,400 (1)	3,100	300
Contingency	1,125	449 (1)	-	449
Total Expenditures	5,775	4,449	3,903	546
Excess of Revenues Over (Under) Expenditures	(625)	(1,629)	(1,435)	194
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(625)	(1,629)	(1,435)	194
Beginning Fund Balance	2,336	1,629	1,629	-
Ending Fund Balance	\$ 1,711	\$ -	\$ 194	\$ 194
Reconciliation to Net Assets				
Fixed Assets, net			69,015	
Deferred Revenue			28,161	
Notes Payable			(58,900)	
Net Assets			\$ 38,470	

(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, 2008

REDWOOD SANITARY SEWER DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 1,114,700	\$ 1,114,700	\$ 1,003,351	\$ (111,349)
Interest on Investments	50,000	40,000	54,448	14,448
Total Revenues	<u>1,164,700</u>	<u>1,154,700</u>	<u>1,057,799</u>	<u>(96,901)</u>
EXPENDITURES:				
Collection	94,383	94,383 (1)	74,813	19,570
Pump and Conveyance System	268,800	268,800 (1)	250,268	18,532
Customer Services	15,236	15,236 (1)	12,085	3,151
General Program Operations	198,084	198,084 (1)	132,695	65,389
Capital Outlay	10,200	10,200 (1)	6,144	4,056
Debt service:				
Principal	298,174	298,174 (1)	298,174	-
Interest	152,044	152,044 (1)	148,088	3,956
Contingency	196,779	196,779 (1)	-	196,779
Total Expenditures	<u>1,233,700</u>	<u>1,233,700</u>	<u>922,267</u>	<u>311,433</u>
Excess of Revenues Over (Under) Expenditures				
OTHER FINANCING SOURCES				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(69,000)	(79,000)	135,532	214,532
Beginning Fund Balance	<u>1,101,440</u>	<u>1,186,278</u>	<u>1,186,278</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,032,440</u>	<u>\$ 1,107,278</u>	<u>\$ 1,321,810</u>	<u>\$ 214,532</u>
Reconciliation to Net Assets				
Fixed Assets, net			\$ 9,634,742	
Deferred Revenue			81,357	
Notes Payable			<u>(3,595,824)</u>	
Total Net Assets			<u>\$ 7,442,085</u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2008

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
ASSETS:					
Current assets					
Cash and Investments	\$ 2,791,871	\$ 806,497	\$ 1,076,084	\$ 2,268,803	\$ 6,943,255
Prepaid Items	-	12,900	-	11,189	24,089
Receivables					
Accounts, net	-	28,055	279	38,713	67,047
Accrued interest	-	-	-	-	-
Due from other funds	-	-	-	55,000	55,000
Total current assets	<u>2,791,871</u>	<u>847,452</u>	<u>1,076,363</u>	<u>2,373,705</u>	<u>7,089,391</u>
Fixed assets, net	<u>1,448,206</u>	<u>445,784</u>	<u>10,781</u>	<u>-</u>	<u>1,904,771</u>
Total assets	<u>\$ 4,240,077</u>	<u>\$ 1,293,236</u>	<u>\$ 1,087,144</u>	<u>\$ 2,373,705</u>	<u>\$ 8,994,162</u>
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
Current Liabilities					
Accounts Payable	\$ 24,675	\$ 83,043	\$ 44,786	\$ 163,049	\$ 315,553
Salaries, withholdings and taxes payable	44,043	303,919	259,405	4,761	612,128
Pending Claims	-	-	-	79,755	79,755
Due to other funds	-	-	-	-	-
Total Current Liabilities	<u>68,718</u>	<u>386,962</u>	<u>304,191</u>	<u>247,565</u>	<u>1,007,436</u>
Total Liabilities	<u>68,718</u>	<u>386,962</u>	<u>304,191</u>	<u>247,565</u>	<u>1,007,436</u>
NET ASSETS					
Invested in Capital Assets, net of related debt	1,448,206	445,784	10,781	-	1,904,771
Unrestricted	<u>2,723,153</u>	<u>460,490</u>	<u>772,172</u>	<u>2,126,140</u>	<u>6,081,955</u>
Total Net Assets	<u>4,171,359</u>	<u>906,274</u>	<u>782,953</u>	<u>2,126,140</u>	<u>7,986,726</u>
Total Liabilities and Net Assets	<u>\$ 4,240,077</u>	<u>\$ 1,293,236</u>	<u>\$ 1,087,144</u>	<u>\$ 2,373,705</u>	<u>\$ 8,994,162</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, 2008

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
OPERATING REVENUES:					
Charges for Services	\$ 1,025,690	\$ 2,974,296	\$ 2,868,282	\$ 3,295,584	\$ 10,163,852
Miscellaneous	2,825	55,715	2,128	83,610	144,278
Total Operating Revenues	<u>1,028,515</u>	<u>3,030,011</u>	<u>2,870,410</u>	<u>3,379,194</u>	<u>10,308,130</u>
OPERATING EXPENSES:					
Salaries and Wages	247,868	1,806,915	1,947,694	87,252	4,089,729
Operating Supplies	308,154	63,484	60,965	6,452	439,055
Repairs and Maintenance	23,894	167,972	1,624	-	193,490
Utilities	52	100,397	14,046	-	114,495
Professional Services	52,271	102,914	358,778	62,671	576,634
General, Administrative and Engineering	281,003	482,203	304,419	2,932,174	3,999,799
Depreciation	300,215	32,249	19,104	-	351,568
Total Operating Expenses	<u>1,213,457</u>	<u>2,756,134</u>	<u>2,706,630</u>	<u>3,088,549</u>	<u>9,764,770</u>
Total Operating Income (Loss)	(184,942)	273,877	163,780	290,645	543,360
NONOPERATING INCOME (LOSS)					
Gain (Loss) on the Sale of Assets	-	-	-	-	-
Intergovernmental	31	3,910	33,136	-	37,077
Interest Income	113,985	10,047	43,828	91,160	259,020
Total nonoperating income (expense)	<u>114,016</u>	<u>13,957</u>	<u>76,964</u>	<u>91,160</u>	<u>296,097</u>
Income, (Loss) Before Operating Transfers	(70,926)	287,834	240,744	381,805	839,457
TRANSFERS					
Transfers In	81,000	-	-	-	81,000
Transfers Out	-	(50,000)	-	-	(50,000)
Total Transfers	<u>81,000</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Change in Net Assets	10,074	237,834	240,744	381,805	870,457
Beginning 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>
Ending Net Assets	<u>\$ 4,171,359</u>	<u>\$ 906,274</u>	<u>\$ 782,953</u>	<u>\$ 2,126,140</u>	<u>\$ 7,986,726</u>

WHERE THE ROGUE RIVER RUNS



© City of Grants Pass

**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2008**

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 1,034,261	\$ 3,068,293
Cash Paid to Suppliers	(681,677)	(858,565)
Cash Paid to Employees	(220,602)	(1,690,029)
Net cash provided (used) by operating activities	<u>131,982</u>	<u>519,699</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental Revenue	31	3,910
Gain (Loss) on the Sale of Assets	-	-
Transfers In	81,000	-
Transfers Out	-	(50,000)
Net cash provided (used) by noncapital financing activities	<u>81,031</u>	<u>(46,090)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(116,300)	(159,237)
Net cash provided (used) by capital financing activities	<u>(116,300)</u>	<u>(159,237)</u>
Cash flows from investing activities		
Interest on Investments	113,985	10,047
Net increase (decrease) in cash and investments	210,698	324,419
Cash and investments, beginning of year	<u>2,581,173</u>	<u>482,078</u>
Cash and investments, end of year	<u>\$ 2,791,871</u>	<u>\$ 806,497</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (184,942)	\$ 273,877
Depreciation and Amortization	300,215	32,249
(Increase) Decrease in Receivables	5,746	38,282
Increase (Decrease) in Payables	(16,303)	58,405
Increase (Decrease) in Payroll Liabilities	27,266	116,886
Net Cash Provided by Operating Activities	<u>\$ 131,982</u>	<u>\$ 519,699</u>

ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
\$ 2,872,704	\$ 3,352,283	\$ 10,327,541
(735,422)	(3,043,124)	(5,318,788)
(1,916,589)	(85,143)	(3,912,363)
<u>220,693</u>	<u>224,016</u>	<u>1,096,390</u>
33,136	-	37,077
-	-	-
-	125,000	206,000
-	-	(50,000)
<u>33,136</u>	<u>125,000</u>	<u>193,077</u>
-	-	(275,537)
-	-	(275,537)
43,828	91,160	259,020
297,657	440,176	1,272,950
778,427	1,828,627	5,670,305
<u>\$ 1,076,084</u>	<u>\$ 2,268,803</u>	<u>\$ 6,943,255</u>
\$ 163,780	\$ 290,645	\$ 543,360
19,104	-	351,568
2,294	(26,911)	19,411
4,410	(41,827)	4,685
31,105	2,109	177,366
<u>\$ 220,693</u>	<u>\$ 224,016</u>	<u>\$ 1,096,390</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, 2008**

FLEET OPERATIONS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 31	\$ 31
Charges for Services	1,139,948	1,139,948	1,025,690	(114,258)
Interest on Investments	70,900	114,211	113,985	(226)
Miscellaneous	341,547	10,000	2,825	(7,175)
	<u>1,552,395</u>	<u>1,264,159</u>	<u>1,142,531</u>	<u>(121,628)</u>
Total Revenues				
EXPENDITURES:				
Garage Operations	715,179	747,159 (1)	761,972	(14,813)
Equipment Replacement Operations	395,002	397,307 (1)	267,569	129,738
Contingency	310,000	300,000 (1)	-	300,000
	<u>1,420,181</u>	<u>1,444,466</u>	<u>1,029,541</u>	<u>414,925</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>132,214</u>	<u>(180,307)</u>	<u>112,990</u>	<u>293,297</u>
OTHER FINANCING SOURCES:				
Transfers In	81,000	81,000	81,000	-
Sale of Assets	-	-	-	-
Transfers Out	-	-	-	-
	<u>81,000</u>	<u>81,000</u>	<u>81,000</u>	<u>-</u>
Total Other Financing Sources				
Net Change in Fund Balance	213,214	(99,307)	193,990	293,297
Beginning Fund Balance	<u>1,988,974</u>	<u>2,529,164</u>	<u>2,529,164</u>	<u>-</u>
Ending Fund Balance	<u>\$ 2,202,188</u>	<u>\$ 2,429,857</u>	<u>\$ 2,723,154</u>	<u>\$ 293,297</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>1,448,205</u>	
Total Net Assets			<u>\$ 4,171,359</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, 2008

SUPPORT SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 1,000	\$ 1,000	\$ 3,910	\$ 2,910
Charges for Services	2,980,567	2,955,818	2,974,296	18,478
Interest on Investments	11,400	15,900	10,047	(5,853)
Miscellaneous Revenues	136,371	13,214	55,715	42,501
Total Revenues	3,129,338	2,985,932	3,043,968	58,036
EXPENDITURES:				
Property Management	611,302	486,010 (1)	459,629	26,381
Engineering Services	1,118,644	1,118,644 (1)	1,104,502	14,142
Community Development Management	685,613	685,613 (1)	638,544	47,069
Information Technology	622,687	596,464	551,697	44,767
Debt Service	-	- (1)	-	-
Contingency	45,813	190,271 (1)	-	190,271
Total expenditures	3,084,059	3,077,002	2,754,372	322,630
Excess of Revenues Over (Under) Expenditures	45,279	(91,070)	289,596	380,666
OTHER FINANCING SOURCE (USES)				
Interfund Loans	(132,279)	(132,279)	(128,752)	3,527
Transfer In	-	-	-	-
Transfers Out	(5,000)	(50,000) (1)	(50,000)	-
Total Other Financing Sources (Uses)	(137,279)	(182,279)	(178,752)	3,527
Net Change in Fund Balance	(92,000)	(273,349)	110,844	384,193
Beginning Fund Balance	92,000	349,646	349,646	-
Ending Fund Balance	<u>\$ -</u>	<u>\$ 76,297</u>	<u>\$ 460,490</u>	<u>\$ 384,193</u>
Reconciliation to Net Assets				
Interfund Loans			-	
Fixed Assets, net			445,784	
Total Net Assets			<u>\$ 906,274</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, 2008

ADMINISTRATIVE SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 53,475	\$ 24,500	\$ 33,136	\$ 8,636
Charges for Services	2,860,875	2,922,962	2,868,282	(54,680)
Interest on Investments	15,000	43,500	43,828	328
Miscellaneous Revenues	100,000	1,476	2,128	652
Total Revenues	<u>3,029,350</u>	<u>2,992,438</u>	<u>2,947,374</u>	<u>(45,064)</u>
EXPENDITURES:				
Management Services	697,194	714,550 (1)	743,789	(29,239)
Legal Services	235,058	302,567 (1)	224,093	78,474
Administrative Services	1,650,561	1,565,850 (1)	1,496,162	69,688
General Program Operations	318,433	297,008 (1)	223,482	73,526
Contingency	289,240	624,788 (1)	-	624,788
Total expenditures	<u>3,190,486</u>	<u>3,504,763</u>	<u>2,687,526</u>	<u>817,237</u>
Net Change in Fund Balance	<u>(161,136)</u>	<u>(512,325)</u>	<u>259,848</u>	<u>772,173</u>
Beginning Fund Balance	<u>318,164</u>	<u>512,325</u>	<u>512,325</u>	<u>-</u>
Ending Fund Balance	<u>\$ 157,028</u>	<u>\$ -</u>	<u>\$ 772,173</u>	<u>\$ 772,173</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>10,780</u>	
Total Net Assets			<u>\$ 782,953</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, 2008

INSURANCE SERVICES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Intergovernmental	\$ 8,468	\$ 8,468	\$ -	\$ (8,468)
Charges for Services	3,302,021	3,313,031	3,295,584	(17,447)
Interest on Investments	76,500	78,500	91,160	12,660
Miscellaneous	618,104	474,678	83,611	(391,067)
	<u>4,005,093</u>	<u>3,874,677</u>	<u>3,470,355</u>	<u>(404,322)</u>
EXPENDITURES:				
General Insurance Services	480,464	572,622 (1)	355,374	217,248
Benefits Administration	2,720,250	2,586,900 (1)	2,531,179	55,721
Workers' Compensation Insurance	402,006	411,024 (1)	201,996	209,028
Contingency	625,000	505,000 (1)	-	505,000
	<u>4,227,720</u>	<u>4,075,546</u>	<u>3,088,549</u>	<u>986,997</u>
Net Change in Fund Balance	(222,627)	(200,869)	381,806	582,675
Beginning Fund Balance	<u>1,353,663</u>	<u>1,564,334</u>	<u>1,564,334</u>	<u>-</u>
Prior Period Adjustment			-	
Ending Fund Balance	<u>\$ 1,131,036</u>	<u>\$ 1,363,465</u>	<u>\$ 1,946,140</u>	<u>\$ 582,675</u>
Reconciliation to Net Assets				
Interfund Loans			<u>180,000</u>	
Total Net Assets			<u>\$ 2,126,140</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, 2008**

	Balance at June 30, 2007	Additions	Deductions	Balance at June 30, 2008
Assets				
Cash and Investments	\$ 4,261,399	\$ 3,582,922	\$ 4,261,399	\$ 3,582,922
Accounts Receivable	(3,066)	-	(3,066)	-
Total Assets	<u>\$ 4,258,333</u>	<u>\$ 3,582,922</u>	<u>\$ 4,258,333</u>	<u>\$ 3,582,922</u>
Liabilities				
Due to Others	<u>\$ 4,258,333</u>	<u>\$ 3,589,992</u>	<u>\$ 4,258,333</u>	<u>\$ 3,582,922</u>

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Fiscal Year Ended June 30, 2008**

GENERAL AND WATER FUNDS

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/07	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
Current:						
2007-08	\$ 12,892,015	\$ 290,280	\$ 0	\$ 6,320	\$ 12,159,160	\$ 448,895
Prior Years:						
2006-07	361,177	38	(47,952)	9,973	185,494	137,666
2005-06	109,950	0	(24,134)	5,101	44,046	46,871
2004-05	36,651	0	2,561	5,539	33,156	11,595
2003-04	11,819	0	(5,435)	1,129	5,533	1,980
2002-03	1,836	0	(330)	185	695	996
Prior	3,656	0	(403)	373	1,168	2,458
Total Prior	525,089	38	(75,693)	22,300	270,092	201,566
Total All Funds	\$ 13,417,104	\$ 290,318	\$ (75,693)	\$ 28,620	\$ 12,429,252	\$ 650,461

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 12,429,252
Accrual of Receivables:	
June 30, 2007	(157,025)
June 30, 2008	156,102
Miscellaneous Taxes	5,721
Total Revenue	\$ 12,434,050

PARKWAY REDEVELOPMENT AGENCY FUND

	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2007	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2008
Current:						
2007-08	\$ 1,959,130	\$ 62,421	\$ 0	\$ 515	\$ 1,828,493	\$ 68,216
Prior Years:						
2006-07	59,182	6	(10,114)	1,234	27,738	22,558
2005-06	20,153	0	(5,181)	706	7,087	8,591
2004-05	7,746	0	(1,121)	745	4,919	2,451
2003-04	2,404	0	(1,143)	197	1,055	403
Prior	1,160	0	(161)	114	383	730
Total Prior	90,645	6	(17,720)	2,996	41,182	34,733
Total	<u>\$ 2,049,775</u>	<u>\$ 62,427</u>	<u>\$ (17,720)</u>	<u>\$ 3,511</u>	<u>\$ 1,869,675</u>	<u>\$ 102,949</u>

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,869,675
Accrual of Receivables:	
June 30, 2007	(26,808)
June 30, 2008	15,600
Miscellaneous Taxes	26,810
Total Revenue	<u>\$ 1,885,277</u>

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>	83
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	90
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>	97
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>	106
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>	113

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

WHERE THE ROGUE RIVER RUNS



© City of Grants Pass

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

NET ASSETS BY COMPONENT

For the last six fiscal years*
(Unaudited)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</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	129,195,607
Restricted for Capital Purposes	-	-	-	-	-	3,706,534
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>	<u>26,433,560</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>	<u>159,335,701</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	82,828,074
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>	<u>11,255,966</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>	<u>94,084,040</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	212,023,742
Restricted for Capital Purposes	-	-	-	-	-	3,706,534
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>	<u>37,689,465</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>	<u>253,419,741</u>

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

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

CHANGES IN NET ASSETS

For the last six fiscal years
(Unaudited)

Fiscal Year

	2003	2004	2005	2006	2007	2008
Expenses						
Governmental Activities						
Public Safety	\$ 6,861,932	\$ 8,967,348	\$ 11,308,389	\$ 8,505,477	\$ 13,897,740	\$ 12,104,326
Transportation	1,511,761	1,672,361	1,357,134	1,007,261	1,662,747	1,430,601
Building	644,421	862,341	1,110,231	765,541	1,178,647	910,259
Parks	1,139,412	361,174	1,518,671	1,135,134	1,666,934	1,450,608
Development	2,639,705	2,493,017	2,392,553	2,815,350	2,099,393	3,278,657
General Government	246,978	245,936	143,923	193,264	226,893	218,905
Solid Waste	325,399	378,738	2,050,240	(139,183)	787,168	1,474,560
Interest	149,460	364,393	173,982	339,344	212,221	445,088
Total Governmental Activities Expenses	<u>13,519,068</u>	<u>15,345,308</u>	<u>20,055,123</u>	<u>14,622,188</u>	<u>21,731,743</u>	<u>21,313,004</u>
Business-Type Activities						
Water	2,643,028	2,908,859	3,397,559	3,660,103	3,795,099	3,019,237
Sewer	3,394,601	3,606,999	5,015,385	4,544,046	4,673,214	5,617,811
Interest	416,330	547,767	***			
Total Business-Type Activities Expenses	<u>6,453,959</u>	<u>7,063,625</u>	<u>8,412,944</u>	<u>8,204,149</u>	<u>8,468,313</u>	<u>8,637,048</u>
Total Primary Government Expenses	<u>\$ 19,973,027</u>	<u>\$ 22,408,933</u>	<u>\$ 28,468,067</u>	<u>\$ 22,826,337</u>	<u>\$ 30,200,056</u>	<u>\$ 29,950,052</u>
Program Revenues						
Governmental Activities						
Charges for Service:	\$ 3,097,391	\$ 4,786,614	\$ 6,946,869	\$ 9,180,248	\$ -	\$ -
Transportation	-	-	-	-	23,214,300	3,541,708
General Government	-	-	-	-	5,281,710	1,161,947
Other	-	-	-	-	2,127,083	1,938,835
Operating Grants and Contributions	59,361	274,952	377,726	2,239,659	142,581	184,284
Capital Grants					398,285	
Dedicated Property Taxes	7,435,680	*	*	*	*	*
Total Governmental Activities Revenues	<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>	<u>6,826,774</u>
Business-Type Activities						
Charges for Service:	7,579,395	8,364,037	8,781,698	10,341,297	-	-
Water					5,052,827	4,461,350
Sewer					6,281,328	5,940,872
Operating Grants and Contributions	-	-	-	1,761,536	2,873,646	1,010,140
Total Business-Type Activities Revenues	<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>	<u>11,412,362</u>
Total Primary Government Revenues	<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>	<u>\$ 18,239,136</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (2,926,636)	\$ (10,283,742)	(12,730,528)	(3,202,281)	9,432,217	(14,486,230)
Business-Type Activities	<u>1,125,436</u>	<u>1,300,412</u>	<u>368,754</u>	<u>3,898,684</u>	<u>5,739,488</u>	<u>2,775,314</u>
Total Primary Government Net Expense	<u>\$ (1,801,200)</u>	<u>\$ (8,983,330)</u>	<u>\$ (12,361,774)</u>	<u>\$ 696,403</u>	<u>\$ 15,171,704</u>	<u>\$ (11,710,916)</u>

**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	\$ 18,241,381
Licenses and Permits	58,381	**	**	**	**	**
Intergovernmental	4,264,905	3,636,796	3,805,599	3,727,927	3,551,395	5,071,345
Fines and Forfeitures	156,635	**	**	**	**	**
Special Assessments	893,573	**	**	**	**	**
Interest	421,389	307,318	535,698	914,546	1,459,814	1,856,733
Interest on Assessments	187,030	50,633	****	****	****	****
Trust Receipts	7,723	153,920	222,376	204,401	77,560	233,637
Contributions	6,450	6,168,301	5,520,142	*****	*****	*****
Industrial Payments	68,572	100,441	36,716	29,835	69,068	7,151
Sale of Assets	460,857	171,194	****	****	****	****
Miscellaneous	395,065	76,351	51,624	749,580	735,071	1,985,656
Transfers	623,055	377,096	441,915	65,571	122,447	(347,481)

Total Governmental Activities \$ 10,479,871 \$ 22,077,469 \$ 22,536,107 \$ 19,695,583 \$ 22,169,081 \$ 27,048,422

Business-Type Activities

Taxes	\$ 867	\$ 380	\$ 146	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	171,211	212,002	240,625	260,966	275,843	257,045
Fines and Forfeitures	-	-	-	-	0	-
Special Assessments	12,252	**	**	**	**	**
Interest	132,832	107,273	168,727	361,315	559,754	407,972
Interest on Assessments	-	-	-	-	-	-
Trust Receipts	39,559	113,339	91,044	176,422	100,445	67,968
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	350,236
Transfers	(623,055)	(377,096)	(441,915)	(65,571)	-122,447	347,481

Total Business-Type Activities \$ 1,826,544 \$ 1,927,123 \$ 6,151,653 \$ 1,018,909 \$ 1,125,953 \$ 1,430,702

Total Primary Government \$ 12,306,415 \$ 24,004,592 \$ 28,687,760 \$ 20,714,492 \$ 23,295,034 \$ 28,479,124

Change in Net Assets

Governmental Activities	\$ 7,553,235	\$ 11,793,727	\$ 9,805,579	\$ 16,493,302	\$ 31,601,298	\$ 12,562,192
Business-Type Activities	<u>2,951,980</u>	<u>3,227,535</u>	<u>6,520,407</u>	<u>4,917,593</u>	<u>6,865,441</u>	<u>4,206,016</u>

Total Primary Government \$ 10,505,215 \$ 15,021,262 \$ 16,325,986 \$ 21,410,895 \$ 38,466,739 \$ 16,768,208

- * 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 expensed.
- **** From 2005 forward the interest and interest on assessments is combined and the sale of assets 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 six years are reported.

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

PROGRAM REVENUE BY FUNCTION

For the last six fiscal years
(Unaudited)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Program Revenues						
Governmental Activities						
Public Safety *	\$ 6,335,774	\$ 792,525	\$ 529,560	\$ 484,070	\$ 343,114	\$ 488,697
Transportation	1,442,317	2,063,175	3,182,643	6,353,654	23,224,198	3,541,968
Building	909,784	1,155,723	1,394,747	1,241,980	903,800	835,566
Parks	15,814	36,387	19,550	827,167	4,750	452,763
Development	1,564,195	655,463	1,311,569	290,772	1,061,950	20,758
General Government	6,556	10,745	552,682	1,876,329	5,281,710	1,161,947
Solid Waste	317,992	347,548	333,844	345,935	344,437	325,075
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>	<u>6,826,774</u>
Business-Type Activities						
Water	3,615,418	4,000,671	4,114,400	5,854,617	7,029,744	5,204,874
Sewer	3,963,977	4,363,366	4,667,298	6,248,216	7,178,057	6,207,488
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>	<u>11,412,362</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>	<u>\$ 18,239,136</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 six years are reported.

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

FUND BALANCES, GOVERNMENTAL FUNDS

For the last six fiscal years
(Unaudited)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>2,727,493</u>	<u>2,423,670</u>	<u>3,019,923</u>	<u>4,438,485</u>	<u>5,581,614</u>	<u>7,482,929</u>
Total General Fund	<u>\$ 2,727,493</u>	<u>\$ 2,423,670</u>	<u>\$ 3,019,923</u>	<u>\$ 4,438,485</u>	<u>\$ 5,581,614</u>	<u>\$ 7,482,929</u>
All Other Governmental Funds						
Reserved	\$ 945,262	(1,381,330)	(1,493,576)	(2,391,514)	(1,500,626)	\$ 3,706,534
Unreserved, reported in:						
Special Revenue Funds	5,240,358	5,637,517	5,767,543	5,645,630	5,728,115	5,692,914
Capital Projects Funds	4,956,270	6,566,730	6,580,497	5,549,350	17,027,517	8,492,654
Parkway Redevelopment Fund	204,170	1,006,724	2,361,678	2,260,888	3,707,773	3,711,979
Debt Service Funds	<u>(1,916,214)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,386,260)</u>
Total All Governmental Funds	<u>\$ 9,429,846</u>	<u>\$ 14,253,311</u>	<u>\$ 16,236,065</u>	<u>\$ 15,502,839</u>	<u>\$ 30,544,393</u>	<u>\$ 27,700,750</u>

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

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS ⁽⁴⁾

For the last ten fiscal years
(Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues ⁽¹⁾										
Taxes	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	18,143,991
Licenses and Permits	330,956	453,874	606,322	585,282	734,950	898,559	1,076,622	1,020,253	711,524	492,375
Intergovernmental	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	5,225,029
Charges for Services	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	3,505,815
Fines and Forfeitures	147,058	141,004	160,455	183,753	156,635	164,852	163,055	200,322	233,887	253,766
Special Assessments	166,803	80,439	102,060	222,021	521,448	517,331	428,056	591,532	1,051,627	202,536
Interest					544,835	311,951	443,858	779,618	1,275,934	1,672,282
Other Revenues ⁽²⁾	823,858	897,881	1,247,145	470,661	376,610	369,895	473,826	561,775	277,830	1,299,891
Total Revenues	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	30,795,685
Expenditures ⁽¹⁾										
General Governmental	81,890	93,826	270,208	177,193	160,190	110,938	113,413	238,166	190,691	237,401
Public Safety	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	12,596,250
Field Operations	2,895,074	2,887,022	2,612,715	2,453,511	0	-	-	-	-	-
Community Development	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	3,393,756
Debt Service ⁽³⁾	208,870	317,665	91,882	93,305						
Principal				403,861		481,496	462,466	669,499	714,972	1,328,521
Interest				165,631		152,928	173,982	149,304	225,289	467,588
Solid Waste				6,842,294		1,884,141	392,357	399,179	376,302	369,431
Capital Outlay	723,088	299,287	713,738	382,517	5,414,335	4,786,154	9,132,159	9,499,093	3,703,899	11,752,279
Transportation				949,597		996,651	1,084,732	1,240,225	1,405,089	1,529,698
Building				697,950		792,896	893,389	938,973	999,912	961,444
Parks					1,076,203	1,115,138	1,225,688	1,389,164	1,417,736	1,512,891
Total Expenditures	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	34,149,259

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

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

For the last ten fiscal years
(Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Other Financing Sources (Uses)										
Loan Proceeds						1500000			9,998,031	-
Sale of Assets				470471	4325468	966,789	2,624,201	4,842	1,195	878,942
Operating Transfer In						3,064,292	3,801,142	4,109,259	3,331,276	2,760,935
Operating Transfers Out					-3803419	(2,649,709)	(3,451,142)	(4,083,259)	(3,245,276)	(3,129,937)
Total Other Financing Sources (Uses)				992520	992520	2,881,372	2,974,201	30,842	10,085,226	509,940
Net Change in Fund Balances					207120.08	1,878,723	2,210,137	4,987,169	15,041,553	(2,843,634)
Debt Service as a percentage of noncapital expenditures					4.00%	4.31%	4.55%	5.22%	5.22%	8.72%

(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
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
2008	14,411,920	320,413	2,484,617	1,024,431	18,241,381

(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		Total Tax Collections	Total Collections as a		Uncollected Delinquent Taxes	Uncollected Taxes as a Percentage of Current Levy
			Percentage of Current Levy	Delinquent Taxes Collected		Percentage of Current Levy	Uncollected Percentage of Current Levy		
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%	
2008	12,892,015	12,159,160	94%	270,092	12,429,252	96%	650,461	5%	

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

*does not include the Parkway 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
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	-	-	-
2008	6.13	6.13	-	-	-

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
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
2008	14,851,145	12,892,015	-	-	-	1,959,130

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	
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%
2008	2,207,029,376	3,817,384,012	58%

Source: Josephine County

N/A - Not Available

* The City's property tax base is entirely real property and does not include personal property.

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

REAL 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,	For the last ten fiscal years (Unaudited)										Measure 5 Total (2)	
	General Fund	Debt Service Fund	Parkway Redevelopment Fund	Water Fund	Total (4)	Josephine County	School District No.7	Rogue Community College	Education Service District	4H Extension		Total
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
2007	5.62	-	-	-	5.62	0.81	6.48 (3)	0.51	0.35	0.05	13.82 (2)	13.42
2008	6.13	-	-	-	6.13	0.80	6.41 (3)	0.51	0.35	0.05	14.25 (2)	13.85

(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.

(4) While Josephine County assesses personal property tax, the City's property tax base is entirely real property and does not include personal property.

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
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	11,692	963,791	0	920,867	104.7%
2008	920,867	1,260,672	162,020	(2,895)	2,016,624	8.0%

Source: Internal accounting reports of the City of Grants Pass

* Correction made to ending balance in 2005 and 2007. Additions by ordinance not included in Additional 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		General		Water Bonds	SRF Loans	Solid Waste Agency Loan	Water Bonds	SRF Loans			
	Refunding Bonds	Bancroft Bonds	Obligation Bonds	Bonds								
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	2,125,541	9,700,541	2.30%	362
2001	3,070,000	175,000	-	-	3,845,000	-	-	5,746,346	5,746,346	12,836,346	N/A	306
2002	2,735,000	90,000	-	-	3,600,000	-	-	6,007,072	6,007,072	12,432,072	N/A	271
2003	2,425,000	-	-	-	3,345,000	-	-	5,769,771	5,769,771	11,539,771	N/A	482
2004	2,070,000	-	-	-	3,080,000	1,500,000	-	5,523,312	5,523,312	12,173,312	2.96%	491
2005	1,695,000	-	-	-	2,800,000	1,419,991	-	12,142,747	12,142,747	18,057,738	4.20%	710
2006	1,300,000	-	-	-	2,505,000	1,154,991	-	10,923,053	10,923,053	15,883,044	2.61%	519
2007	885,000	-	9,820,000	-	2,200,000	864,991	-	10,428,215	10,428,215	24,198,206	4.12%	774
2008	455,000	-	9,190,000	-	1,880,000	601,705	-	9,796,518	9,796,518	21,923,223	3.90%	679

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**

Fiscal Year Ended June 30,	Population	Assessed Value (In \$1,000)	Gross Bonded Debt (1)	Less Debt Payable from		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
				Enterprise Revenue (2)	Nonenterprise Revenue (3)					
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	3,085,000	2,200,000	885,000	9,820,000	-	9,820,000	0.47%	\$309
2008	32,290	2,207,029	2,335,000	1,880,000	455,000	9,190,000	-	9,190,000	0.42%	\$285

(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 2008

Total Real Market Value as of June 30, 2008	\$ 3,817,384,012
Less Non-Profit Housing	-2,416,800
	\$ 3,814,967,212
Debt limit, 3% of total assessed value - ORS 287.004	\$ 114,449,016
Amount of debt applicable to debt limit	
Total bonded debt, including special assessment bonds and public safety general obligation bonds	\$ 11,525,000
Less	
Other deductions allowed by law	
Special assessment and revenue bonds	1,880,000
Total deductions	<u>1,880,000</u>
Total amount of debt applicable to debt limit	9,645,000
Legal debt margin	<u>\$ 104,804,016</u>

*Total Real Market Value as defined in ORS 308.207

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	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	114,449,016
Total net debt applicable to limit	<u>3,570,000</u>	<u>3,245,000</u>	<u>3,070,000</u>	<u>2,735,000</u>	<u>2,425,000</u>	<u>2,070,000</u>	<u>1,695,000</u>	<u>1,300,000</u>	<u>10,705,000</u>	<u>9,645,000</u>
Legal debt margin	<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>	<u>104,804,016</u>
Total net debt applicable to the limit as a percentage of debt limit	11.14%	9.58%	8.67%	7.27%	5.98%	4.77%	3.58%	1.44%	9.68%	8.43%

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
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
2008	18,125,000	92.69%	16,800,403

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
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%
2008				34,199,259	5.25%

(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	
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
2008 (3)	4,948,172	3,080,175	1,867,997	320,000	96,989	416,989	4.48

(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, 2008

Bond Transactions

	Interest Rates	Date of Issue	Original Issue	Outstanding June 30, 2007	Issued	Called	Matured	Paid	Outstanding June 30, 2008
General Obligation Bonds									
Supported Bonds									
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 6,165,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2007 Public Safety	4%	6/20/2007	\$ 9,820,000	9,820,000	-	630,000	-	-	9,190,000
Revenue Bonds									
1998 Water Revenue	3.9-4.5%	08/01/98	\$ 4,080,000	2,200,000	-	320,000	-	320,000	1,880,000
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	885,000	-	430,000	-	430,000	455,000
Total Bonds				\$ 12,905,000	\$ -	\$ -	\$ 1,380,000	\$ 750,000	\$ 11,525,000

Interest Coupons

	Interest Rates	Date of Issue	Outstanding June 30, 2007	Matured	Paid	Outstanding June 30, 2008
General Obligation Bonds						
Supported Bonds						
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 4,616	\$ -	\$ -	\$ 4,616
2007 Public Safety	4%	6/20/07	-	390,445	390,445	-
Revenue Bonds						
1998 Water Revenue	3.9-4.5%	08/01/98	-	98,163	98,163	-
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	-	33,500	33,500	-
Total Bonds			\$ 8,964	\$ 522,108	\$ 522,108	\$ 8,964

**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
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)
2008	17	9,751,549	185	27,184,422	1,120,845	(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)
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%
2008	32,290	561,555 (est.)	17,391 (est.)	44.6	5,647	7.3%

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 Pass 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. These numbers, while for the current year, are only estimates.

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

INSURANCE AND SURETY BONDS IN FORCE

June 30, 2008
(Unaudited)

Company	Policy Number	Amount	Coverage	Policy Term	Premium
City - County Insurance Services	07LGSP	\$ 2,000,000	Comprehensive general liability	7/01/2007 - 6/30/2008	\$ 212,254
City - County Insurance Services	07APDGSP	Various	Auto physical damage	7/01/2007 - 6/30/2008	26,927
City - County Insurance Services	07PGSP	5,000,000	Property insurance (includes earthquake and flood)	7/01/2007 - 6/30/2008	66,984
Travelers	100834725	50,000	Public Official Bond Finance Director	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	7/01/2007 - 6/30/2008	1,140
City - County Insurance Services	07EQGP	5,000,000	Excess earthquake	7/01/2007 - 6/30/2008	2,500
National District Attorneys Association	65053	50,000	City Attorney	2/01/2007 - 2/01/2008	416
Safety National Casualty	AGC-1T80-OR	1,000,000	Excess workers' compensation	7/01/2007 - 6/30/2008	35,193
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	07LGSP	4,500,000	Excess Liability Coverage	7/01/2007 - 7/01/2008	42,663
City - County Insurance Services	07CGSP	200,000	Excess Crime	7/01/2007 - 6/30/2008	978

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

JOSEPHINE COUNTY PRINCIPAL EMPLOYERS

For the Last Six 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				210	10	0.88%	225	11	0.94%
Diversified Collection Services	* Collections agency									
ESAM	Electronics									
Total employees		5,225		23.62%	6,035		25.21%	6,079		25.38%

* 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 six 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 Six Fiscal Years
(Unaudited)

Employer	Type of Business	2006			2007			2008		
		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	650	3	2.44%	700	1	2.10%	700	1	2.13%
Grants Pass School District No. 7	* Education	641	4	2.40%	700	1	2.10%	700	1	2.13%
Three Rivers School District	Education	682	2	2.56%	603	3	1.80%	671	2	2.04%
Master Brand Cabinets	* Wood products manufacturing	700	1	2.62%	625	2	1.86%	600	3	1.83%
Fire Mountain Gems	* Catalog Sales	500	6	1.87%	560	4	1.67%	565	4	1.72%
Wal-Mart	* Department Store	498	7	1.87%	500	5	1.49%	500	5	1.52%
Josephine County	* Government	621	5	2.33%	400	6	1.19%	400	6	1.22%
Rogue Community College	Education	350	9	1.31%	350	7	1.05%	350	7	1.06%
Diversified Collection Services	* Collections agency	225	14	0.84%	225	9	0.67%	250	8	0.76%
City of Grants Pass	Government				205	11	0.61%	231	9	0.70%
SPARC Inc. Recycling	Health Care				220	10	0.66%	220	10	0.67%
Fred Meyer	* Department Store	300	10	1.12%	203	12	0.61%	203	11	0.62%
Rogue Valley Door	* Wood products manufacturing	400	8	1.50%	200	13	0.59%	200	12	0.61%
ECS Composites	Plastics manufacturing	300	10	1.12%	200	13	0.59%	200	12	0.61%
Highland House Nursing Center	* Health Care				190	14	0.57%	190	13	0.58%
Royale Gardens	* Health Care	227	13	0.85%	185	15	0.55%	185	14	0.56%
ESAM	Electronics	225	14	0.84%	225	8	0.67%	175	15	0.53%
Hach Ultra Analytics	Electronics	235	12	0.88%						
Total employees		6,554		24.55%	6,291		18.78%	6,340		19.29%

* 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 six 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	Commercial	-			10,578,340	3	0.73%	11,477,780	4	0.73%
Freeman Grants Pass LLC										
The Suites Assisted Living	Rental	-						6,115,230	9	0.39%
Community LLC										
Albertson's Inc.	Commercial							12,567,975	3	0.80%
Wal-Mart Stores Inc.	Commercial	7,120,444	6	0.53%	8,285,211	4	0.57%	13,234,825	2	0.84%
Jensen, Robert A & Shirley Y	Commercial	7,415,458	4	0.55%	8,113,563	5	0.56%	7,747,631	6	0.49%
Hillebrand Children Riverwood Apts.	Rental	6,326,184	8	0.47%	7,611,908	6	0.53%	7,733,270	7	0.49%
Pacificorp (PP&L)	Utility	7,038,700	7	0.52%	7,508,090	7	0.52%	5,468,000	10	0.35%
Marquis Suites	Sr. Housing	5,941,473	9	0.44%	6,974,000	8	0.48%			
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%			
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			2008		
		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
Masterbrand Cabinets	Industrial	\$ 7,982,850	7	0.46%	\$ 8,538,210	7	0.41%	\$ 20,802,375	1	0.94%
QWEST Corporation	Utility	17,182,200	1	0.99%	15,485,500	1	0.75%	15,940,400	2	0.72%
Spring Village LLC & Spring Village Retirement LLC	Sr. Housing							15,712,239	3	0.71%
Wal-Mart Stores Inc.	Commercial	10,396,905	5	0.60%	10,930,042	4	0.53%	15,043,318	4	0.68%
Auerbach Grants Pass LLC & Freeman Grants Pass LLC	Commercial	11,501,360	3	0.67%	11,846,370	3	0.57%	13,091,730	5	0.59%
Lynn-Ann Development LLC	Developer		3		11,950,810	2	0.58%	12,489,417	6	0.57%
Grants Pass FMA LLC	Commercial							12,213,080	7	0.55%
Albertson's Inc.	Commercial	12,510,356	2	0.72%	10,880,578	6	0.53%	10,351,648	8	0.47%
Johnson, Carl D	Commercial			0.00%				8,131,920	9	0.37%
Jensen, Robert A & Shirley Y	Commercial	7,720,830	8	0.45%	7,961,021	9	0.39%	8,069,153	10	0.37%
The Suites Assisted Living Community LLC	Rental	6,298,680	9	0.36%						
Hillebrand Children Riverwood Apts.	Rental	7,965,230	6	0.46%	8,266,131	8	0.40%			
Pacificcorp (PP&L)	Utility	5,835,000	10	0.34%						
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		98,158,751		5.68%	103,708,262		5.02%	131,845,280		5.97%
Other Taxpayers		1,630,763,292		94.32%	1,961,599,437		94.98%	2,075,184,096		94.03%
Total City Assessed Value		\$ 1,728,922,043		100.00%	\$ 2,065,307,699		100.00%	\$ 2,207,029,376		100.00%

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

Source: Josephine County Assessor

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

OPERATING INDICATORS BY FUNCTION

June 30, 2008
(Unaudited)

		2003	2004	2005	2006	2007	2008
Public Safety							
Traffic stops	(1)			5,519	6,318	6,755	7,580
Warnings issued	(1)			3,870	4,232	4,340	5,278
Citations issued	(1)	6,381	5,469	5,180	4,416	4,119	4,082
Calls for service - Police	(1)	27,146	28,209	33,591**	36324**	37,296	41,395
Calls for service - Fire	(1)	3,491	3,426	3,190	3,126	3,591	3,698
Businesses inspected	(1)	439	557*	249**	839	1,295	1,342
Business self-inspections	(1)	455	503*	454**	614	607	67
Citizen Public Safety Academy attendance	(1)	52	52	50	40	29	28
Student Public Safety Academy attendance	(1)					30	27
Transportation							
Street overlays (square yards)	(5)	73,830	52,648	41289**	0***	30,369	21,700
Street overlays (tons of asphalt)	(5)	8,561	8,773	7506**	0***	7,228	2,411
Signage additions	(5)	143	141	279**	177	121	91
Signage replacements	(5)	339	135	189**	352	265	185
Miles of restriping	(5)	12.17	13.14	7.34**	12.3	20	25
Building							
Total Permits issued	(2)	3,900	5,154	5,606	5,334	3,804	2,857
New single family permits	(2)	205	325	361	362	234	166
New multi-family permits	(2)	31	59	44	54	20	6
New commercial permits	(2)	16	17	31	17	32	17
Total Inspections	(2)	11,695	14,024	15,507	17,043	12,366	10,609
Parks							
Swimming pool attendance	(5)	10,664	9,601	16,464	11,555	18,083	19,748
Rental of facilities	(5)	154	200	199	207	232	214
Number of games scheduled	(5)	1,577	1387*	1,458	1,727	1,575	1,563
Development							
Total land use applications	(2)	250	289	325	347	221	163
Subdivision final plats	(2)	12	20	29	20	22	7
Commercial site plan review	(2)	55	53	51	56	49	30
Water							
New connections	(2)	291	482	561	581	308	175
Number of consumers	(3)	8,869	9,158	9,521	10,038	10,413	10,545
Total water produced (1000s of gallons)	(4)	1,755,727	1,779,523	1,766,136	1,800,673	2,114,600	2,016,116
Average daily production (gallons)	(4)	4,850,000	5,166,992	4,959,750	5,007,417	5,809,341	5,615,900
Wastewater							
Wastewater treated (1000s of gallons)	(4)	2,151,709	2,029,600	2,114,400	2,569,300	2,252,000	2,122,830
Sludge to co-compost (yards)	(4)	6,868	6,800	5,617	6,725	7,631	7,267
Greenwaste received (cubic yards)	(4)	31,752	37,495	43,961	37,081	37,764	38,807
Woodwaste received (cubic yards)	(4)	40,591	43,103	50,871	61,916	58,028	48,453
JO-GRO™ sales (cubic yards)	(4)	7,035	7,471	5,248	5,754	5,748	6,530

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 six years are reported.

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

CAPITAL ASSETS STATISTICS BY FUNCTION

For the last six years.
(Unaudited)

		2003	2004	2005	2006	2007	2008
Public Safety							
Police stations	(1)	1	1	1	1	1	1
Sub-stations	(1)	1	1	1	1	1	1
Marked Patrol Units	(5)	9	9	9	10	11	11
Un-marked Patrol Units	(1)					11	11
K-9 units	(5)	2	2	2	2	2	2
Motorcycles	(5)	2	2	2	2	3	3
Specialty Vehicles	(1)					7	7
T3	(1)					1	1
Equipment Trailers	(1)					5	5
Fire stations	(1)	2	2	2	2	2	2
Pumpers	(1)	3	3	3	3	3	3
Ladder Trucks	(1)	1	1	1	1	1	1
Wildland Engine	(1)	1	1	1	1	1	1
Transportation							
Streets (miles)	(2)	99	102	105	106	131	145
Streetlights	(4)	1,165	1,452	1,460	1,517	1,537	1,550
City Owned				118	125	125	133
PP&L Owned				1,342	1,392	1,412	1,417
Traffic signals	(4)	6	6	7	7	8	9
Parks							
Number of parks	(5)	12	13	14	15	15	21
Acreage of parks	(5)	116	128	134	134	134	445
Swimming pools	(5)	1	1	1	1	1	1
Playgrounds	(5)	6	7	7	8	9	11
Baseball/softball fields	(5)	10	10	12	12	12	12
Soccer fields	(5)	4	4	4	5	6	5
Tennis courts	(5)	12	12	14	14	14	14
Water							
Water mains (miles)	(4)	157	153	172	175	180	184
Fire hydrants	(4)	1,063	1,295	1,359	1,472	1,489	1,569
Storage capacity (millions of gallons)	(4)	19.2	19.2	19.2	19	19	19
Reservoirs	(4)	8	8	8	8	8	8
Wastewater							
Sanitary sewers (miles)	(4)	160	153	166	167	168	170
Storm drains (miles)	(4)	32	36	101	103	104	105
Lift stations	(4)	2	2	2	2	2	2
Pumping Station (includes RSSSD)	(4)	3	3	3	3	3	3
Treatment capacity (millions of gallons)	(4)	4	4	4	4	6.4*	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.

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 six years are reported.

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

MISCELLANEOUS STATISTICS

June 30, 2008
(Unaudited)

Date of Incorporation - 1887
Form of government - Council/Manager

		2003	2004	2005	2006	2007	2008
Area	(2)	Acres - 5,562	Acres - 5,856	Acres - 6,166	Acres - 7,026	Acres - 7,026	Acres - 7,026
Number of police and officers	(1)	42	40	41	43	44	47
Number of firefighters and officers	(1)	17	17	17	17	17	19
Employees							
Classified service	(3)	168	168	165	169	187.5	217
Exempt	(3)	9	9	9	9	9	10

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 six years are reported.

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

STAFF ALLOCATION BY ACTIVITY*

Department/Activity	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Administration										
Management	3.45	3.55	4.75	4.75	4.90	5.90	5.90	5.90	5.90	6.90
Information Technology	-	-	-	-	2.00	2.00	3.00	0.00	0.00	0.00
Finance	11.60	11.60	15.00	15.00	13.00	13.00	14.00	15.00	15.00	16.00
Legal	1.10	1.10	0.85	0.85	0.80	0.80	0.80	0.80	0.75	0.75
Risk Insurance	0.25	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Human Resources	-	-	-	-	-	-	-	-	-	2.00
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00
Tourism Development	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	0.00	0.00
Downtown	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00	0.00	0.00
	18.90	18.90	23.40	23.40	24.50	25.50	27.50	25.00	21.95	26.95
Community Development										
Management	4.00	4.00	5.00	6.00	6.00	6.00	7.00	7.00	7.00	8.00
Engineering	5.50	6.50	8.00	8.00	8.00	8.00	8.00	9.20	9.00	10.00
Planning	8.00	8.00	9.00	9.00	11.00	14.00	7.00	9.00	8.00	11.00
Building & Safety	-	-	-	-	-	-	7.00	6.00	6.00	7.00
Economic Development	-	-	-	-	-	-	-	-	-	-
Parking Enf./Downtown	-	-	-	-	-	-	-	-	-	-
	17.50	18.50	22.00	23.00	25.00	28.00	29.00	31.20	30.00	36.00
Parks and Community Services										
Information Services	-	-	-	-	-	-	0.00	3.55	2.65	4.45
Park Maintenance	6.30	6.30	6.35	6.30	6.30	6.30	6.40	6.40	6.45	8.00
Property Management	1.30	1.30	1.25	1.20	1.20	1.20	1.00	1.05	0.90	1.25
Aquatics	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.35	0.30	0.30
Street Maintenance	6.55	6.55	6.50	7.45	7.45	6.45	7.50	6.60	0.00	0.00
Recreation	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.15
Garage Operations	0.30	0.30	0.30	0.40	0.40	0.40	0.35	0.55	0.40	3.30
Equipment Repair	0.25	0.25	0.30	0.35	0.35	0.35	0.40	0.45	0.55	0.60
Tourism Development	-	-	-	-	-	-	0.00	0.00	2.00	1.85
Downtown	-	-	-	-	-	-	0.00	0.00	1.00	1.45
	15.00	15.00	15.00	16.00	16.00	15.00	16.00	19.00	14.30	21.35
Public Works										
Water Treatment	3.79	4.79	4.45	5.00	5.40	5.40	5.40	5.17	4.39	5.94
Water Distribution	6.07	7.07	6.95	7.00	8.00	8.00	8.00	8.44	8.98	8.93
Wastewater Collection	3.07	3.07	3.95	4.00	4.00	4.00	4.00	4.44	5.98	5.94
Wastewater Treatment	8.79	8.79	9.12	7.75	8.25	8.25	8.75	8.84	8.73	8.88
JO-GRO™	-	-	3.33	3.25	3.35	3.35	3.85	3.91	3.91	4.05
Capital Projects	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	1.38	1.38	1.30	1.10	-	-	0.00	0.00	0.01	0.00
Storm Water	-	-	-	-	-	-	0.00	0.00	0.00	0.15
Street Maintenance	-	-	-	-	-	-	0.00	0.00	6.70	6.76
	24.10	26.10	30.10	29.10	30.00	30.00	31.00	31.80	39.70	41.65
Public Safety										
Field Operations	50.50	50.50	51.50	52.50	54.50	52.50	54.50	59.00	60.00	68.00
Support Operations	16.00	16.00	26.00	26.00	27.00	26.00	26.00	28.00	26.00	31.00
Code Enforcement	-	-	-	-	-	-	-	1.00	3.05	2.05
	66.50	66.50	77.50	78.50	81.50	78.50	80.50	88.00	89.05	101.05
Total	142.00	145.00	168.00	170.00	177.00	177.00	184.00	195.00	195.00	227.00

* Actual full-time positions

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

WATER UTILITY
TEN LARGEST REVENUE SOURCES

For the last six fiscal years
(Unaudited)

Customer (classification)	2003			2004			2005		
	Annual Consumption Units (100 hcf)	Annual Revenue	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Percent of Total Revenue
City of Grants Pass (public)	67,471	\$ 95,239	2.93%	77,221	\$ 98,849	3.05%	53,982	\$ 116,945	3.60%
School District 7 (public)	54,955	69,797	2.15%	51,132	67,457	2.08%	48,765	56,202	1.73%
Josephine County (public)	34,178	59,434	1.83%	31,826	55,766	1.72%	30,154	47,362	1.46%
Three Rivers Hospital (commercial)	27,433	37,096	1.14%	35,030	41,526	1.28%	30,941	39,083	1.20%
Riverwood Apts. (multi-family)	19,869	30,052	0.93%	20,444	31,213	0.96%			0.00%
State of Oregon (public)	20,018	28,352	0.87%	20,985	29,775	0.92%	11,506	15,698	0.48%
Timber Products (commercial)	27,133	25,422	0.78%			0.00%	28,673	25,378	0.78%
Grants Pass Shopping Center (commercial)	15,540	24,948	0.77%	13,431	25,582	0.79%			0.00%
Grants Pass Hardwoods (commercial)	27,618	22,185	0.68%	37,424	23,926	0.74%	23,079	20,880	0.64%
Spring Pointe/Spring Village (commercial)	12,949	20,819	0.64%	13,139	14,593	0.45%	15,009	21,993	0.68%
Wal-Mart (commercial)				9,496	12,238	0.38%	12,145	13,734	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%

See Next page for Notes.

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

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

For the last six fiscal years
(Unaudited)

Customer (classification)	2006			2007			2008		
	Annual Consumption Units (100 hcf)	Annual Revenue***	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue	Percent of Total Revenue
City of Grants Pass (public)	234,635 \$	219,801	6.77%	323,766 \$	122,740	3.78%	110,192 \$	152,782	3.78%
Spring Pointe/Spring Village (commercial)	22,655	21,337	0.66%	36,573	36,728	1.13%	31,275	112,426	1.13%
Three Rivers Hospital (commercial)	43,855	38,342	1.18%	145,243	115,499	3.56%	33,782	106,910	3.56%
School District 7 (public)	46,379	34,752	1.07%	74,476	90,821	2.80%	25,821	85,610	2.80%
Josephine County (public)	47,807	55,879	1.72%	44,243	66,166	2.04%	14,031	64,251	2.04%
Riverwood Apts. (multi-family)	31,233	25,570	0.79%	30,097	51,205	1.58%	11,004	49,911	1.58%
Wal-Mart (commercial)	18,627	13,912	0.43%	66,625	44,045	1.36%	8,576	45,084	1.39%
Holiday Builders	33,673	22,942	0.71%	6,424	22,208	0.68%	5,949	36,737	1.13%
Timber Products (commercial)	5,743	10,413	0.32%	145,243	115,499	3.56%	27,618	24,990	0.77%
Grants Pass Shopping Center (commercial)	19,976	19,347	0.60%	27,618	22,185	0.68%	11,349	49,911	0.68%
State of Oregon (public)				11,349	12,748	0.39%			0.39%
Grants Pass Hardwoods (commercial)				911,657	699,844	21.57%	310,947	781,611	20.79%
Jack's Landing & RV Resore (commercial)									
Sub-total	504,583	462,295	14.25%		699,844			781,611	
All other sources		3,652,105	85.75%		4,352,983	78.43%		3,679,739	79.21%
*Total Water Revenues	\$	4,114,400	100.00%	\$	5,052,827	100.00%	\$	4,461,350	100.00%

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 lower revenue numbers.

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

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

UTILITY STATISTICS

WATER USAGE CUSTOMER ANALYSIS

For the last ten 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
2008	7,869	945	1,159	152	132	97	10,354

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
2008	1,637,651	350,760	581,247	223,662	470	35,153	2,828,943

**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

**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 2.54% for 2008.

Water Rates as of January 1, 2008

Meter Size	Monthly Base Rate	Add'l Unit Chrg for multi-family & PUD
3/4 " or less	\$ 8.80	\$ 3.29
1"	19.62	3.29
1.5"	37.02	3.29
2"	59.39	3.29
3"	114.54	3.29
4"	189.84	3.29
6"	360.59	3.29
8"	573.77	3.29
10"	888.76	3.29

Single Family Residential		
0-10	11-25 unit	>26 units
\$0.82	\$1.04	\$1.23

Customer Class	
Multi-Family & PUD	\$ 0.81
Commercial/Public	0.96
Irrigation-All Classes	1.40
Standby-All Classes	1.40

Service Level Charge	
Service Level	Per Unit Chrg
1	0
2	\$0.09
3	\$0.21
4	\$0.30
5	\$0.39

Sewer Rates as of January 1, 2008

Class	Per Month
Residential	
Monthly Service Charge	\$ 11.24
Volume Charge x awwc	2.31
Multi-Family	
Monthly Service Charge	\$ 11.24
Volume Charge x awwc	2.31
Commercial Normal Strength	
Monthly Service Charge	\$ 11.24
Volume Charge x awc	2.31
Commercial High Strength	
Monthly Service Charge	\$ 11.24
Volume Charge x awc	3.23
Public	
Monthly Service Charge	\$ 11.24
Volume Charge x awc	2.31

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

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

2007-2008 AUDITORS' COMMENTS AND DISCLOSURES

WHERE THE ROGUE RIVER RUNS



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PAULY, ROGERS AND CO., P.C.

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December 18, 2008

2007-2008 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, 2008, and have issued our report thereon dated December 18, 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, 2008, 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.

2007-2008 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 December 18, 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 December 18, 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.

2007-06 AND 2008-07 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, 2008.

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, 2008, 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 2007-2008.

2007-2008 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.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state programs. Since the City did not expend greater than \$500,000 in federal financial assistance for the year ended June 30, 2008, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133)

Pauly, Rogers and Co., P.C.

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