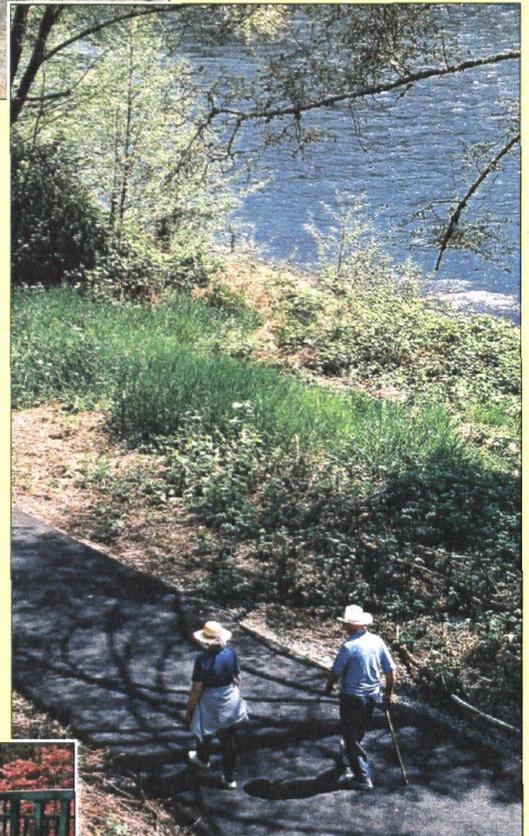


Riverside Park

Comprehensive Annual Financial Report

For the year ending June 30, 2006

***City of Grants Pass,
Oregon***



Riverfront Trail / All Sports Park



5th Street River Overlook



© City of Grants Pass

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended June 30, 2006

Prepared by:

Joanne Stumpf, Administrative Services Director

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

TABLE OF CONTENTS

PAGE
NUMBER

INTRODUCTORY SECTION:

Elected Officials	i
Transmittal Letter	x
Organizational Charts	xii
Certificate of Achievement for Excellence in Financial Reporting	

FINANCIAL SECTION:

INDEPENDENT AUDITORS' REPORT	1
------------------------------	---

MANAGEMENT'S DISCUSSION AND ANALYSIS	3
--------------------------------------	---

FINANCIAL STATEMENTS AND SCHEDULES:

Basic Financial Statements:

Statement of Net Assets	18
Statement of Activities	19
Balance Sheet – Governmental Funds	20
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance –Governmental Funds – To Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	25
Combined Statement of Cash Flows - Proprietary Funds	26
Statement of Fiduciary Net Assets	27
Notes to Basic Financial Statements	28

Required Supplementary Data:

Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – General Fund	47
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis – Solid Waste Fund	48
Notes To Required Supplementary Data	49

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

TABLE OF CONTENTS. (CONTINUED)

	<u>PAGE NUMBER</u>
Supplementary Data:	
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Bancroft Bond Fund	50
Transportation Projects Fund	51
Land and Building Projects Fund	52
Parkway Redevelopment Fund	53
Combining Balance Sheet – Non-Major Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	55
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Non-Major Governmental Funds:	
Transient Room Tax Fund	56
Street Utility Fund	57
Community Development Block Grant Fund	58
Housing and Economic Development Fund	59
Storm Water Open Space Fund	60
Enterprise Funds:	
Water Fund	61
Sewer Fund	62
Harbeck-Fruitdale Sewer District Fund	63
Redwood Sanitary Sewer Service District Fund	64
Combining Statement of Net Assets – Internal Service Funds	65
Combining Statement of Revenues, Expenditures and Changes in Net Assets – Internal Service Funds	66
Combining Statement of Cash Flows – Internal Service Funds	67
Schedules of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget - Budgetary Basis:	
Fleet Operations Fund	68
Support Services Fund	69
Administrative Services Fund	70
Insurance Services Fund	71
Schedule of Changes in Assets and Liabilities – Agency Fund	72
Other Financial Schedules:	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	73

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

TABLE OF CONTENTS, (CONTINUED)

	<u>PAGE NUMBER</u>
STATISTICAL SECTION:	
Net Assets by Component	74
Changes in Net Assets	75
Changes in Net Assets	76
Program Revenue by Function	77
Fund Balances, Governmental Funds	78
Changes in Fund Balances, Governmental Funds	79
Tax Revenue by Source, Governmental Funds	80
Property Tax Levies and Collections	81
Consolidated Tax Rates	82
Consolidated Tax Levies	83
Assessed and Estimated Actual Value of Taxable Property	84
Property Tax Rates -- Direct and Overlapping Governments	85
Special Assessment Collections	86
Ratio of Outstanding Debt by Type	87
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	88
Legal Debt Margin Information	89
Computation of Direct and Overlapping Debt	90
Ratio of Annual General Obligation Bonded Debt Service Expenditures to General Expenditures	91
Schedule of Revenue Bond Coverage Water Bonds	92
Schedule of Bond and Interest Transactions	93
Schedule of Future Debt Service	94
Property Values, Construction Values and Bank Deposits	96
Demographic Statistics	97
Insurance and Surety Bonds in Force	98
Josephine County Principal Employers	99
Ten Largest Taxpayers Within City Limits	100
Operating Indicators by Function	101
Capital Assets Statistics by Function	102
Miscellaneous Statistics	103
Staff Allocation by Activity	104
Water Utility Ten Largest Revenue Sources	105
Utility Statistics Water Usage Customers Analysis	106
Water and Sewer Rates	107
AUDITORS' COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS	108
GRANT COMPLIANCE REVIEW:	
Schedule of Expenditures of Federal Awards	111
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i>	112
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance with OMB Circular A-133	113
Schedule of Prior and Current Year Audit Findings and Questioned Costs Relative to Federal Awards and Notes to Schedule of Federal Awards	115

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

ELECTED OFFICIALS

June 30, 2006

<u>NAME</u>	<u>TERM EXPIRES</u>
Len Holzinger, Mayor	December 31, 2008
Phil Paquin, NW – Ward 1	December 31, 2008
Jeff Hyde, NW – Ward 1	December 31, 2006
Robert Keith, NE – Ward 2	December 31, 2006
Jack Patterson, Jr., NE – Ward 2	December 31, 2008
Tim Cummings, SE – Ward 3	December 31, 2006
DonnaJean Wendle, SE – Ward 3	December 31, 2008
Kris Woodburn, SW – Ward 4	December 31, 2006
Brian Thompson, SW – Ward 4	December 31, 2008

All council members receive mail at the address listed below.

CITY MANAGER

David W. Frasher

ADMINISTRATIVE SERVICES DIRECTOR

Joanne M. Stumpf

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

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City of Grants Pass



December 15, 2006

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 compliance with government accounting standards and practices. Unlike some corporations, 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 the financial information and disclosures of this report are accurate in all material respects, and that the report fairly represents the financial position of the City and the results of operation for the last year, as measured by financial activity. We have included all disclosures necessary for the reader to understand the financial condition of the City.

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

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

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

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

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

Geography of the City of Grants Pass

Grants Pass has grown to a population of slightly more than 30,000 residents and is a beautiful community with a "hometown" feeling. The City was incorporated in 1887 and today encompasses 7,026 acres of land. Grants Pass is located on Interstate 5 in the "Sun Belt" of Southern Oregon, astride the banks of the Rogue River, one of America's premier white water rivers. The City is nestled among a series of mountains giving the valley a scenic backdrop. Grants Pass is the County seat of Josephine County and serves as the major commercial, cultural, and economic center for a County population of 81,125.

Factors Impacting Financial Conditions

The City of Grants Pass continues to experience growth and now ranks 16th in population among 241 communities in Oregon. Grants Pass's assessed value rose 9.5% while the County experienced a 6.3% increase in assessed value. Single-family housing starts, increasing not only in number but also value, appear to be prompted largely by migration from out-of-state. The median sale price for a home in Grants Pass as of June 30, 2006 was \$275,000 compared to \$266,500 at the same time in 2005. The real market value of urban residential improved property in Josephine County increased 27.1% in the last year. Commercial development, largely service-related businesses, continue strong growth commensurate with consumer demands.

Private developers continue to acquire lands throughout the urban growth boundary for future subdivisions that will 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.

Similarly, the combination of rapid growth and processing Service and Annexation Agreements places escalating demands on services like planning, building inspection, transportation, and public safety. 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.

Despite the escalation of property values and influx of development, the possibility remains that the State may reduce intergovernmental revenues from revenue sharing or liquor and cigarette taxes. With the fluctuation in State income tax revenues the competition for financial support among state agencies creates the potential for less money and more responsibilities delegated to local government.

All property taxes received in Grants Pass are dedicated exclusively for the provision of Public Safety services. The permanent tax rate (\$4.1335) together with the local option levy (\$1.49) totaled \$5.6235/\$1,000 assessed value and generated \$8.9 million of the \$10.4 million Public Safety budget in FY'06. The City continues to face challenges in securing General Support Revenues for programs that are critical to the sustainability of our community, such as planning, parks, and capital projects. Added to those discussions will be determining the appropriate level of Public Safety services, their associated cost, and the community's willingness to pay for these services through taxation.

Grants Pass continues to experience steady employment growth fueled by the immigration of retirees and others, and continues to expand and diversify its employment base. Over the past year, employment gains were spread across many different industry sectors, led by manufacturing (+120 jobs), construction (+210), and leisure & hospitality (+100). The countywide unemployment rate dropped markedly from 7.0% to 6.1% as of June, 2006. Payroll jobs increased by 1,020 during the 12-month period, despite some job losses in local government (e.g. Josephine County) and the private sector (e.g. Masterbrand Cabinets).

Manufacturing and other primary sector employment remained strong for the year, with many local employers seeing continued expansion and job growth. Some of these increases were led by Fire Mountain Gems, the opening of the 78,733 square foot Parkway Village Shopping Center, the Ramsey Medical Professional Office, and the addition of a 5,000 sq. ft. administration building for Three Rivers Community Hospital. Josephine County has bucked state and national trends by growing its manufacturing base, a trend that can be traced back to the late 1990s. Likewise, overall employment growth has exceeded state and national rates over the past several years. Revised data for the previous year shows that the job growth in Josephine County was actually 4.6% as compared to the original estimate of 3.6%. 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 companies. A third round of comprehensive surveys, launched in early 2005, was completed in July. Of the 66 businesses surveyed, on a scale of 1 to 5, where 5 is excellent, they rated Grants Pass a 4.3 as a place to do business and 4.7 as an community in which to live. While 64% of the firms expressed plans to modernize or expand their present facilities, 40% of the businesses do not have sufficient property for expansion. It is very important to remain cognizant of this information as the City initiates work on its Urban Growth Boundary expansion project.

City Organization and Services

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

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

The Council makes policy and directly employs the City Manager. The Manager executes Council policy and has the operating and administrative responsibility for all divisions of the municipal corporation. Our local government structure is similar to that of other corporations. For instance, our Mayor is Chairman of the Board, our Council

the Board of Directors, and our City Manager the Chief Executive/Operating Officer of the Corporation. The City provides a full range of municipal services. General governmental functions include public safety, code enforcement, park maintenance, planning and development and parking enforcement. Street maintenance, landfill operations and other special operations are reported with the Special Revenue Funds. Services provided through enterprise funds are the water and sewer utilities, in which expenses are covered primarily by user charges. Administrative Services, Support Services, Insurance and Fleet Management are provided through Internal Service Funds. The following programs are administered by five departments under the direction of the City Manager:

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

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

Field Operations: Directs the operations and maintenance of City facilities (parks, buildings, streets, drainage systems), supports recreation in the community and provides information technology and fleet maintenance services.

Utility Operations: Directs the operations of the City water and wastewater utilities and directs operation of the landfill and special districts - Harbeck-Fruitdale Sewer District and the Redwood Sanitary Sewer Service District.

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

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 body and the City provides financial and administrative services to the agency, the Grants Pass Parkway Redevelopment

Agency 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 earlier to provide sewer services to a specific geographical area outside the municipal boundary. The change in governance from Josephine County Board of Commissioners to the City Council was part of an intergovernmental agreement entered into between the City and the 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, rate setting and rate changes, and the collection and allocation of environmental program fees. The Board granted managerial responsibilities of the Agency to the City of Grants Pass.

Goals Of The Community

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

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

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

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

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

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

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

Measuring Performance

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

Accounting Systems and Internal Controls

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

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow 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 2006, the City was insured for general liability through a risk pool comprised of cities and counties in Oregon, and managed through the League of Oregon Cities. Workers compensation, a self-insured program, is administered through a contract with a private firm. Insurance and state bonding requirements provide for losses in excess of \$400,000. During FY'06 the City did not incur any major time-loss injuries. One previous incident remains pending and could have a financial impact on the City.

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, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

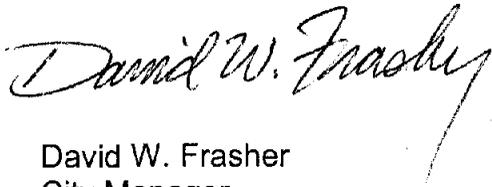
A Certificate of Achievement is valid for a period of one year only. The City has received this Certificate for the last twenty-two consecutive fiscal years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for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

Acknowledgements

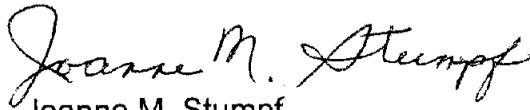
The preparation of this report could not have been accomplished without the dedicated effort of the City Administrative Services Department Staff. We also appreciate the contributions made by all other City staff members and wish to express our gratitude for their assistance in this project.

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

Sincerely,

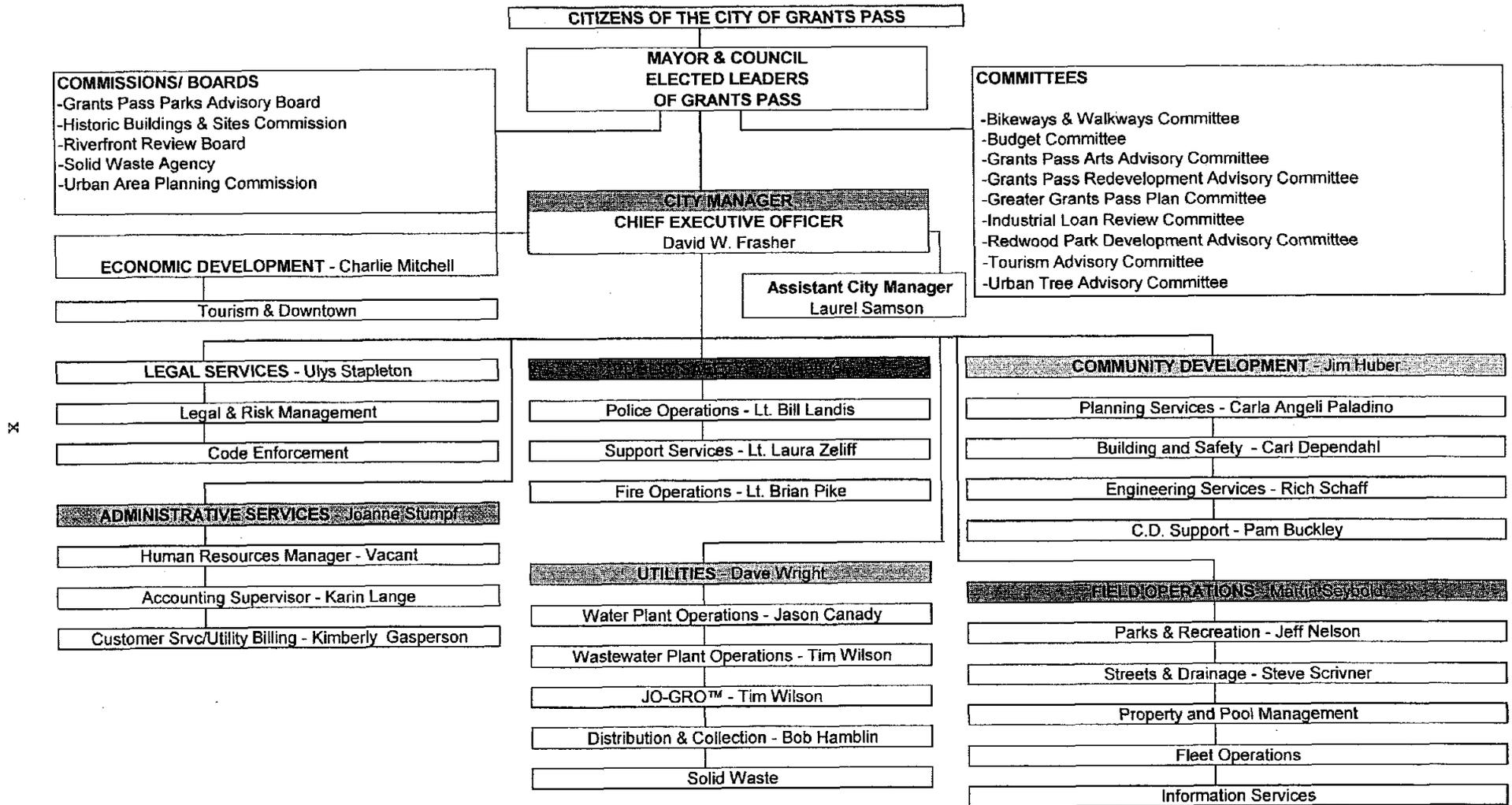


David W. Frasher
City Manager

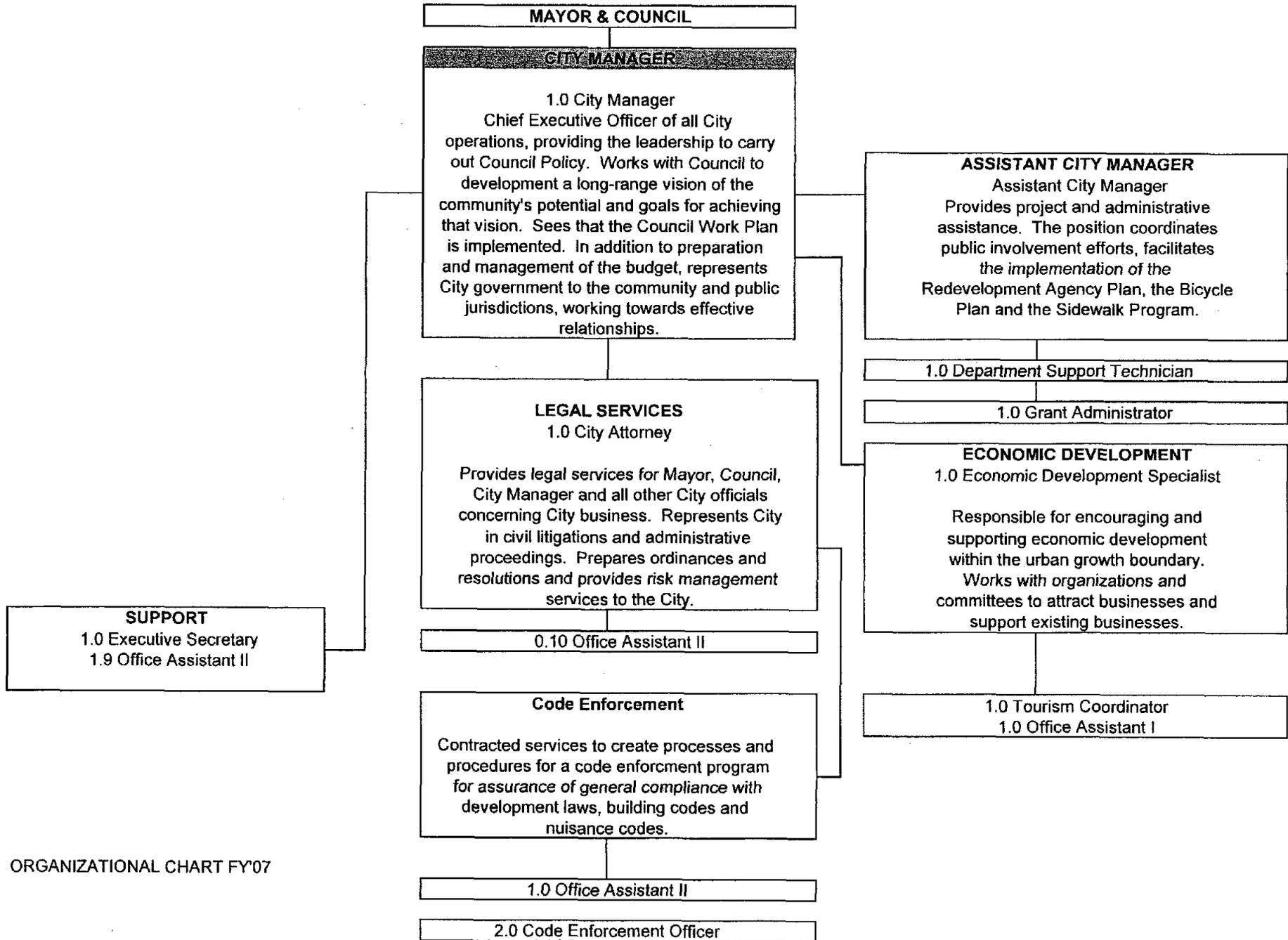


Joanne M. Stumpf
Administrative Services Director

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ORGANIZATIONAL CHART FY'07

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grants Pass
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



Carla E. Perry

President

Jeffrey R. Enos

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

October 13, 2006

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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. 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, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 13, 2006, on our consideration of City of Grants Pass' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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 Schedule of Expenditures of Federal Awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplementary information (including the Schedule of Expenditures of Federal Awards), as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.


PAULY, ROGERS AND CO., P.C.

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

This section of the City of Grants Pass' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2006. 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 \$198,186,795 on June 30, 2006.
- The City's net assets increased by \$21,400,895 during the year.
- The general fund reported a fund balance this year of \$4,438,485.

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 funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others 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 fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds* - The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that, due to a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets were \$198,186,795 on June 30, 2006.

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
ASSETS:						
Current and Other Assets	\$ 23,159	27,514	\$ 9,922	13,032	\$ 33,081	40,546
Capital Assets	82,889	94,556	83,542	84,333	166,431	178,889
Total Assets	106,048	122,070	93,464	97,365	199,512	219,435
LIABILITIES						
Current and Other Liabilities	2,477	2,956	833	880	3,310	3,836
Long-Term Liabilities	4,892	3,941	14,534	13,471	19,426	17,412
Total Liabilities	7,369	6,897	15,367	14,351	22,736	21,248
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	41,110	94,715	66,871	71,186	107,981	165,901
Unrestricted	57,569	20,457	11,226	11,829	68,795	32,286
Total Net Assets	\$ 98,679	115,172	\$ 78,097	83,015	\$ 176,776	198,187

Statement of Net Assets at June 30, 2006

Governmental Activities

The major reasons for the 14.3% increase, or approximately \$4.7M in current assets were Notes Receivable and Assessment Liens. Both the General Fund and the Solid Waste Fund provided internal borrowings for the acquisition of future park land property and capital construction projects. With the completion of various infrastructure projects, such as sidewalks, curb and gutter, water and sewer lines, initiated and sanctioned by benefiting property owners, assessment liens to repay those improvements increased by \$1.0M.

The annexation of 569.63 acres approved by the voters in November, 2005, together with 277.38 acres approved for annexation in May, 2006, added \$6.8M of street infrastructure to fixed assets. This included \$1.7M of curb and gutter work, \$3.9M of concrete sidewalks and \$1.2M of developer installed local collector streets. Other Transportation enhancements included the \$1.5M realignment of Lewis Avenue, storm drain improvements made by both the City and developers totaling \$1.0M, \$756,000 in curb and gutter improvement, \$1.9M in concrete sidewalk improvements, and storm drainage improvements of \$338,000. The acquisition of a 250 acre land parcel located on Upper River Road added \$2.7M in property value. An increase in accrued compensated absences accounts for the change in Current Liabilities while annual debt service payments contribute to the decline in Long-Term Liabilities.

Business-type Activities

Cash assets for the operating Water and Sewer Funds increased a total of \$1.1M over year-end FY'05, the result of rate changes implemented during FY'06. These changes also positively impacted Accounts Receivable by \$300,000. System Development Charge revenues spurred by continued development and growth, coupled with under expenditures in capital projects, resulted in restricted cash resources increasing by \$839,000 in the Water Fund and \$730,700 in the Sewer Fund. Long-Term Liabilities were reduced by annual debt service payments of

\$418,058 in the Water Fund, \$492,306 in the Sewer Fund, and \$685,492 in the Redwood Sanitary Sewer Service District.

Ninety-two million dollars of fixed asset value was added to the Water Fund through the installation of 16,683 linear feet of various size water lines, installation of 74 new hydrants, replacement of pumps at the Filtration Plant, and improvements at the Meadow Wood pump station. The Sewer Fund increased by \$834,000 through the addition of 5,439 linear feet of line and 200 cleanout/manholes for \$834,000 while the Redwood Sanitary Sewer Service District gained \$58,000 through the construction of 691 linear feet of developer installed service lines.

Statement of Activities for the Year Ended June 30, 2006

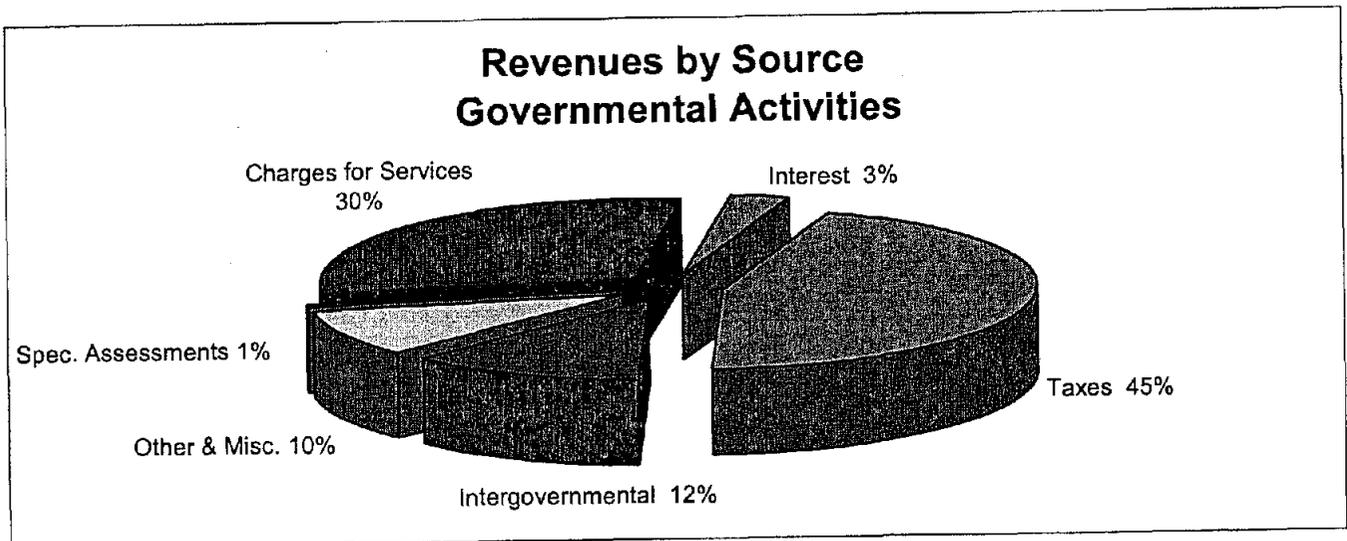
While the City dedicates the receipts from all Property Taxes exclusively to the Public Safety program, Government Accounting Standards Board (GASB) 34 guidelines dictate that those revenues not be shown as an activity generated resource, but rather appear under the heading of General Revenues. Increased System Development Charge revenues for Parks, Transportation, and Storm Drainage, the result of a continued building boom in the community, account for the significant increase in Charges for Services increase in governmental activities.

Taxable values for FY'06 increased 9.5%. This value increase of \$150M resulted from the November, 2004 voter approved property annexations of \$53M together with residential and commercial growth. In March, 2005 the voters approved an increase in the Local Option Levy from \$.89 to \$1.49/\$1,000 assessed value in support of Public Safety services. The combination of these factors generated an additional property tax levy of \$1.54M of which approximately 95% was collected. All operating divisions realized increases in personnel costs in accord with approved labor contracts.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
REVENUES:						
Program Revenues:						
Charges for Services	\$ 6,947	\$ 9,180	\$ 8,782	\$ 10,341	\$ 15,729	\$ 19,521
Operating Grants & Contributions	378	2,240	-	1,762	378	4,002
General Revenues:						
Taxes	11,923	14,003	-	-	11,923	14,003
Intergovernmental	3,806	3,728	241	261	4,047	3,989
Other	6,365	1,899	6,352	823	12,717	2,722
Total Revenues	29,419	31,050	15,375	13,187	44,794	44,237
EXPENSES:						
Public Safety	11,308	8,505	-	-	11,308	8,505
Transportation	1,357	1,007	-	-	1,357	1,007
Building	1,110	766	-	-	1,110	766
Parks	1,519	1,135	-	-	1,519	1,135
Development	2,392	2,815	-	-	2,392	2,815
General Government	144	193	-	-	144	193
Solid Waste	2,050	(139)	-	-	2,050	(139)
Water	-	-	3,398	3,660	3,398	3,660
Sewer	-	-	5,015	4,544	5,015	4,544
Interest	174	339	-	-	174	339
Total Expenses	20,055	14,622	8,413	8,204	28,468	22,826
Change in Net Assets before Transfers	9,364	16,428	6,962	4,983	16,326	21,411
Transfers	442	65	(442)	(65)	-	-
Change in Net Assets	9,806	16,493	6,520	4,918	16,326	21,411
Beginning Net Assets	88,873	98,679	71,577	78,097	160,450	176,776
Prior Period Adjustment	-	-	-	-	-	-
Ending Net Assets	\$ 98,679	\$ 115,172	\$ 78,097	\$ 83,015	\$ 176,776	\$ 198,187

The City's total revenues were \$44,237,232 of which a significant portion, 31.7%, came from taxes, while 48.3% relates to charges for services, including user fees, licenses and permits and special assessment revenues. The graph below defines the sources of the governmental activities revenue.



GOVERNMENTAL ACTIVITIES

Program Revenues

Tax revenue increased 20.3% in FY'06 generating approximately \$1,780,000 more in revenues than in FY'05. A 9.5% increase in taxable assessed value was the major factor for this change. The property tax levy increased from \$7,427,728 to \$9,171,224, with actual current year collections exceeding estimates by \$166,250. The Parkway Redevelopment Agency, a component unit of the City, experienced 8.0% growth in taxable assessed value that generated a 7.1% increase in its levy.

As mentioned previously, the City dedicates all property tax revenue to the Public Safety Program. These monies, together with program-generated revenues, such as dispatch and call-taking contracts, were sufficient to cover the program costs for the first time in decades. 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 increases in Charges for Services are largely attributed to on-going development in the community. Building permit revenues generated \$1,302,864 from the issuance of 760 structural permits with a valuation of \$114,076,726. While the number of issued permits dropped 7.7% from the previous year, the division is experiencing projects with higher valuations and greater square footage.

Transportation System Development Charge revenues went from a record \$2.0M in FY'05 to \$1.7.0M in FY'06, a decrease of \$300,000, reflecting decreased volume in residential building permits. Parks System Development Charges generated \$599,933 compared to \$647,146 in FY'05 while Storm Drain System Development Charges increased from \$269,305 to \$441,507 in FY'06. This last noted increase, as compared to declines experienced in other System Development Charge revenues, reflects development occurring in the Sand Creek Basin that has a specifically designated System Development Charge to address drainage issues.

The City's successful pursuit of grant opportunities resulted in increases in Operating Grant Funds. A \$1.2M pedestrian improvement project along the Rogue River Highway received \$350,000, one-half of a designated grant from the Oregon Department of Transportation. Public Safety was reimbursed \$48,000 by Grants Pass School District #7 for a school resource officer, a program funded by grant monies received by the District. The balance of a Homeland Security Grant, \$14,881, was received for a FEMA related wellness program targeted for firefighters. The Transportation program Gas Tax receipts experienced a 3.1% increase over the previous year, generating \$31,183 in additional intergovernmental revenue.

Program Expenses

While the Adopted FY'06 Budget authorized twelve additional staff, at year end we had a total of eleven vacancies. Four of the positions, one in JO-GRO™, one in Parks, one in Community Development and one in Planning, became available due to resignations, retirements and internal promotion. The remaining seven represent unfilled positions, two in utilities, one each in Planning, Building and Safety, Code Enforcement, Public Safety Support, and Streets. Most divisions have experienced difficulty in recruiting qualified staff, largely due to housing costs outpacing compensation. City employees, especially those with specific technical skills like planners and building inspectors, find that they can relocate to larger communities within the state that offer lower housing costs and higher relative wages. This factor is further reflected in law enforcement recruitment where we have experienced fewer applicants and about a 50% drop-out rate at each step of the assessment process. The compensation study now underway will assist Human Resources as they endeavor to attract and retain greater numbers of qualified candidates and employees to Grants Pass.

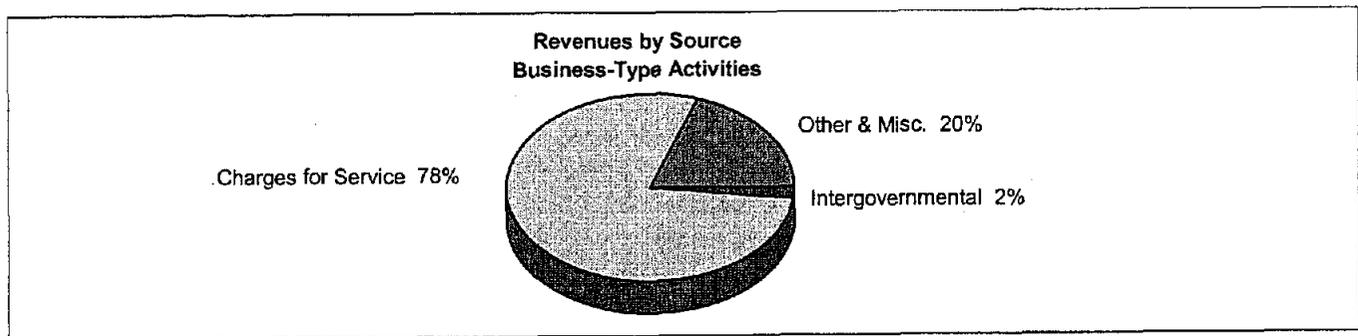
Effective January 1, 2006 the City entered its third year of salary adjustments for field personnel pursuant to a three-year collective bargaining agreement. Compensation adjustments below cost-of-living were granted to this group the last calendar year of their contract. Negotiations for new contracts with police and fire groups commenced in July, 2005, with the hope of achieving agreements prior to December 31, 2005. Agreements stalled over disputed wages, the sharing of health insurance premiums, and residency. Differences remained following mediation so arbitration hearings were scheduled for July and September. Management and the unions were motivated by risks of arbitration and eventually agreed on new three-year contracts that were ratified by the governing body in November, 2006.

Brisk development continued through fiscal year 2006. Three hundred eighty-four single-family residential permits were issued compared to 361 for FY'05, while the number of multi-family permits increased to 55 compared to 43 in FY'05. The issuance of commercial permits declined to 16, compared to 32 in FY'05. Permit values for new residential buildings increased from \$77.97M to \$80.93M while permit values for commercial, institutional, and educational structures decreased from \$32.2M to \$19.7M.

Public Safety program operation costs increased 13.4%, about \$1,221,000 over FY'05, largely the result of personnel costs and a full year of expenditures in the Code Enforcement activity. The negative allocation of \$2.624M in fixed asset value, together with an increase of \$700,194 for depreciation and \$102,131 for accrued time off benefits, contributed to the noteworthy FY'06 decrease in the Change of Net Assets.

An 8.37 acre Morrison Centennial Park was built by volunteers and completed in September, 2005. This contributed to an increase in park maintenance of \$163,476, a 13.3% change from FY'05. Other changes between FY'05 and FY'06 were prompted by a fixed asset adjustment of \$1,255,500 and depreciation costs of \$335,000, partially offset by reallocation of revenues in FY'06.

Disbursement of a \$500,000 Community Development Block Grant accounts for the FY'06 change reported in Development program. The reduction in liabilities based upon the Record of Decision handed down by the State of Oregon Environmental Quality on the former sanitary landfill resulted in a net negative expenditure for Solid Waste activity.



BUSINESS-TYPE ACTIVITIES

Program Revenues

Each of the City's utilities experienced growth in the number of accounts. This, together with rate increases implemented during the year, positively impacted respective Charges for Services. For example, Water utility revenues from sales increased 4.9% generating \$171,039 in additional revenues. The number of accounts rose 6.4%. Wastewater accounts grew more modestly (+212) 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. With the 46% user rate increase implemented in November, 2005, sewer revenues increased 35.7%, generating \$961,257 in additional revenues. However, it should be noted that

the average residential water consumption, upon which wastewater billing rates are based, remained steady for the second consecutive year at 7.0 hundred cubic feet (hcf).

The Redwood Sanitary Sewer Service District experienced a mere 2.2% increase in user revenues (\$16,229) while the District's number of accounts increased by 290, or 15.5%. The slight revenue increase resulted from adjustments to receivables of \$45,000 for prior year balances remitted to the Josephine County Assessor for collection. Continued growth in each utility, a by-product of the residential growth occurring within the community and especially within the Redwood Sanitary Sewer Service District, accounts for a major portion of the FY'06 change in Net Assets.

Fluctuation in revenue between FY'05 and FY'06 were prompted by infrastructure contributions of \$1.2M in water, \$456,000 in wastewater and \$58,000 in the Redwood Sanitary Sewer Service District, all the result of developer installed improvements throughout the community. These revenues have been reclassified from Other Revenues to Operating Grants and Contributions.

Program Expenses

Implementation of a backflow prevention program whereby the City provides, through a private contractor, for annual inspection of all devices at residential properties, impacted Water Distribution operating costs by \$36,500. These costs are offset by a fixed monthly surcharge of \$3.00 on the utility billing for all applicable customers. This, together with wage and benefit increases and acquisition of \$60,000 in new meter services, accounts for \$171,643 of the fluctuation.

FY'06 depreciation on Wastewater capital improvements was \$653,000, a sharp decline from \$1.4M in FY'05 when major construction projects were completed. With exception of acquisition of equipment for the sewer vacuum truck, wastewater treatment and collection operating costs were down compared to FY'05. The JO-GRO™ division of Wastewater, (a program mixing collected greenwaste to produce a Class A co-compost material for resale), continues to be well received by the public. Fuel and maintenance costs associated with the equipment used for the movement of incoming and outgoing products contributed to major operating costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Activities

The General Fund ended the year at \$4.4 million, an increase of 47.0% or \$1,418,562. This was much more favorable than the anticipated balance of \$2.3 million. While all activities ended the fiscal year under their respective appropriation limit, the most notable was Building and Safety, returning \$122,593 to the fund. Temporary Building and Safety activity surpluses resulted from not filling an open Plans Examiner position and reduced clerical support charges. Revenues, other than property taxes generated from Public Safety activity, exceeded budgeted estimates by \$181,767, with interest earnings providing the most notable positive deviation.

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

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

Schedule of Other Major Governmental Fund Balances
As of June 30, 2005 and 2006

	Major Governmental Fund Balances		Change
	2005	2006	
Bancroft Bond	\$ (1,493,576)	\$ (2,391,514)	\$ (897,938)
Transportation Projects Fund	4,662,142	5,890,538	1,228,396
Solid Waste	3,488,602	3,258,745	(229,857)
Lands & Building Project Fund	1,918,355	(341,188)	(2,259,543)
Parkway Redevelopment Agency	2,361,678	2,260,888	(100,790)
Total Fund Balances	<u>\$ 10,937,201</u>	<u>\$ 8,677,469</u>	<u>\$ (2,259,732)</u>

Special assessment revenues of \$591,532, the result of assessment payoffs received during the year, were insufficient to cover \$1,417,286 of Bancroft funds committed to sidewalk improvements on "A" Street, Willow Lane and West Harbeck road projects. 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'06 Transportation projects were funded by various sources such as the Redevelopment Agency, state monies from the Oregon Department of Transportation, System Development Charges and gas tax revenues. These projects included a \$1.5M project on West Harbeck and a \$1.4M project on Willow Lane. The Rogue River Highway Pedestrian Improvements, Redwood/Dowell Traffic Signal, and smaller projects fell behind schedule, the result of dependency on contractors and other agencies. These factors contributed to the positive change in the ending fund balance.

The City borrowed \$2.5M from the General Fund for acquisition of a 250 acre land parcel west of the City. This parcel is intended to serve as a reserve for future recreational needs of the community. The acquisition created a short-term deficit in the Lands & Building Fund at year end. Proceeds from pending sales of other City properties are anticipated to extinguish more than 50% of the debt in FY'07.

Schedule of Other Major Business-type Unrestricted Net Assets
As of June 30, 2005 and 2006

	Major Business-type Unrestricted Net Assets		Change
	2005	2006	
Water Fund	\$ 2,161,490	\$ 3,593,951	\$ 1,432,461
Sewer Fund	3,619,630	5,130,020	1,510,390
Harbeck-Fruitdale Sewer District	23,331	(55,978)	(79,309)
Redwood Sanitary Sewer Service District	1,148,267	1,160,895	12,628
Total Fund Balances	<u>\$ 6,952,718</u>	<u>\$ 9,828,888</u>	<u>\$ 2,876,170</u>

Business-type Activities

The Water Fund, ended the year with an estimated fund balance of \$425,820 compared to an ending balance of \$387,857 in FY'05. Expenditures were under budget by \$568,075, or 13.3%. Revenues from sale of water

exceeded the estimate of \$3.6M by \$118,000. The combination of these events contributed to the noticeable gain in ending fund balance. For the capital projects portion of the fund, expenditures were \$699,000 while revenues totaled \$1.9M with \$1.4M generated by revenues from operations. System Development Charge revenues made up the difference. This resulted in the fund increasing from a \$1.5M balance in FY'05 to an ending fund balance of \$2.5M in FY'06. 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 treatment plant, completion of a System Development Charge and rate study analysis, solids handling evaluation, and adding pumping capacity at the Meadow Wood Pump Station.

Both the operating segment and the capital projects segment of the Sewer Fund ended FY'06 with balances exceeding FY'05. Operations ended with a balance of \$792,933, as compared to their beginning balance of \$157,783. Capital projects ended with \$4.6M as compared to a budgeted estimate of \$4.3M. User fee and System Development Charge revenues, both supported by growth and increased rates implemented during FY'06, exceeded the prior year's records by 35.6% and 17.1% respectively.

Among other efforts, design work commenced on the \$1.1M Pine/Booth Street sewer rehabilitation project. A study of Wastewater System Development Charges and associated rate analysis was completed. Landscaping projects were completed at the Water Restoration plant site.

The Redwood Sanitary Sewer Service District (RSSSD) ended the year with a \$1.1M fund balance as planned. Revenues came in at 93% of budget while expenses ended at 88.7% of appropriations, including an additional lump sum debt service payment of \$250,000.

General Fund Budgetary Highlights

During FY'06, events occurred that were not specifically anticipated at the time of budget hearings. The Council authorized appropriation transfers to cover these occurrences. Engineering Services appropriated a transfer of \$12,000 to the Equipment Replacement Fund for acquisition of a vehicle. Water Capital Projects appropriated System Development Charge revenues of \$156,000 for the installation of pumps to improve fire flows to those properties served by the Hilltop Pump Station. Additional appropriations were reallocated from the G.I. Lane water project to more urgent needs at the Meadowwood Pump Station and effluent pump replacements at the Water Filtration Plant. Lastly the purchase of a Tactical Command Vehicle for Public Safety necessitated a contingency transfer in the Equipment Replacement Fund.

After the Budget Committee convened, reviewed and approved the operating and capital supplemental budget for FY'06, an event occurred resulting in the need for an additional appropriation. This event, the early delivery of police vehicles, necessitated an amendment to the Equipment Replacement Fund supplemental budget in the amount of \$29,000.

The major difference in the final budget and actual budget in the General Fund occurred in the Community Development program. Delays in filling of positions in Planning and Building and Safety Divisions allowed for a reduction in personal services appropriations. The Mayor and Council budget was also increased to accommodate recruitment costs for the hiring of a new City Manager while Code Enforcement, in its first full year of operation, received an additional \$22,457 for the hiring of part-time help and general start-up costs.

Changes to the Transportation program were prompted by the completion of road improvements on Willow Lane and West Harbeck road. Design work was initiated on the Redwood/Dowell traffic signal, Washington Boulevard reconstruction, and procurement of rights-of-way for the Rogue River Highway Pedestrian improvements. Work on other major projects was delayed to accommodate these priorities thus reducing capital outlay by \$2.2M.

The planned acquisition of property for the Allen Creek Trail, Rogue Path Properties, and Stormwater Detention Sites, together with development of Debo Park and increased Parks System Development Charge revenues, resulted in a Lands and Building Capital Project change of \$1.6M.

The reallocation of staff time, engineering costs triggered by customer service requests and the reassignment of capital projects led to a budgetary change of \$1.3M in the Water program. Work was prioritized on water rates/System Development Charges along with the intake structure modifications and effluent pump replacements at the Filtration Plant.

The Wastewater Program experienced the need to modify several projects including final costs for Phase I of the Secondary Treatment project and the Pine/Booth Sewer Rehabilitation project. As a result, capital project appropriations for this utility increased \$.9M for FY'06. Debt service increased \$76,926 in the Harbeck-Fruitdale Sewer Service District budget due to the payoff of a loan from the Rural Development Administration for installation of sewer collection system in the Crestview Loop.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the City had invested \$181,890,156 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 \$15.46 million. Please refer to Note 5 for more detailed information.

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

Change in Capital Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Beginning Balance	74.60	82.89	78.08	83.54	152.68	166.43
Prior Period Adjustment	-	-	-	-	-	-
Additions	13.66	16.92	18.09	3.39	31.75	20.31
Retirement						
Other	-4.12	-0.75	-10.62	-0.92	-14.74	-1.67
Depreciation	-1.25	-1.50	-2.01	-1.68	-3.26	-3.18
Ending Balance	<u>82.89</u>	<u>97.56</u>	<u>83.54</u>	<u>84.33</u>	<u>166.43</u>	<u>181.89</u>

Major additions to Governmental Activities assets for the year include the acquisition of a 250 acre parcel of land for public use with a value of \$2.7M, future neighborhood park and trail property valued at \$350,000, and right-of-way and road realignments with a value of \$1.5M. Storm drain system improvements of \$1.0M, together with \$10.9M of value in curbs/gutters, sidewalks, and local collector streets, account for the noticeable increase. Asset retirements consisted of \$700,000 worth of old roadway. The Business Activities gained 5,439 linear feet of sewer service lines and 16,683 linear feet of water lines with a total value of \$2.1M. Another \$615,000 was added due to construction in progress related to intake structure improvements and the installation of new pumps at the Water Filtration Plant.

Long Term Debt

At year-end the City had bonds, contracts and notes outstanding that totaled \$16,257,736.

Outstanding Debt at Year End
(in millions)

	2005	2006
Governmental:		
General obligation	\$ 1.70	\$ 1.07
Notes and Contract payable	1.63	1.72
Sub Total	<u>3.33</u>	<u>2.79</u>
Business-type Activities:		
Revenue Bonds payable	\$ 2.80	\$ 2.51
Less Unamortized discount	-0.02	-0.02
Notes and Contracts Payable	11.75	10.98
Sub Total	<u>14.53</u>	<u>13.47</u>
Total	<u>\$ 17.86</u>	<u>\$ 16.26</u>

Annual scheduled payments on the Parkway Redevelopment Agency's bonded debt, together with debt service on land contracts, account for the decline in governmental debt.

Payment of debt service on the 1998 Water revenue bonds reduced bonds payable by \$295,000 as reflected in the Business-type activities. Notes and Contracts Payable reflect the annual debt service payment of \$257,345 to the Clean Water State Revolving Loan Fund (SRF) for the City's Wastewater capital construction project. Along with the regular annual payments 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, a lump sum payment of \$202,093 was made to reduce the term period of the loan. Detailed charts about the City's debt are presented in Note 7 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

The City is experiencing a slow down in building development evidenced by the decline in residential construction activity. While new residential permits totaled 427 in FY'06 compared to 424 for the previous year, permits issued since July 1, 2006 total 104 compared to 211 for the same period in 2005. Permits for residential additions and remodels have dropped from 72 for the first five months of FY'06 to 56 for the current fiscal year. Commercial development, measured by number of issued permits, is showing consistency with the past two years history, although structural values have declined by approximately 6%. This significant change in the issuance of residential permits, together with the decline in average median price of local home sales, suggests the City may experience short-term decline in a return to development trends of several years ago.

In November, 2005, voters approved annexation of 569.63 acres, adding 889 tax lots and assessed value of approximately \$119,000,000 to the municipality. Another annexation was approved by voters in May, 2006, adding 583 lots totaling 277.38 acres with an assessed value of \$74,000,000. Many of the properties annexed already received municipal utility services as well as police and fire protection through existing Service and Annexation (S & A) Agreements. Because S & A Agreements generate annual billing for public safety services, the net growth in revenues will not be equal to assessed value multiplied by the property tax rates.

Following an 8.66% health insurance premium rate increase in January 2006, the 7.5% quoted by our carrier to be effective January, 2007 was a welcome relief, considering the industry continues to experience 10%-12% rate increases. An Insurance Committee, composed of labor representatives, the City's Agent of Record, and management, continues monitoring rates and seeking ways to control these costs. Options, including dual choice selection and use of Health Reimbursement Arrangement (HRA), will be implemented in January, 2007. 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 expired December 31, 2005. Negotiations commenced in September, 2005 with settlements achieved and ratified by the governing body in November, 2006. The primary issues were salaries, sharing of health insurance premiums, and residency requirements. Facing arbitration with both units and knowing that recent arbitrated cases, with issues similar to Grants Pass, showed seven of nine awards favoring unions, management recommended changes to avert risks. While other employees had agreed to a 90%/10% split for health insurance premiums effective January, 2006, police and fire units insisted upon the pre-existing 92.5%/7.5% split. These bargaining units did, however, agree to a lesser cost of living adjustment in an effort to settle with the City. In a good faith move to maintain equity among all employees, the City Council authorized the health insurance cost sharing to remain at 92.5%/7.5%. While this does result in higher than budgeted benefit costs for half of FY'07, the risks of a costly arbitration settlement

were far greater. The Teamster labor contract, covering 38 employees working in water, wastewater, parks and street activities, will expire December 31, 2006. Negotiations resulted in a new 3-year contract. Major changes incorporated into that contract include: using a 12-month average Consumer Price Index (CPI-U) instead of a fixed month for cost of living adjustments and providing a Health Reimbursement Arrangement/Voluntary Employee Beneficiary Account (HRA/VEBA) in exchange for a lower cost medical plan. Management will be recommending that future cost of living adjustments for all bargaining groups utilize the 12-month average, a figure more reflective of actual cost changes over a year.

Utility user rates adopted in November, 2005 for sewer, and February, 2006 for water, call for annual cost of living adjustments effective January, 2007. The City Council took action approving these adjustments by adopting a 3.43% increase to user rates effective January, 2007. That same cost of living adjustment will be applied to System Development Charge (SDC) fees for Transportation, Parks, Water, and Sewer. In addition, Council approved revisions to the Transportation SDCs. These changes will be implemented in the spring of 2007 along with a new Parks SDC specifically for development of parks.

The City is developing a Stormwater Master Plan which will identify recommended improvements and the associated costs. Slated to be brought before Council in 2007, it is anticipated that both a System Development Charge and a monthly stormwater utility fee will be necessary to address the quantity and quality of stormwater issues facing the community.

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

The full impact on employer's liabilities will not be known until all recalculations have been completed by PERS and the actuarial studies as of December 31, 2005 are completed in 2007. Preliminary data provided by PERS indicates the City's composite retirement rate will decrease from 16.05% to 15.02% for employees covered by Tier One/Tier Two benefits. However, rates for employees covered under the Oregon Public Service Retirement Plan (OPSRP), developed and implemented for employees hired after August, 2003, will increase an average of 3.50% effective July 1, 2007 for the following 24-month period. As employees of "baby boomer age" retire over the next five years, the escalating employer cost of retirement placed on new hires will generate questions about cost of services. Increased rates were anticipated, estimated, and budgeted in FY'07. Application of actual rates will differ and may necessitate supplemental budget adjustments based upon the make-up of each operating division and their employment longevity.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
JUNE 30, 2006**

	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	\$ 19,076,148	\$ 2,841,889	\$ 21,918,037	\$ 1,060,483
Receivables, net	6,407,220	1,519,505	7,926,725	9,273
Prepaid Items	175,042	-	175,042	-
Internal Balances	(2,000,267)	2,000,267	-	-
Restricted Assets:				
Cash and Cash Equivalents	847,480	6,610,670	7,458,150	-
Receivables, net	7,229	59,689	66,918	-
Capital Assets not being depreciated	41,273,491	1,559,914	42,833,405	-
Capital Assets, net of Accumulated Depreciation	56,283,288	82,773,463	139,056,751	-
Total Assets	122,069,631	97,365,397	219,435,028	1,069,756
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts Payable and Other Current Liabilities	1,080,597	390,529	1,471,126	1,129
Accrued Payroll	1,817,277	290,832	2,108,109	-
Unearned Revenue	-	197,999	197,999	-
Retainage Payable	57,721	-	57,721	-
Noncurrent Liabilities				
Due Within One Year	532,486	571,249	1,103,735	90,000
Due in More than One Year	3,409,340	12,900,203	16,309,543	1,065,000
Total Liabilities	6,897,421	14,350,812	21,248,233	1,156,129
Net Assets:				
Invested in Capital Assets, net of related debt	94,714,953	71,185,429	165,900,382	-
Unrestricted	20,457,257	11,829,156	32,286,413	(86,373)
Total Net Assets	\$ 115,172,210	\$ 83,014,585	\$ 198,186,795	\$ (86,373)

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, 2006**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
Public Safety	\$ 8,505,477	\$ 447,394	\$ 36,676
Transportation	1,007,261	4,156,671	2,196,983
Building	765,541	1,241,980	-
Parks	1,135,134	823,167	4,000
Development	2,815,350	290,772	-
General Government	193,264	1,876,329	-
Solid Waste	(139,183)	343,935	2,000
Interest	339,344	-	-
Total Governmental Activities	<u>14,622,188</u>	<u>9,180,248</u>	<u>2,239,659</u>
Business-Type Activities			
Water	3,660,103	4,608,001	1,246,616
Sewer	4,544,046	5,733,296	514,920
Total Business-Type Activities	<u>8,204,149</u>	<u>10,341,297</u>	<u>1,761,536</u>
Total Primary Government	<u>\$ 22,826,337</u>	<u>\$ 19,521,545</u>	<u>\$ 4,001,195</u>
Component Unit			
Josephine County-City of Grants			
Pass Solid Waste Agency	<u>\$ 110,561</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Net Revenue (Expenses) and Changes in Net Assets

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Josephine County City of Grants Pass Solid Waste Agency
	\$ (8,021,407)	\$ -	\$ (8,021,407)	\$ -
	5,346,393	-	5,346,393	-
	476,439	-	476,439	-
	(307,967)	-	(307,967)	-
	(2,524,578)	-	(2,524,578)	-
	1,683,065	-	1,683,065	-
	485,118	-	485,118	-
	(339,344)	-	(339,344)	-
	<u>(3,202,281)</u>	<u>-</u>	<u>(3,202,281)</u>	<u>-</u>
	-	2,194,514	2,194,514	-
	-	1,704,170	1,704,170	-
	-	<u>3,898,684</u>	<u>3,898,684</u>	<u>-</u>
	<u>(3,202,281)</u>	<u>3,898,684</u>	<u>696,403</u>	<u>-</u>
	-	-	-	(110,561)
General Revenues				
Taxes:				
Property	10,554,725	-	10,554,725	-
Business	307,492	-	307,492	-
Franchise	2,140,490	-	2,140,490	-
Transient Room	1,001,016	-	1,001,016	-
Intergovernmental-unrestricted	3,727,927	260,966	3,988,893	321,331
Interest	914,546	361,315	1,275,861	38,943
Trust Receipts - unrestricted	204,401	176,422	380,823	-
Industrial Payments	29,835	-	29,835	-
Miscellaneous	749,580	285,777	1,035,357	192,721
Transfers	65,571	(65,571)	-	-
Total General Revenues and Transfers	<u>19,695,583</u>	<u>1,018,909</u>	<u>20,714,492</u>	<u>552,995</u>
Change in Net Assets	16,493,302	4,917,593	21,410,895	442,434
Beginning Net Assets	<u>98,678,908</u>	<u>78,096,992</u>	<u>176,775,900</u>	<u>(528,807)</u>
Ending Net Assets	<u>\$ 115,172,210</u>	<u>\$ 83,014,585</u>	<u>\$ 198,186,795</u>	<u>\$ (86,373)</u>

The accompanying notes are an integral part of this statement.

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<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	\$ 1,717,571	\$ 1,382,329	\$ 23,278	\$ 5,933,760
Receivables:				
Taxes	728,926	-	-	-
Intergovernmental	81,162	-	-	-
Accounts, net	156,040	79,539	-	2,900
Accrued Interest	77,607	4,704	4,443	21,748
Notes and Contracts	200,004	1,155,000	-	108,242
Grants	7,481	-	-	-
Assessment Liens	-	-	1,872,966	-
Due from Other Funds	2,500,000	1,800,000	-	5,392
Prepaid Items	947	5,000	-	-
Restricted Assets				
Cash and Cash Equivalents	-	-	-	-
Notes and Contracts Receivable	-	-	-	-
Accrued Interest Receivable	-	-	-	-
Total Assets	<u>\$ 5,469,738</u>	<u>\$ 4,426,572</u>	<u>\$ 1,900,687</u>	<u>\$ 6,072,042</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	313,081	8,476	-	15,541
Salaries, Withholdings and Taxes Payable	183,836	-	-	-
Accrued Interest Payable	-	4,351	732	-
Due to Other Funds	-	-	2,400,000	-
Deferred Revenue	328,051	1,155,000	1,872,966	108,242
Assessment Trust Payable	-	-	18,503	-
Note Payable	206,285	-	-	-
Retainage Payable	-	-	-	57,721
Total Liabilities	<u>1,031,253</u>	<u>1,167,827</u>	<u>4,292,201</u>	<u>181,504</u>
Fund Balances:				
Reserved for Debt Service	-	-	-	-
Unreserved Reported in:				
General Fund	4,438,485	-	-	-
Special Revenue Funds	-	3,258,745	-	-
Debt Service Funds	-	-	(2,391,514)	-
Capital Projects Funds	-	-	-	5,890,538
Total Fund Balances	<u>4,438,485</u>	<u>3,258,745</u>	<u>(2,391,514)</u>	<u>5,890,538</u>
Total Liabilities and Fund Balances	<u>\$ 5,469,738</u>	<u>\$ 4,426,572</u>	<u>\$ 1,900,687</u>	<u>\$ 6,072,042</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>
\$ 2,207,891	\$ 1,383,424	\$ 1,921,827	\$ 14,570,080
-	76,487	-	805,413
-	-	107,848	189,010
36,977	-	82,931	358,387
7,681	7,860	7,273	131,316
10,174	647,623	289,237	2,410,280
42,743	-	515,421	565,645
-	-	-	1,872,966
-	-	-	4,305,392
-	-	-	5,947
-	847,480	-	847,480
-	6,264	-	6,264
-	965	-	965
<u>\$ 2,305,466</u>	<u>\$ 2,970,103</u>	<u>\$ 2,924,537</u>	<u>\$ 26,069,145</u>
136,480	1,069	238,739	713,386
-	-	9,033	192,869
-	-	-	5,083
2,500,000	-	5,392	4,905,392
10,174	708,146	284,488	4,467,067
-	-	-	18,503
-	-	-	206,285
-	-	-	57,721
<u>2,646,654</u>	<u>709,215</u>	<u>537,652</u>	<u>10,566,306</u>
-	-	-	-
-	-	-	4,438,485
-	-	2,386,885	5,645,630
-	-	-	(2,391,514)
(341,188)	2,260,888	-	7,810,238
<u>(341,188)</u>	<u>2,260,888</u>	<u>2,386,885</u>	<u>15,502,839</u>
<u>\$ 2,305,466</u>	<u>\$ 2,970,103</u>	<u>\$ 2,924,537</u>	<u>\$ 26,069,145</u>

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

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
JUNE 30, 2006**

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

Fund Balances		\$ 15,502,839
<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		95,551,857
<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	\$ (1,300,000)	
Post Closure Costs	(1,100,000)	
Notes and Contracts Payable	(1,335,541)	
Net Adjustment		(3,735,541)
<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		(1,155,349)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>		
Deferred Revenue		4,467,067
<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		4,541,337
Total Net Assets		<u>\$ 115,172,210</u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2006

	SPECIAL REVENUE		DEBT SERVICE	CAPITAL PROJECTS
	GENERAL	SOLID WASTE	BANCROFT BOND	TRANSPORTATION PROJECTS
REVENUES:				
Taxes	\$ 11,364,379	\$ -	\$ -	\$ -
Licenses and Permits	975,762	2,110	-	-
Intergovernmental	1,431,062	320,645	-	1,640,446
Charges for Services	1,064,127	341,825	-	1,684,298
Fines and Forfeitures	200,322	-	-	-
Special Assessments	-	-	591,532	-
Interest on Investments	261,103	116,604	-	131,974
Interest on Assessments	-	-	5,621	-
Trust Receipts	-	-	-	43,665
Contributions	-	-	-	2,924
Industrial and Other Loans	-	-	-	-
Miscellaneous Revenues	68,922	170,785	-	-
Total Revenues	15,365,677	951,969	597,153	3,503,307
EXPENDITURES:				
Current:				
Public Safety	10,350,614	-	-	-
Transportation	-	-	-	-
Building	938,973	-	-	-
Parks	1,389,164	-	-	-
Development	1,363,242	-	-	-
General Government	160,361	-	77,805	-
Solid Waste	-	399,179	-	-
Capital Outlay	-	464,277	-	4,803,186
Debt Service	15,280	318,368	-	-
Total Expenditures	14,217,634	1,181,824	77,805	4,803,186
Excess of Revenues Over, (Under) Expenditures	1,148,043	(229,855)	519,348	(1,299,879)
Other Financing Sources, (Uses)				
Sale of Assets	4,698	-	-	-
Transfers In	837,687	-	-	2,528,276
Transfer Out	(571,866)	-	(1,417,286)	-
Total Other Financing Sources, (Uses)	270,519	-	(1,417,286)	2,528,276
Net Change in Fund Balance	1,418,562	(229,855)	(897,938)	1,228,397
Beginning Fund Balance	3,019,923	3,488,600	(1,493,576)	4,662,141
Ending Fund Balance	\$ 4,438,485	\$ 3,258,745	\$ (2,391,514)	\$ 5,890,538

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>
\$ -	\$ 1,639,748	\$ 1,002,776	\$ 14,006,903
-	-	42,381	1,020,253
206,699	-	1,788,519	5,387,371
775,242	-	1,136,528	5,002,020
-	-	-	200,322
-	-	-	591,532
67,640	97,996	98,680	773,997
-	-	-	5,621
-	160,736	-	204,401
26,500	-	-	29,424
-	-	29,835	29,835
4,363	-	54,045	298,115
<u>1,080,444</u>	<u>1,898,480</u>	<u>4,152,764</u>	<u>27,549,794</u>
-	-	-	10,350,614
-	-	1,240,225	1,240,225
-	-	-	938,973
-	-	-	1,389,164
-	1,514,115	562,284	3,439,641
-	-	-	238,166
-	-	-	399,179
4,033,282	-	198,348	9,499,093
-	485,155	-	818,803
<u>4,033,282</u>	<u>1,999,270</u>	<u>2,000,857</u>	<u>28,313,858</u>
<u>(2,952,838)</u>	<u>(100,790)</u>	<u>2,151,907</u>	<u>(764,064)</u>
-	-	144	4,842
743,296	-	-	4,109,259
(50,000)	-	(2,044,107)	(4,083,259)
<u>693,296</u>	<u>-</u>	<u>(2,043,963)</u>	<u>30,842</u>
(2,259,542)	(100,790)	107,944	(733,222)
<u>1,918,354</u>	<u>2,361,678</u>	<u>2,278,941</u>	<u>16,236,061</u>
<u>\$ (341,188)</u>	<u>\$ 2,260,888</u>	<u>\$ 2,386,885</u>	<u>\$ 15,502,839</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, 2006**

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 \$ (733,222)

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	\$	14,111,519	
Capital Contributions		1,846,983	
Depreciation Expense		(1,230,500)	
Net Adjustment			14,728,002

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	\$	(179,481)	
General Obligation Bond Payments		395,000	
Post Closure Costs		466,301	
Notes and Contracts Payable		84,459	
Net Adjustment			766,279

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

Property Taxes	\$	(3,180)	
Special Assessments		1,000,919	
Notes and Contracts		422,138	
Net Adjustment			1,419,877

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			312,366
Change in Net Assets	\$		16,493,302

The accompanying notes are an integral part of this statement.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER SERVICE
ASSETS:			
Current Assets			
Cash and Investments	\$ 785,666	\$ 1,410,245	\$ 3,807
Prepaid Items	-	-	-
Receivables			
Taxes	-	-	-
Accounts, net	597,111	561,442	92
Notes	65,669	43,362	31,500
Grants	6,968		
Accrued Interest	5,418	4,891	123
Due From Other Funds	-	-	-
Restricted Assets			
Cash and Investments	2,464,561	3,689,638	-
Accrued Interest and Accounts Receivable	8,074	13,519	-
Notes	-	38,096	-
Total Current Assets	3,933,467	5,761,193	35,522
Capital Assets			
Capital Assets, Net	46,099,202	28,741,591	75,435
Total Capital Assets	46,099,202	28,741,591	75,435
Total assets	\$ 50,032,669	\$ 34,502,784	\$ 110,957
LIABILITIES AND NET ASSETS:			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 111,137	\$ 67,840	\$ -
Salaries, Withholdings and Taxes Payable	111,512	165,674	-
Accrued Interest Payable	9,286	-	-
Bonds, Notes Payable Within One Year	305,000	266,249	-
Matured Interest Payable	3,806	77,088	-
Due To Other Funds	-	-	-
Deferred Revenue	65,200	3,362	31,500
Liabilities Payable from Restricted Assets			
Accounts Payable	40,635	19,903	-
Salaries, withholdings and taxes payable	685	12,961	-
Deferred Revenue	-	18,096	-
Contractor Retainage	-	-	-
Total Current Liabilities	647,261	631,173	31,500
Long-Term Liabilities			
Notes Payable	1,061	6,476,154	60,000
General Obligation Revenue Bonds Payable	2,182,923	-	-
Total Long-Term Liabilities	2,183,984	6,476,154	60,000
Total Liabilities	2,831,245	7,107,327	91,500
NET ASSETS			
Invested in Capital Assets, net of related debt	43,607,473	22,265,437	75,435
Unrestricted	3,593,951	5,130,020	(55,978)
Total Net Assets	47,201,424	27,395,457	19,457
Total Liabilities and Net Assets	\$ 50,032,669	\$ 34,502,784	\$ 110,957

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 642,171	\$ 2,841,889	\$ 4,506,068
-	-	169,095
62	62	-
197,992	1,356,637	51,128
1,064	141,595	-
	6,968	
3,811	14,243	23,075
-	-	600,000
456,471	6,610,670	-
-	21,593	-
-	38,096	-
1,301,571	11,031,753	5,349,366
9,417,149	84,333,377	2,004,922
9,417,149	84,333,377	2,004,922
\$ 10,718,720	\$ 95,365,130	\$ 7,354,288

\$ 5,371	\$ 184,348	\$ 343,625
-	277,186	469,059
55,463	64,749	-
-	571,249	-
-	80,894	-
-	-	-
79,841	179,903	-
-	60,538	-
-	13,646	-
-	18,096	-
-	-	-
140,676	1,450,609	812,684

4,180,065	10,717,280	-
-	2,182,923	-
4,180,065	12,900,203	-
4,320,741	14,350,812	812,684

5,237,084	71,185,429	2,004,922
1,160,895	9,828,888	4,536,682
6,397,979	81,014,317	6,541,604
\$ 10,718,720	\$ 95,365,130	\$ 7,354,288

Reconciliation of Net Assets to page 18 Net Assets p. 24A	\$ 81,014,317
Internal Service Fund Net Assets	2,000,268
Total Net Assets p. 18	\$ 83,014,585

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, 2006

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
OPERATING REVENUES			
Charges for Services	\$ 4,608,001	\$ 4,623,763	\$ -
Special assessments	-	-	5,820
Trust receipts	176,422	-	-
Miscellaneous	180,079	71,528	800
Total Operating Revenue	<u>4,964,502</u>	<u>4,695,291</u>	<u>6,620</u>
OPERATING EXPENSES			
Salaries and Wages	952,407	1,039,804	-
Operating Supplies	261,738	296,085	-
Repairs and Maintenance	135,599	50,978	-
Utilities	241,324	306,849	-
Professional Services	416,263	330,208	3,303
General, Administrative and Engineering	720,656	858,548	-
Depreciation and Amortization	817,193	653,124	3,210
Total Operating Expenses	<u>3,545,180</u>	<u>3,535,596</u>	<u>6,513</u>
Total Operating Income (Loss)	<u>1,419,322</u>	<u>1,159,695</u>	<u>107</u>
NONOPERATING INCOME (LOSS)			
Gain (loss) on disposal of capital assets	42	-	-
Intergovernmental	6,968	241,741	-
Taxes	(1,420)	-	-
Interest Income	107,569	148,573	1,458
Interest Expense	(124,682)	(234,961)	(84,084)
Total Nonoperating Income (Expense)	<u>(11,523)</u>	<u>155,353</u>	<u>(82,626)</u>
Capital Contribution	1,246,616	456,876	-
Income (Loss) Before Transfers	<u>2,654,415</u>	<u>1,771,924</u>	<u>(82,519)</u>
TRANSFERS			
Transfers In	770,000	942,500	-
Transfers Out	(826,500)	(969,000)	-
Total Transfers	<u>(56,500)</u>	<u>(26,500)</u>	<u>-</u>
Change in Net Assets	2,597,915	1,745,424	(82,519)
Beginning Net Assets	<u>44,603,509</u>	<u>25,650,033</u>	<u>101,976</u>
Ending Net Assets	<u>\$ 47,201,424</u>	<u>\$ 27,395,457</u>	<u>\$ 19,457</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE DISTRICT	TOTAL	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
\$ 1,109,533	\$ 10,341,297	\$ 8,000,931
-	5,820	-
-	176,422	-
-	252,407	91,811
<u>1,109,533</u>	<u>10,775,946</u>	<u>8,092,742</u>
-	1,992,211	2,991,241
16,042	573,865	250,504
30,986	217,563	162,643
25,404	573,577	100,129
144,478	894,252	2,928,249
131,888	1,711,092	1,180,736
211,064	1,684,591	323,520
<u>559,862</u>	<u>7,647,151</u>	<u>7,937,022</u>
<u>549,671</u>	<u>3,128,795</u>	<u>155,720</u>
-	42	2,790
-	248,709	40,083
-	(1,420)	-
44,284	301,884	194,360
(132,814)	(576,541)	-
<u>(88,530)</u>	<u>(27,326)</u>	<u>237,233</u>
58,044	1,761,536	-
<u>519,185</u>	<u>4,863,005</u>	<u>392,953</u>
250,000	1,962,500	89,500
(250,000)	(2,045,500)	(32,500)
-	(83,000)	57,000
519,185	4,780,005	449,953
<u>5,878,794</u>	<u>76,234,312</u>	<u>6,091,651</u>
<u>\$ 6,397,979</u>	<u>\$ 81,014,317</u>	<u>\$ 6,541,604</u>

Change in Net Assets	\$ 4,780,005
Internal Service Fund Change in Net Assets	<u>137,588</u>
Total Business Type Change in Net Assets	<u>\$ 4,917,593</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2006

	WATER FUND	SEWER FUND	HARBECK- FRUITDALE SEWER DISTRICT
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 4,911,266	\$ 4,496,649	\$ 6,721
Cash Paid to Suppliers	(1,733,359)	(1,847,379)	(3,303)
Cash Paid to Employees	(982,349)	(1,033,631)	-
Net cash provided (used) by operating activities	<u>2,195,558</u>	<u>1,615,639</u>	<u>3,418</u>
Cash Flows From Noncapital Financing Activities			
Transfers In	770,000	942,500	-
Transfers Out	(826,500)	(969,000)	-
Intergovernmental	6,968	241,741	-
Taxes Collected	(1,420)	-	-
Decrease (Increase) in Notes Receivable	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(50,952)</u>	<u>215,241</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from Issuance of Debt	-	-	39,200
Principal Payments on Notes	(813)	(257,345)	-
Principal Payments on Revenue Bonds	(292,561)	-	-
Interest Paid on Bonds and Contracts	(124,682)	(234,961)	(84,084)
Acquisition and Construction of Capital Assets	(442,612)	(165,032)	-
Disposition of Property	-	-	-
Net cash provided (used) by capital financing activities	<u>(860,668)</u>	<u>(657,338)</u>	<u>(44,884)</u>
Cash flows from investing activities			
Interest on Investments	<u>107,569</u>	<u>148,573</u>	<u>1,458</u>
Net increase (decrease) in cash and investments	1,391,507	1,322,115	(40,008)
Cash and investments, beginning of year	<u>\$ 1,858,720</u>	<u>\$ 3,777,768</u>	<u>\$ 43,815</u>
Cash and investments, end of year	<u>\$ 3,250,227</u>	<u>\$ 5,099,883</u>	<u>\$ 3,807</u>
Composition of cash and investments, end of year			
Current cash and investments	\$ 785,666	\$ 1,410,245	\$ 3,807
Restricted cash and investments	<u>2,464,561</u>	<u>3,689,638</u>	<u>-</u>
Total cash and investments	<u>\$ 3,250,227</u>	<u>\$ 5,099,883</u>	<u>\$ 3,807</u>
Noncash Capital Transactions			
Developer Installed Public Utility Improvements	<u>\$ 1,246,616</u>	<u>\$ 456,876</u>	<u>\$ -</u>
Reconciliation of Operating Income to			
Net Cash Provided by Operating Activities			
Operating Income	\$ 1,419,322	\$ 1,159,695	\$ 107
Depreciation and Amortization	817,193	653,124	3,210
(Increase) Decrease in Receivables	(102,624)	(199,912)	4,433
Increase (Decrease) in Payables	42,221	(4,711)	-
Increase (Decrease) in Deferred Revenue	49,388	1,270	(4,332)
Increase (Decrease) in Payroll Liabilities	<u>(29,942)</u>	<u>6,173</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 2,195,558</u>	<u>\$ 1,615,639</u>	<u>\$ 3,418</u>

The accompanying notes are an integral part of this statement.

REDWOOD SANITARY SEWER SERVICE	TOTAL	INTERNAL SERVICE FUNDS
\$ 1,108,603	\$ 10,523,239	\$ 8,079,114
(362,389)	(3,946,430)	(4,614,349)
-	(2,015,980)	(3,020,851)
<u>746,214</u>	<u>4,560,829</u>	<u>443,914</u>
250,000	1,962,500	89,500
(250,000)	(2,045,500)	(32,500)
-	-	40,083
-	(1,420)	-
-	-	-
<u>-</u>	<u>(84,420)</u>	<u>97,083</u>
-	39,200	-
-	(258,158)	-
(552,678)	(845,239)	-
(132,814)	(576,541)	-
(106,899)	(714,543)	(260,420)
-	-	-
<u>(792,391)</u>	<u>(2,355,281)</u>	<u>(260,420)</u>
44,284	301,884	194,360
(1,893)	2,671,721	474,937
<u>\$ 1,100,535</u>	<u>\$ 6,780,838</u>	<u>\$ 4,031,131</u>
<u>\$ 1,098,642</u>	<u>\$ 9,452,559</u>	<u>\$ 4,506,068</u>
\$ 642,171	\$ 2,841,889	\$ 4,506,068
456,471	6,610,670	-
<u>\$ 1,098,642</u>	<u>\$ 9,452,559</u>	<u>\$ 4,506,068</u>
<u>\$ 58,044</u>	<u>\$ 1,761,536</u>	<u>\$ -</u>
\$ 549,671	\$ 3,128,795	\$ 155,720
211,064	1,684,591	323,520
(930)	(299,033)	(123,496)
-	37,510	117,780
(13,591)	32,735	-
-	(23,769)	(29,610)
<u>\$ 746,214</u>	<u>\$ 4,560,829</u>	<u>\$ 443,914</u>

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

AGENCY FUND

ASSETS:

Cash and Investments	\$	3,185,238
Receivables:		
Accounts, net		<u>7,272</u>
Total assets	\$	<u><u>3,192,510</u></u>

LIABILITIES

Liabilities:		
Accounts payable	\$	21,624
Matured Bonded Debt		31,750
Building Permit Suspense		3,231
Contractor Escrow Payable		2,964
Miscellaneous Trust Liabilities		3,051,707
Water Deposits		74,109
Deposit Suspense		<u>7,125</u>
Total liabilities	\$	<u><u>3,192,510</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, 2006, 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 Northwest "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 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, 2006, except the Street Utility Fund which overexpended general operations by \$11,797 and Harbeck Fruitdale Sewer District which overexpended debt service by \$1,778.

ESTIMATES

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

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Cash and Investments

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

Receivables and Payables

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

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Restricted Assets

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

Capital assets

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capitalized Interest

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. For the year ended June 30, 2006, 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 \$56,713 have been accrued as a liability of the funds 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, 2006 (recorded at fair value) consisted of:

Deposits with Financial Institutions:	
Petty Cash	\$ 900
Demand Deposits	2,071,846
Cash with Fiscal Agent	32,141
Investments	<u>31,517,021</u>
Total	<u>\$ 33,621,908</u>
Unrestricted	\$ 21,918,037
Restricted	7,458,150
Fiduciary Fund	3,185,238
Component Unit	<u>1,060,483</u>
Total	<u>\$ 33,621,908</u>

DEPOSITS

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

Deposits consist of bank demand deposits. The carrying amount of deposits is \$2,071,846. The total bank balance per the bank statements is \$2,775,158. Of these deposits, \$239,105 is covered by federal depository insurance and \$628,857 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, 2006, 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, 2006, the City had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
Certificates of Deposit	\$ 5,344,582	3,945,780	1,398,802	-
State Treasurer's investment pool	26,172,439	26,172,439	-	-
Total	\$ 31,517,021	30,118,219	1,398,802	-

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, 2006.

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, 2006 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, 2006, the City's delinquent assessments receivable totaled \$18,553.

4. NOTES AND CONTRACTS RECEIVABLE

Notes and Contracts Receivable consisted of the following at June 30, 2006:

Industrial Loans Receivable, monthly payments including interest at 5% to 6%, various maturities	\$ 52,127
Downtown Loans Receivable, monthly payments including interest at 6%	13,372
CDBG - HUD Loans Receivable	220,861
Josephine County Solid Waste Note Receivable	1,155,000
Other Notes Receivable	<u>968,920</u>
	<u>\$ 2,410,280</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2006 are as follows:

	<u>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</u>			
	<u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2006</u>
Capital Assets, not being depreciated				
Land	\$ 35,871,475	\$ 3,338,718	\$ -	\$ 39,210,193
Construction in Progress	1,015,506	1,740,121	692,329	2,063,298
Total, not being depreciated	<u>36,886,981</u>	<u>5,078,839</u>	<u>692,329</u>	<u>41,273,491</u>
Buildings	4,567,651	-	-	4,567,651
Improvements	5,874,314	27,732	-	5,902,046
Machinery & Equipment	4,328,554	373,716	61,567	4,640,703
Infrastructure	47,728,955	11,435,632	-	59,164,587
Total, being depreciated	<u>62,499,474</u>	<u>11,837,080</u>	<u>61,567</u>	<u>74,274,987</u>
Less Accumulated Depreciation				
Buildings	1,917,214	110,203	-	2,027,417
Improvements	2,362,210	194,025	-	2,556,235
Machinery & Equipment	2,362,593	368,513	60,077	2,671,029
Infrastructure	9,855,356	881,662	-	10,737,018
Total Accumulated Depreciation	<u>16,497,373</u>	<u>1,554,403</u>	<u>60,077</u>	<u>17,991,699</u>
Total Capital Assets being Depreciated, net	<u>46,002,101</u>	<u>10,282,677</u>	<u>1,490</u>	<u>56,283,288</u>
Governmental Activities Capital Assets, net	<u>\$ 82,889,082</u>	<u>\$ 15,361,516</u>	<u>\$ 693,819</u>	<u>\$ 97,556,779</u>

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

	<u>Governmental Funds</u>
Transportation	\$ 108,670
Parks	121,721
Public Safety	884,506
General Government	20,868
Development	301,387
Building	82,274
Solid Waste	34,977
	<u>\$ 1,554,403</u>

**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, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2006</u>
Capital Assets, not being depreciated				
Land	\$ 858,712	\$ -	\$ -	\$ 858,712
Construction in Progress	1,277,521	339,051	915,370	701,202
Total, not being depreciated	<u>2,136,233</u>	<u>339,051</u>	<u>915,370</u>	<u>1,559,914</u>
Buildings	6,444,547	42,305	-	6,486,852
Improvements	1,785,257	12,825	-	1,798,082
Machinery & Equipment	7,939,263	469,353	-	8,408,616
Infrastructure	89,947,707	2,527,960	-	92,475,667
Total, being depreciated	<u>106,116,774</u>	<u>3,052,443</u>	<u>-</u>	<u>109,169,217</u>
Less Accumulated Depreciation				
Buildings	1,413,776	167,534	-	1,581,310
Improvements	489,347	80,408	-	569,755
Machinery & Equipment	1,805,448	371,445	-	2,176,893
Infrastructure	21,002,592	1,065,204	-	22,067,796
Total Accumulated Depreciation	<u>24,711,163</u>	<u>1,684,591</u>	<u>-</u>	<u>26,395,754</u>
Total Capital Assets being Depreciated, net	<u>81,405,611</u>	<u>1,367,852</u>	<u>-</u>	<u>82,773,463</u>
Business-Type Activities Capital Assets, net	<u>\$ 83,541,844</u>	<u>\$ 1,706,903</u>	<u>\$ 915,370</u>	<u>\$ 84,333,377</u>

6. INTERFUND RECEIVABLE/ PAYABLE AND TRANSFERS

The composition of interfund balances as of June 30, 2006, are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 2,500,000	\$ -
Solid Waste Fund	1,800,000	-
Transportation Capital Projects	5,392	-
Bancroft Bond Fund	-	2,400,000
Land and Building Projects	-	2,500,000
Nonmajor governmental Funds	-	5,392
Internal Service Funds	600,000	-
Total Funds	<u>\$ 4,905,392</u>	<u>\$ 4,905,392</u>

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 \$2,400,000 from the Insurance Funds and 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 then 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	\$ 837,687	\$ 571,866
Solid Waste Fund	-	-
Bancroft Bond Fund	-	1,417,286
Transportation Capital Projects	2,528,276	-
Lands & Buildings Capital Projects	743,296	50,000
Water Fund	770,000	826,500
Sewer Fund	942,500	969,000
Redwood Sanitary Sewer Fund	250,000	250,000
Nonmajor governmental Funds	-	2,044,107
Internal Service Funds	89,500	32,500
Total Funds	<u>\$ 6,161,259</u>	<u>\$ 6,161,259</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 \$380,274 appropriated for Lands & Building capital projects and \$119,094 appropriated for Transportation projects. System Development Charge revenues of \$2,050,915 were transferred from a restricted fund to appropriated transportation projects. Transportation Projects also received \$1,417,286 from the Bancroft Fund, \$439,250 from Street Utility Fees, \$366,145 from State Gas Tax Fund, and \$50,000 from the Lands and Building Fund. In addition to the transfer indicated above from the General Fund, Lands and Building Capital Projects received \$210,000 from Transient Room Tax, and \$120,000 from the State Gas Tax Fund, all appropriated as resources to a variety of projects, everything from land acquisition to business incentive programs. Equipment Replacement, an Internal Service Fund, received \$21,000 from Public Safety, \$13,500 from Code Enforcement, \$21,500 from Water Distribution and \$12,500 from Engineering for acquisition of vehicles.

7. LONG-TERM DEBT

Bonds outstanding consist of Water Revenue Bonds, Urban Renewal Refunding Bonds, and General Obligation Bonds. 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, 2006, are as follows:

<u>GOVERNMENTAL ACTIVITIES</u>			<u>BUSINESS-TYPE ACTIVITIES</u>		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2006-2007	\$ 415,000	\$ 54,625	2006-2007	305,000	111,430
2007-2008	430,000	33,500	2007-2008	320,000	98,162
2008-2009	455,000	11,375	2008-2009	340,000	84,082
2009-2010	-	-	2009-2010	355,000	69,122
2010-2011	-	-	2010-2011	375,000	53,325
2011-2015	-	-	2011-2015	810,000	55,125
Less: Discount				<u>(17,076)</u>	
	<u>\$ 1,300,000</u>	<u>\$ 99,500</u>		<u>\$ 2,487,924</u>	<u>\$ 471,246</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%	1,065,000
Business-Type Revenue Bonds	3.9-4.5%	2,505,000

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%	\$ 386,285
Governmental Loans Payable	3.9%	1,155,000
Business Type Notes Payable	3.98%	4,180,605
Business Type Notes Payable	3.43%	6,742,403
Business Type Notes Payable	0%	20,000
Business Type Notes Payable	3%	40,000
Business Type Contracts Payable	10%	1,060
		\$ 12,525,353

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

NOTES & CONTRACTS PAYABLE					
GOVERNMENTAL ACTIVITIES			BUSINESS-TYPE ACTIVITIES		
YEAR	PRINCIPAL	INTEREST	YEAR	PRINCIPAL	INTEREST
2006-2007	\$ 117,486	\$ 70,709	2006-2007	\$ 593,792	392,673
2007-2008	122,735	63,963	2007-2008	573,799	371,851
2008-2009	122,997	58,861	2008-2009	595,147	350,319
2009-2010	128,271	53,771	2009-2010	617,473	327,993
2010-2011	133,559	48,475	2010-2011	640,642	304,824
2011-2016	508,183	157,551	2011-2016	3,582,512	1,144,818
2016-2021	309,830	42,016	2016-2021	2,740,402	504,897
2021-2026	57,187	19,212	2021-2026	1,639,760	113,047
2026-2031	41,578	4,215	2026-2031	-	-
	\$ 1,541,826	\$ 518,773		\$ 10,983,527	\$ 3,510,422

**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, 2006, is as follows:

CHANGES IN LONG-TERM DEBT					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	\$ 1,695,000	\$ -	\$ 395,000	\$ 1,300,000	\$ 415,000
Post-Closure Care Costs	1,566,301	-	466,301	1,100,000	-
Notes and Contracts Payable	1,811,034	-	269,208	1,541,826	117,486
Governmental activities Long-Term Debt	\$ 4,892,335	\$ -	\$ 1,130,509	\$ 3,941,826	\$ 532,486
Business-type Activities:					
Revenue Bonds Payable	\$ 2,800,000	\$ -	\$ 295,000	\$ 2,505,000	\$ 305,000
Less Unamortized Discount	(19,516)	-	(2,440)	(17,076)	-
Notes and Contracts Payable	11,754,365	40,000	810,838	10,983,527	553,792
Business-type activities Long-Term Debt	\$ 14,534,849	\$ 40,000	\$ 1,103,398	\$ 13,471,451	\$ 858,792

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 \$56,713 reported in the Insurance Services Fund at June 30, 2006 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 \$33,246 is considered to be due within the next year and is classified as such on the Statement of Net Assets.

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

NOTES TO BASIC FINANCIAL STATEMENTS

8. RISK MANAGEMENT

Fiscal Year Ending June 30,	Balance at Beginning of Year	Claims and Changes in Estimates	Payments of Claims	Balance at End of Year
2004	117,200	46,554	42,795	120,959
2005	120,959	(55,709)	32,004	33,246
2006	33,246	79,509	56,040	56,715

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, 2005 is 16.05% of salary covered under the plan for Tier 1 and Tier 2 employees and 8.04% 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, 2006, 2005, and 2004, the City’s annual pension cost of \$1,522,986, \$1,066,843 and \$938,550, 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, 2003 Actuarial Valuation of the PERS plan. The Actuarial Value of Assets is equal to Market Value. Liabilities and contributions are calculated using the Entry Age Actuarial Cost Method. The Unfunded Actuarial Liability is amortized as a level percentage of covered payroll over an open thirty year period.

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

NOTES TO BASIC FINANCIAL STATEMENTS

9. STATEWIDE LOCAL GOVERNMENT RETIREMENT SYSTEM

Valuation Date	Schedule of Funding Progress					
	AVA	AAL	UAAL	Funded Percent	Covered Payroll	UAAL/ Payroll
12/31/1999	36,601,760	36,322,432	(279,327)	101%	5,721,933	-5%
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%

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 \$116,821 in 2006.

As of year end, there were ten 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 Administrative Services fund.

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

NOTES TO BASIC FINANCIAL STATEMENTS

12. FUND BALANCE DEFICITS AND OVEREXPENDITURES

The Bancroft Bond Fund has a deficit fund balance of \$2,391,514, and the Land and Buildings Projects Fund has a deficit fund balance of \$341,188. The City anticipates that these 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 water 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 present value of post closure care costs is \$1,100,000. This is an estimate and subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations

14. PROPERTY TAX LIMITATIONS

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

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

15. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2006, the City had entered into several capital construction projects with various vendors. The outstanding commitments for these projects at June 30, 2006 are \$1,350,000.

16. COMPENSATED ABSENCES

Changes in compensated absences are as follows:

	June 30, 2005	Additions	Deletions	June 30, 2006	Amount Due within one year
Vacation Payable	\$ 975,868	\$ 1,155,349	\$ 975,868	\$ 1,155,349	\$ 300,000

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

REQUIRED SUPPLEMENTARY DATA

Individual Major Governmental Fund Statements

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2006**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 11,271,867	\$ 11,220,746	\$ 11,364,379	\$ 143,633
Licenses and Permits	956,500	973,069	975,762	2,693
Intergovernmental	1,592,687	1,422,910	1,431,062	8,152
Charges for Services	714,600	1,012,550	1,064,127	51,577
Fines and Forfeitures	174,000	182,080	200,322	18,242
Interest on Investments	56,500	160,000	261,103	101,103
Miscellaneous	496,488	449,255	68,922	(380,333)
Total Revenues	<u>15,262,642</u>	<u>15,420,610</u>	<u>15,365,677</u>	<u>(54,933)</u>
EXPENDITURES:				
Mayor and Council	109,881	156,706 (1)	149,695	7,011
Public Safety Field Services	7,240,453	7,275,791 (1)	7,275,245	546
Public Safety Support Services	2,773,834	2,771,930 (1)	2,771,170	760
Crisis Support Services	35,000	35,000 (1)	35,000	-
Street Lighting	226,313	215,000 (1)	208,330	6,670
Code Enforcement	96,495	118,952 (1)	60,869	58,083
Park Maintenance Services	1,209,482	1,210,287 (1)	1,169,665	40,622
Aquatic Services	101,748	101,559 (1)	92,284	9,275
Recreation Services	135,738	138,250 (1)	127,215	11,035
Planning Services	986,887	783,186 (1)	738,232	44,954
Building and Safety Services	1,396,500	1,061,566 (1)	938,973	122,593
Economic Development	162,958	164,876 (1)	158,120	6,756
Downtown Development	175,914	179,171 (1)	175,384	3,787
Tourism Promotion	296,664	291,708 (1)	291,506	202
General Program Operations	51,000	51,000 (1)	10,666	40,334
Debt Service	15,144	15,281 (1)	15,280	1
Contingency	360,000	550,000 (1)	-	550,000
Total Expenditures	<u>15,374,011</u>	<u>15,120,263</u>	<u>14,217,634</u>	<u>902,629</u>
Excess of Revenues Over (Under) Expenditures	<u>(111,369)</u>	<u>300,347</u>	<u>1,148,043</u>	<u>847,696</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	841,529	845,925	837,687	(8,238)
Sale of Assets	2,500	2,500	4,698	2,198
Interfund Loans	-	(2,800,000)	(2,500,000)	300,000
Transfers Out	(297,400)	(572,498) (1)	(571,866)	632
Total other financing uses	<u>546,629</u>	<u>(2,524,073)</u>	<u>(2,229,481)</u>	<u>294,592</u>
Net Change in Fund Balance	435,260	(2,223,726)	(1,081,438)	1,142,288
Beginning Fund Balance	<u>2,224,958</u>	<u>3,019,923</u>	<u>3,019,923</u>	<u>-</u>
Ending Fund Balance	<u>\$ 2,660,218</u>	<u>\$ 796,197</u>	<u>\$ 1,938,485</u>	<u>\$ 1,142,288</u>
Reconciliation to GAAP Fund Balance				
Interfund Loans			2,500,000	
Total GAAP Fund Balance			<u>\$ 4,438,485</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, 2006**

SOLID WASTE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Licenses and Permits	\$ 1,900	\$ 1,900	\$ 2,110	\$ 210
Intergovernmental	143,078	325,078	320,645	(4,433)
Charges for Services	434,810	427,810	341,825	(85,985)
Interest on Investments	85,500	74,125	116,604	42,479
Miscellaneous Revenue	277,000	277,000	170,785	(106,215)
Total Revenues	942,288	1,105,913	951,969	(153,944)
EXPENDITURES:				
Environmental Waste Fees	269,500	261,966 (1)	262,489	(523)
Field Operations	38,194	42,930 (1)	35,138	7,792
Post-closure	133,065	146,371 (1)	78,571	67,800
General Program Operations	26,747	18,401 (1)	22,981	(4,580)
Capital Outlay	2,932,158	3,714,970 (1)	464,277	3,250,693
Debt Service	143,078	323,078 (1)	318,368	4,710
Contingency	285,000	26,888 (1)	-	26,888
Total Expenditures	3,827,742	4,534,604	1,181,824	3,352,780
Excess of Revenues Over (Under) Expenditures	(2,885,454)	(3,428,691)	(229,855)	3,198,836
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Loan Proceeds	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(2,885,454)	(3,428,691)	(229,855)	3,198,836
Beginning Fund Balance	2,678,787	3,488,600	3,488,600	-
Ending Fund Balance	\$ (206,667)	\$ 59,909	\$ 3,258,745	\$ 3,198,836

(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.

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

SUPPLEMENTARY DATA

Combining, Individual Fund, and
Other Financial Schedules

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Fiscal Year Ended June 30, 2006

	<u>BANCROFT BOND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Special Assessments	\$ 400,000	\$ 400,000	\$ 591,532	\$ 191,532
Interest on Assessments	41,500	46,250	5,621	(40,629)
Total Revenues	<u>441,500</u>	<u>446,250</u>	<u>597,153</u>	<u>150,903</u>
EXPENDITURES:				
Materials and Services	57,500	81,000 (1)	77,805	3,195
Debt Service	200,000	- (1)	-	-
Contingency	50,000	5,426 (1)	-	5,426
Total Expenditures	<u>307,500</u>	<u>86,426</u>	<u>77,805</u>	<u>8,621</u>
Excess of Revenues Over (Under) Expenditures	<u>134,000</u>	<u>359,824</u>	<u>519,348</u>	<u>159,524</u>
OTHER FINANCING SOURCES (USES):				
Bond Proceeds	2,371,000	3,150,000	-	(3,150,000)
Transfers Out	(2,505,000)	(1,441,247) (1)	(1,417,286)	23,961
Total Other Financing Sources (Uses)	<u>(134,000)</u>	<u>1,708,753</u>	<u>(1,417,286)</u>	<u>(3,126,039)</u>
Net Change in Fund Balance	-	2,068,577	(897,938)	(2,966,515)
Beginning Fund Balance	-	(2,068,577)	(2,068,576)	1
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,966,514)</u>	<u>\$ (2,966,514)</u>
Reconciliation to GAAP Equity				
Interfund Loan Repayment			<u>\$ 575,000</u>	
GAAP Equity			<u>\$ (2,391,514)</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, 2006**

TRANSPORTATION PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 2,402,750	\$ 2,277,023	\$ 1,640,446	\$ (636,577)
Charges for Services	1,339,317	1,593,000	1,684,298	91,298
Interest on Investments	3,200	38,247	131,974	93,727
Trust Receipts	-	45,000	43,665	(1,335)
Contributions	80,000	5,000	2,924	(2,076)
Miscellaneous Revenues	-	-	-	-
Total Revenues	<u>3,825,267</u>	<u>3,958,270</u>	<u>3,503,307</u>	<u>(454,963)</u>
EXPENDITURES:				
Capital Outlay	8,105,635	5,857,322 (1)	4,803,186	1,054,136
Total Expenditures	<u>8,105,635</u>	<u>5,857,322</u>	<u>4,803,186</u>	<u>1,054,136</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,280,368)</u>	<u>(1,899,052)</u>	<u>(1,299,879)</u>	<u>599,173</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	3,278,526	2,672,580	2,528,276	(144,304)
Transfers Out	(25,000)	-	-	-
Total Other Financing Sources (Uses)	<u>3,253,526</u>	<u>2,672,580</u>	<u>2,528,276</u>	<u>(144,304)</u>
Net Change in Fund Balance	<u>(1,026,842)</u>	<u>773,528</u>	<u>1,228,397</u>	<u>454,869</u>
Beginning Fund Balance	<u>3,207,152</u>	<u>4,662,141</u>	<u>4,662,141</u>	<u>-</u>
Ending Fund Balance	<u>\$ 2,180,310</u>	<u>\$ 5,435,669</u>	<u>\$ 5,890,538</u>	<u>\$ 454,869</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, 2006

LAND AND BUILDING PROJECTS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 649,632	\$ 184,000	\$ 206,699	\$ 22,699
Charges for Services	412,000	1,025,936	775,242	(250,694)
Interest on Investments	27,394	1,100	67,640	66,540
Contributions	235,000	26,000	26,500	500
Miscellaneous	5,000	20,000	4,363	(15,637)
Total Revenues	<u>1,329,026</u>	<u>1,257,036</u>	<u>1,080,444</u>	<u>(176,592)</u>
EXPENDITURES:				
Capital Outlay	<u>2,960,325</u>	<u>4,551,759</u> (1)	<u>4,033,282</u>	<u>518,477</u>
Total expenditures	<u>2,960,325</u>	<u>4,551,759</u>	<u>4,033,282</u>	<u>518,477</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,631,299)</u>	<u>(3,294,723)</u>	<u>(2,952,838)</u>	<u>341,885</u>
OTHER FINANCING SOURCES (USES)				
Loan Proceeds			2,500,000	
Transfers In	393,575	744,631	743,296	(1,335)
Sale of Assets	755,000	1,485,000	-	(1,485,000)
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
Total Other Financing Sources (Uses)	<u>1,098,575</u>	<u>2,179,631</u>	<u>3,193,296</u>	<u>1,013,665</u>
Net Change in Fund Balance	(532,724)	(1,115,092)	240,458	1,355,550
Beginning Fund Balance	<u>642,474</u>	<u>1,918,354</u>	<u>1,918,354</u>	<u>-</u>
Ending Fund Balance	<u>\$ 109,750</u>	<u>\$ 803,262</u>	<u>\$ 2,158,812</u>	<u>\$ 1,355,550</u>
Reconciliation to GAAP Fund Balance				
Interfund Loans			<u>(2,500,000)</u>	
Total GAAP Fund Balance			<u>\$ (341,188)</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, 2006**

PARKWAY REDEVELOPMENT AGENCY

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$ 1,616,694	\$ 1,609,592	\$ 1,639,748	\$ 30,156
Intergovernmental	-	-	-	-
Interest on Investments	28,650	88,000	97,996	9,996
Trust Receipts	46,500	59,885	160,736	100,851
Miscellaneous	100,500	4,850	-	(4,850)
Total revenues	<u>1,792,344</u>	<u>1,762,327</u>	<u>1,898,480</u>	<u>136,153</u>
EXPENDITURES:				
Materials and Services	123,322	88,922 (1)	73,208	15,714
Capital Outlay	2,113,555	1,589,423 (1)	1,440,907	148,516
Debt Service				
Principal	415,000	399,750 (1)	399,749	-
Interest	70,019	85,269 (1)	85,406	(137)
Contingency	327,448	112,063 (1)	-	112,063
Total Expenditures	<u>3,049,344</u>	<u>2,275,427</u>	<u>1,999,270</u>	<u>276,157</u>
Net Change in Fund Balance	(1,257,000)	(513,100)	(100,790)	412,310
Beginning Fund Balance	<u>1,727,862</u>	<u>2,361,678</u>	<u>2,361,678</u>	-
Ending Fund Balance	<u>\$ 470,862</u>	<u>\$ 1,848,578</u>	<u>\$ 2,260,888</u>	<u>\$ 412,310</u>

(1) Appropriation Level

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**CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

SPECIAL REVENUE FUNDS

	<u>TRANSIENT ROOM TAX FUND</u>	<u>STREET UTILITY FUND</u>	<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>
ASSETS:			
Cash and Investments	\$ -	\$ 46,955	\$ 451,295
Receivables			
Intergovernmental	-	107,848	-
Accounts, net	-	82,403	-
Notes	-	-	220,861
Grants			515,421
Accrued Interest	-	163	1,565
	<u>-</u>	<u>163</u>	<u>1,565</u>
Total Assets	<u>\$ -</u>	<u>\$ 237,369</u>	<u>\$ 1,189,142</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ -	\$ 59,353	\$ 175,795
Salaries, withholdings and taxes payable	-	9,033	-
Due To Other Funds	-	5,392	-
Deferred Revenue		-	216,112
	<u>-</u>	<u>73,778</u>	<u>216,112</u>
Total Liabilities	<u>-</u>	<u>73,778</u>	<u>391,907</u>
Fund Balances:			
Unreserved	-	163,591	797,235
	<u>-</u>	<u>163,591</u>	<u>797,235</u>
Total fund balances	<u>-</u>	<u>163,591</u>	<u>797,235</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 237,369</u>	<u>\$ 1,189,142</u>

SPECIAL REVENUE FUNDS

<u>HOUSING & ECONOMIC DEVELOPMENT FUND</u>	<u>STORM WATER & OPEN SPACE FUND</u>	<u>TOTAL</u>
\$ 837,016	\$ 586,561	\$ 1,921,827
-	-	107,848
528	-	82,931
65,499	2,877	289,237
3,511	2,034	515,421
<u>906,554</u>	<u>591,472</u>	<u>2,924,537</u>
\$ -	\$ 3,591	\$ 238,739
-	-	9,033
-	-	5,392
65,499	2,877	284,488
<u>65,499</u>	<u>6,468</u>	<u>537,652</u>
<u>841,055</u>	<u>585,004</u>	<u>2,386,885</u>
<u>841,055</u>	<u>585,004</u>	<u>2,386,885</u>
<u>\$ 906,554</u>	<u>\$ 591,472</u>	<u>\$ 2,924,537</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, 2006

	SPECIAL REVENUE FUNDS		
	TRANSIENT ROOM TAX FUND	STREET UTILITY FUND	COMMUNITY DEVELOPMENT BLOCK GRANT FUND
REVENUES:			
Taxes	\$ 1,002,776	\$ -	\$ -
Licenses and Permits	-	42,381	-
Intergovernmental	-	1,248,409	540,110
Charges for Services	-	694,971	50
Interest on Investments	-	9,661	35,920
Industrial and Other Loans	-	-	12,576
Miscellaneous Revenues	-	54,045	-
Total Revenues	1,002,776	2,049,467	588,656
EXPENDITURES:			
Development	19,065	-	543,219
Field Operations	-	1,240,225	-
Debt Service	-	-	-
Capital Outlay	-	-	-
Total Expenditures	19,065	1,240,225	543,219
Excess of Revenues Over, (Under) Expenditures	983,711	809,242	45,437
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Sale of Assets	-	144	-
Transfers Out	(983,711)	(860,396)	-
Total Other Financing Sources (Uses)	(983,711)	(860,252)	-
Net Change in Fund Balance	-	(51,010)	45,437
Beginning Fund Balance	-	214,601	751,798
Ending Fund Balance	\$ -	\$ 163,591	\$ 797,235

SPECIAL REVENUE FUNDS

<u>HOUSING & ECONOMIC DEVELOPMENT FUND</u>	<u>STORM WATER & OPEN SPACE FUND</u>	<u>TOTAL</u>
\$ -	\$ -	\$ 1,002,776
-	-	42,381
-	-	1,788,519
-	441,507	1,136,528
30,365	22,734	98,680
17,259	-	29,835
-	-	54,045
<u>47,624</u>	<u>464,241</u>	<u>4,152,764</u>
-	-	562,284
-	-	1,240,225
-	-	-
-	198,348	198,348
-	198,348	2,000,857
<u>47,624</u>	<u>265,893</u>	<u>2,151,907</u>
-	-	-
(5,000)	(195,000)	144
<u>(5,000)</u>	<u>(195,000)</u>	<u>(2,044,107)</u>
<u>(5,000)</u>	<u>(195,000)</u>	<u>(2,043,963)</u>
42,624	70,893	107,944
798,431	514,111	2,278,941
<u>\$ 841,055</u>	<u>\$ 585,004</u>	<u>\$ 2,386,885</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, 2006**

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	\$ 968,284	\$ 1,012,564	\$ 1,002,776	\$ (9,788)
Total Revenues	<u>968,284</u>	<u>1,012,564</u>	<u>1,002,776</u>	<u>(9,788)</u>
EXPENDITURES:				
Materials and Services	<u>19,280</u>	<u>19,280 (1)</u>	<u>19,065</u>	<u>215</u>
Total Expenditures	<u>19,280</u>	<u>19,280</u>	<u>19,065</u>	<u>215</u>
Excess of Revenues Over (Under) Expenditures	<u>949,004</u>	<u>993,284</u>	<u>983,711</u>	<u>(9,573)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(949,004)</u>	<u>(993,284)</u>	<u>(983,711)</u>	<u>9,573</u>
Total Other Financing Sources (Uses)	<u>(949,004)</u>	<u>(993,284)</u>	<u>(983,711)</u>	<u>9,573</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	<u>-</u>	<u>-</u>	<u>-</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, 2006

STREET UTILITY FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Licenses and permits	\$ 60,000	\$ 60,000	\$ 42,381	\$ (17,619)
Intergovernmental	1,255,000	1,300,000	1,248,409	(51,591)
Charges for services	671,200	702,700	694,971	(7,729)
Interest on investments	1,000	9,197	9,661	464
Trust Receipts			37,335	37,335
Miscellaneous	17,000	18,000	16,710	(1,290)
Total Revenues	<u>2,004,200</u>	<u>2,089,897</u>	<u>2,049,467</u>	<u>(40,430)</u>
EXPENDITURES:				
Street and drainage services	976,995	954,986 (1)	901,592	53,394
Support services	24,399	24,824 (1)	24,681	143
General operations	265,477	302,155 (1)	313,952	(11,797)
Contingency	36,326	27,780 (1)	-	27,780
Total Expenditures	<u>1,303,197</u>	<u>1,309,745</u>	<u>1,240,225</u>	<u>69,520</u>
Excess of Revenues Over (Under) Expenditures	<u>701,003</u>	<u>780,152</u>	<u>809,242</u>	<u>29,090</u>
OTHER FINANCING SOURCES (USES)				
Sale of Assest	-	-	144	144
Transfers Out	(772,226)	(980,107) (1)	(860,396)	119,711
Total Other Financing Sources (Uses)	<u>(772,226)</u>	<u>(980,107)</u>	<u>(860,252)</u>	<u>119,855</u>
Net Change in Fund Balance	(71,223)	(199,955)	(51,010)	148,945
Beginning Fund Balance	<u>71,223</u>	<u>199,955</u>	<u>214,601</u>	<u>14,646</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,591</u>	<u>\$ 163,591</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, 2006

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 600,000	\$ 624,689	\$ 540,110	\$ (84,579)
Charges for Services	200	200	50	(150)
Interest on Investments	10,468	30,236	35,920	5,684
Loan Repayments	18,230	16,153	12,576	(3,577)
Contributions	-	-	-	-
Total Revenues	628,898	671,278	588,656	(82,622)
EXPENDITURES:				
Materials and Services	97,200	111,889 (1)	27,007	84,882
Capital Outlay	600,000	600,000 (1)	516,212	83,788
Contingencies	299,532	100,000 (1)	-	100,000
Total Expenditures	996,732	811,889	543,219	268,670
Net Change in Fund Balance	(367,834)	(140,611)	45,437	186,048
Beginning Fund Balance	549,283	751,798	751,798	-
Ending Fund Balance	\$ 181,449	\$ 611,187	\$ 797,235	\$ 186,048

(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, 2006

HOUSING AND ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest on Investments	6,000	32,685	30,365	(2,320)
Industrial and Other Loan Payments	29,275	13,961	17,259	3,298
Miscellaneous Revenues	150	150	-	(150)
Total Revenues	35,425	46,796	47,624	828
EXPENDITURES:				
Materials and Services	200,000	50,000 (1)	-	50,000
Contingencies	85,000	50,000 (1)	-	50,000
Total Expenditures	285,000	100,000	-	100,000
Excess of Revenues Over (Under) Expenditures	(249,575)	(53,204)	47,624	100,828
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	(254,575)	(58,204)	42,624	100,828
Beginning Fund Balance	441,736	798,431	798,431	-
Ending Fund Balance	\$ 187,161	\$ 740,227	\$ 841,055	\$ 100,828

(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, 2004

STORM WATER AND OPEN SPACE

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 440,000	\$ 430,000	\$ 441,507	\$ 11,507
Interest on Investments	6,500	6,500	22,734	16,234
Total Revenues	<u>446,500</u>	<u>436,500</u>	<u>464,241</u>	<u>27,741</u>
EXPENDITURES:				
Capital Outlay	587,471	755,611 (1)	198,348	557,263
Total Expenditures	<u>587,471</u>	<u>755,611</u>	<u>198,348</u>	<u>557,263</u>
Excess of Revenues Over (Under) Expenditures	<u>(140,971)</u>	<u>(319,111)</u>	<u>265,893</u>	<u>585,004</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	50,000	-	-	-
Transfers Out	(150,000)	(195,000) (1)	(195,000)	-
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-</u>
Net Change in Fund Balance	(240,971)	(514,111)	70,893	585,004
Beginning Fund Balance	<u>240,971</u>	<u>514,111</u>	<u>514,111</u>	<u>-</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 585,004</u>	<u>\$ 585,004</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, 2006

	<u>WATER FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Taxes	\$ -	\$ -	\$ (1,420)	\$ (1,420)
Intergovernmental	-	325,855	6,968	(318,887)
Charges for Services	4,231,700	4,369,960	4,608,001	238,041
Interest on Investments	15,200	67,500	107,569	40,069
Trust Receipts	90,000	140,000	176,422	36,422
Miscellaneous Revenues	554,600	205,902	180,079	(25,823)
Total Revenues	<u>4,891,500</u>	<u>5,109,217</u>	<u>5,077,619</u>	<u>(31,598)</u>
EXPENDITURES:				
Treatment Services	994,216	1,028,029 (1)	1,016,855	11,174
Distribution Services	861,957	861,957 (1)	858,874	3,083
Customer Services	308,757	343,032 (1)	327,755	15,277
General Operations	231,941	287,764 (1)	268,100	19,664
Starview Estates Water System	-	- (1)	-	-
Debt Service				
Principal	295,000	295,000 (1)	295,000	-
Interest	124,115	124,115 (1)	123,058	1,057
Capital Outlay	2,714,115	3,861,548 (1)	699,057	3,162,491
Contingency	100,000	90,000 (1)	-	90,000
Total Expenditures	<u>5,630,101</u>	<u>6,891,445</u>	<u>3,588,699</u>	<u>3,302,746</u>
Excess of Revenues Over (Under) Expenditures	<u>(738,601)</u>	<u>(1,782,228)</u>	<u>1,488,920</u>	<u>3,271,148</u>
OTHER FINANCING SOURCES (USES):				
Sale of Assets		2,000	42	(1,958)
Transfers In	1,065,000	1,180,000	770,000	(410,000)
Transfers Out	(1,291,500)	(1,236,500) (1)	(826,500)	410,000
Total Other Financing Sources (Uses)	<u>(226,500)</u>	<u>(54,500)</u>	<u>(56,458)</u>	<u>(1,958)</u>
Net Change in Fund Balance	(965,101)	(1,836,728)	1,432,462	3,269,190
Beginning Fund Balance	<u>1,421,060</u>	<u>2,262,548</u>	<u>2,162,548</u>	<u>(100,000)</u>
Ending Fund Balance	<u>\$ 455,959</u>	<u>\$ 425,820</u>	<u>\$ 3,595,010</u>	<u>\$ 3,169,190</u>
Reconciliation to Net Assets				
Fixed Assets, net			46,099,202	
General Obligation Bonds Payable			(2,487,923)	
Contract Payable			(1,061)	
Matured Interest Payable			(3,804)	
Total Net Assets			<u>\$ 47,201,424</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, 2006

SEWER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 162,000	\$ 200,445	\$ 241,741	\$ 41,296
Charges for Services	3,847,250	4,562,325	4,623,763	61,438
Interest on Investments	55,100	80,700	148,573	67,873
Miscellaneous	288,550	183,105	71,528	(111,577)
Total Revenues	<u>4,352,900</u>	<u>5,026,575</u>	<u>5,085,605</u>	<u>59,030</u>
EXPENDITURES:				
Treatment Services	1,228,891	1,228,682 (1)	1,179,092	49,590
Jo-Gro	435,632	468,903 (1)	455,272	13,631
Collection Services	441,646	441,646 (1)	424,552	17,094
Customer Services	255,517	252,817 (1)	244,968	7,849
General Operations	287,956	329,006 (1)	318,118	10,888
Debt service:				
Principal	323,008	257,354 (1)	257,345	9
Interest	172,258	237,912 (1)	234,961	2,951
Capital Outlay	4,125,388	4,986,991 (1)	425,503	4,561,488
Contingency	250,000	150,000 (1)	-	150,000
Total Expenditures	<u>7,520,296</u>	<u>8,353,311</u>	<u>3,539,811</u>	<u>4,813,500</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,167,396)</u>	<u>(3,326,736)</u>	<u>1,545,794</u>	<u>4,872,530</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	-	-
Transfers In	200,000	973,500	942,500	(31,000)
Transfers Out	(150,000)	(1,000,000) (1)	(969,000)	31,000
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>(26,500)</u>	<u>(26,500)</u>	<u>-</u>
Net Change in Fund Balance	(3,117,396)	(3,353,236)	1,519,294	4,872,530
Beginning Fund Balance	3,641,603	3,876,973	3,876,973	-
Ending Fund Balance	<u>\$ 524,207</u>	<u>\$ 523,737</u>	<u>\$ 5,396,267</u>	<u>\$ 4,872,530</u>
Reconciliation to Net Assets				
Fixed Assets, net			28,741,591	
Notes Payable			(6,742,401)	
Total Net Assets			<u>\$ 27,395,457</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, 2006

HARBECK-FRUITDALE SEWER DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Special Assessments	\$ 9,050	\$ 7,725	\$ 5,820	\$ (1,905)
Interest	425	1,495	1,458	(37)
Miscellaneous	-	-	800	800
Total Revenues	9,475	9,220	8,078	(1,142)
EXPENDITURES:				
General program operations	3,345	3,320 (1)	3,303	17
Debt Service	5,380	82,306 (1)	84,084	(1,778)
Contingency	1,000	1,000 (1)	-	1,000
Total Expenditures	9,725	86,626	87,387	(761)
Excess of Revenues Over (Under) Expenditures	(250)	(77,406)	(79,309)	-1,903
OTHER FINANCING SOURCES (USES):				
Loans		40,000	40,000	-
Transfers In	538	12,205	12,184	-
Transfers Out	(538)	(12,205)	(12,184)	-
Total Other Financing Sources (Uses)	-	40,000	40,000	-
Net Change in Fund Balance	(250)	(37,406)	(39,309)	(1,903)
Beginning Fund Balance	30,946	43,329	43,329	0
Ending Fund Balance	\$ 30,696	\$ 5,923	\$ 4,020	\$ (1,903)
Reconciliation to Net Assets				
Fixed Assets, net			75,437	
Notes Payable			(60,000)	
Net Assets			\$ 19,457	

(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, 2006

REDWOOD SANITARY SEWER DISTRICT

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 1,126,000	\$ 1,197,465	\$ 1,109,533	\$ (87,932)
Interest on Investments	27,750	44,000	44,284	284
Total Revenues	<u>1,153,750</u>	<u>1,241,465</u>	<u>1,153,817</u>	<u>(87,648)</u>
EXPENDITURES:				
Collection	47,090	47,090 (1)	35,463	11,627
Treatment	226,800	256,800 (1)	236,903	19,897
Customer Services	28,700	31,299 (1)	31,249	50
General Program Operations	140,843	162,263 (1)	152,083	10,180
Capital Outlay	60,200	60,200 (1)	-	60,200
Debt service:				
Principal	350,000	350,000 (1)	552,093	(202,093)
Interest	350,218	350,218 (1)	133,399	216,819
Contingency	175,000	28,224 (1)	-	28,224
Total Expenditures	<u>1,378,851</u>	<u>1,286,094</u>	<u>1,141,190</u>	<u>144,904</u>
Excess of Revenues Over (Under) Expenditures				
OTHER FINANCING SOURCES				
Transfers In	100,000	250,000	250,000	-
Transfers Out	(100,000)	(250,000)	(250,000)	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(225,101)	(44,629)	12,627	57,256
Beginning Fund Balance	882,112	1,148,267	1,148,267	-
Ending Fund Balance	<u><u>\$ 657,011</u></u>	<u><u>\$ 1,103,638</u></u>	<u><u>\$ 1,160,894</u></u>	<u><u>\$ 57,256</u></u>
Reconciliation to Net Assets				
Fixed Assets, net			\$ 9,417,149	
Notes Payable			(4,180,064)	
Total Net Assets			<u><u>\$ 6,397,979</u></u>	

(1) Appropriation Level

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2006

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
ASSETS:					
Current assets					
Cash and Investments	\$ 2,472,056	\$ 324,762	\$ 561,848	\$ 1,147,402	\$ 4,506,068
Prepaid Items		4,732	215	164,148	169,095
Receivables					
Accounts, net	-	50,849	279	-	51,128
Accrued interest	8,572	1,126	1,948	11,429	23,075
Due from other funds	-	-	-	600,000	600,000
Total current assets	2,480,628	381,469	564,290	1,922,979	5,349,366
Fixed assets, net	1,546,995	407,079	50,848	-	2,004,922
Total assets	\$ 4,027,623	\$ 788,548	\$ 615,138	\$ 1,922,979	\$ 7,354,288
LIABILITIES AND NET ASSETS:					
LIABILITIES:					
Current Liabilities					
Accounts Payable	\$ 52,709	\$ 52,136	\$ 44,268	\$ 137,799	\$ 286,912
Salaries, withholdings and taxes payable	17,955	170,372	275,352	5,380	469,059
Pending Claims				56,713	56,713
Due to other funds	-	-	-	-	-
Total Current Liabilities	70,664	222,508	319,620	199,892	812,684
Total Liabilities	70,664	222,508	319,620	199,892	812,684
NET ASSETS					
Invested in Capital Assets, net of related debt	1,546,995	407,079	50,848	-	2,004,922
Unrestricted	2,409,964	158,961	244,670	1,723,087	4,536,682
Total Net Assets	3,956,959	566,040	295,518	1,723,087	6,541,604
Total Liabilities and Net Assets	\$ 4,027,623	\$ 788,548	\$ 615,138	\$ 1,922,979	\$ 7,354,288

**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, 2006**

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND	ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
OPERATING REVENUES:					
Charges for Services	\$ 805,786	\$ 2,199,927	\$ 2,339,062	\$ 2,656,156	\$ 8,000,931
Miscellaneous	9,041	31,348	1,873	49,549	91,811
Total Operating Revenues	<u>814,827</u>	<u>2,231,275</u>	<u>2,340,935</u>	<u>2,705,705</u>	<u>8,092,742</u>
OPERATING EXPENSES:					
Salaries and Wages	64,576	1,336,649	1,512,440	77,576	2,991,241
Operating Supplies	82,020	72,832	81,829	13,823	250,504
Repairs and Maintenance	14,093	145,410	2,140	1,000	162,643
Utilities	76	84,104	15,949	-	100,129
Professional Services	172,473	134,738	441,991	2,179,047	2,928,249
General, Administrative and Engineering	166,747	297,058	140,315	576,616	1,180,736
Depreciation	281,004	19,539	22,977	-	323,520
Total Operating Expenses	<u>780,989</u>	<u>2,090,330</u>	<u>2,217,641</u>	<u>2,848,062</u>	<u>7,937,022</u>
Total Operating Income (Loss)	33,838	140,945	123,294	(142,357)	155,720
NONOPERATING INCOME (LOSS)					
Gain (Loss) on the Sale of Assets	2,790	-	-	-	2,790
Intergovernmental	-	5,708	34,375	-	40,083
Interest Income	83,349	8,552	12,947	89,512	194,360
Total nonoperating income (expense)	<u>86,139</u>	<u>14,260</u>	<u>47,322</u>	<u>89,512</u>	<u>237,233</u>
Income, (Loss) Before Operating Transfers	119,977	155,205	170,616	(52,845)	392,953
TRANSFERS					
Transfers In	68,500	21,000	-	-	89,500
Transfers Out	-	(32,500)	-	-	(32,500)
Total Transfers	<u>68,500</u>	<u>(11,500)</u>	<u>-</u>	<u>-</u>	<u>57,000</u>
Change in Net Assets	188,477	143,705	170,616	(52,845)	449,953
Beginning Net Assets	<u>3,768,482</u>	<u>422,335</u>	<u>124,902</u>	<u>1,775,932</u>	<u>6,091,651</u>
Ending Net Assets	<u>\$ 3,956,959</u>	<u>\$ 566,040</u>	<u>\$ 295,518</u>	<u>\$ 1,723,087</u>	<u>\$ 6,541,604</u>

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2006

	FLEET OPERATIONS FUND	SUPPORT SERVICES FUND
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 812,245	\$ 2,185,656
Cash Paid to Suppliers	(418,343)	(711,112)
Cash Paid to Employees	(62,754)	(1,356,925)
Net cash provided (used) by operating activities	<u>331,148</u>	<u>117,619</u>
Cash Flows From Noncapital Financing Activities		
Intergovernmental Revenue	-	5,708
Transfers In	68,500	21,000
Transfers Out	-	(32,500)
Net cash provided (used) by noncapital financing activities	<u>68,500</u>	<u>(5,792)</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and Construction of Capital Assets	(260,420)	-
Net cash provided (used) by capital financing activities	<u>(260,420)</u>	<u>-</u>
Cash flows from investing activities		
Interest on Investments	83,349	8,552
Net increase (decrease) in cash and investments	222,577	120,379
Cash and investments, beginning of year	<u>2,249,479</u>	<u>204,383</u>
Cash and investments, end of year	<u>\$ 2,472,056</u>	<u>\$ 324,762</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities		
Operating Income	\$ 33,838	\$ 140,945
Depreciation and Amortization	281,004	19,539
(Increase) Decrease in Receivables	(2,582)	(10,869)
Increase (Decrease) in Payables	17,066	(11,720)
Increase (Decrease) in Payroll Liabilities	1,822	(20,276)
Net Cash Provided by Operating Activities	<u>\$ 331,148</u>	<u>\$ 117,619</u>

ADMINISTRATIVE SERVICES FUND	INSURANCE SERVICES FUND	TOTAL
\$ 2,339,979	\$ 2,741,234	\$ 8,079,114
(676,071)	(2,808,823)	(4,614,349)
(1,521,790)	(79,382)	(3,020,851)
<u>142,118</u>	<u>(146,971)</u>	<u>443,914</u>
34,375	-	40,083
-	-	89,500
-	-	(32,500)
<u>34,375</u>	<u>-</u>	<u>97,083</u>
-	-	(260,420)
-	-	(260,420)
12,947	89,512	194,360
189,440	(57,459)	474,937
372,408	1,204,861	4,031,131
<u>\$ 561,848</u>	<u>\$ 1,147,402</u>	<u>\$ 4,506,068</u>
\$ 123,294	\$ (142,357)	\$ 155,720
22,977	-	323,520
8,574	(118,619)	(123,496)
(3,377)	115,811	117,780
(9,350)	(1,806)	(29,610)
<u>\$ 142,118</u>	<u>\$ (146,971)</u>	<u>\$ 443,914</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, 2006

FLEET OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 270,000	\$ -	\$ -	\$ -
Charges for Services	834,408	1,283,656	805,786	(477,870)
Interest on Investments	50,900	50,400	83,349	32,949
Miscellaneous	10,000	10,000	9,041	(959)
Total Revenues	<u>1,165,308</u>	<u>1,344,056</u>	<u>898,176</u>	<u>(445,880)</u>
EXPENDITURES:				
Garage Operations	516,832	502,619 (1)	455,447	47,172
Equipment Replacement Operations	755,940	480,860 (1)	309,621	171,239
Contingency	314,978	340,229 (1)	-	340,229
Total Expenditures	<u>1,587,750</u>	<u>1,323,708</u>	<u>765,068</u>	<u>558,640</u>
Excess of Revenues Over (Under) Expenditures	<u>(422,442)</u>	<u>20,348</u>	<u>133,108</u>	<u>112,760</u>
OTHER FINANCING SOURCES:				
Transfers In	42,500	89,500	68,500	(21,000)
Sale of Assets	-	-	4,665	4,665
Total Other Financing Sources	<u>42,500</u>	<u>89,500</u>	<u>73,165</u>	<u>(16,335)</u>
Net Change in Fund Balance	(379,942)	109,848	206,273	96,425
Beginning Fund Balance	<u>1,752,444</u>	<u>2,203,692</u>	<u>2,203,692</u>	<u>-</u>
Ending Fund Balance	<u>\$ 1,372,502</u>	<u>\$ 2,313,540</u>	<u>\$ 2,409,965</u>	<u>\$ 96,425</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>1,546,994</u>	
Total Net Assets			<u>\$ 3,956,959</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, 2006

SUPPORT SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Intergovernmental	\$ 17,864	\$ 4,600	\$ 5,708	\$ 1,108
Charges for Services	1,943,033	1,880,071	2,199,927	319,856
Interest on Investments	500	2,800	8,552	5,752
Miscellaneous Revenues	51,089	32,286	31,348	(938)
Total Revenues	<u>2,012,486</u>	<u>1,919,757</u>	<u>2,245,535</u>	<u>325,778</u>
EXPENDITURES:				
Property Management	399,242	364,369 (1)	362,911	1,458
Engineering Services	966,779	826,505 (1)	813,436	13,069
Community Development Management	579,763	574,763 (1)	538,962	35,801
Information Technology	348,352	372,498	355,483	
Debt Service	34,750	34,750 (1)	34,750	-
Contingency	16,952	119,380 (1)	-	119,380
Total expenditures	<u>2,345,838</u>	<u>2,292,265</u>	<u>2,105,542</u>	<u>186,723</u>
Excess of Revenues Over (Under) Expenditures	<u>(333,352)</u>	<u>(372,508)</u>	<u>139,993</u>	<u>512,501</u>
OTHER FINANCING SOURCE (USES)				
Transfer In	-	21,000	21,000	-
Transfers Out	(15,000)	(27,500) (1)	(32,500)	(5,000)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(27,500)</u>	<u>(11,500)</u>	<u>16,000</u>
Net Change in Fund Balance	<u>(348,352)</u>	<u>(400,008)</u>	<u>128,493</u>	<u>528,501</u>
Beginning Fund Balance	<u>-</u>	<u>30,468</u>	<u>30,468</u>	<u>-</u>
Ending Fund Balance	<u>\$ (348,352)</u>	<u>\$ (369,540)</u>	<u>\$ 158,961</u>	<u>\$ 528,501</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>407,079</u>	
Total Net Assets			<u>\$ 566,040</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, 2006**

ADMINISTRATIVE SERVICES FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Intergovernmental	\$ 191,600	\$ 63,600	\$ 34,375	\$ (29,225)
Charges for Services	2,463,578	2,336,443	2,339,062	2,619
Interest on Investments	3,000	9,500	12,947	3,447
Miscellaneous Revenues	200,000	200,000	1,873	(198,127)
Total Revenues	<u>2,858,178</u>	<u>2,609,543</u>	<u>2,388,257</u>	<u>(221,286)</u>
EXPENDITURES:				
Management Services	536,979	536,979 (1)	520,334	16,645
Legal Services	159,472	159,472 (1)	136,967	22,505
Administrative Services	1,295,267	1,295,267 (1)	1,272,912	22,355
General Program Operations	354,325	319,150 (1)	264,451	54,699
Contingency	200,000	200,000 (1)	-	200,000
Total expenditures	<u>2,546,043</u>	<u>2,510,868</u>	<u>2,194,664</u>	<u>316,204</u>
Net Change in Fund Balance	<u>312,135</u>	<u>98,675</u>	<u>193,593</u>	<u>94,918</u>
Beginning Fund Balance	<u>98,267</u>	<u>51,078</u>	<u>51,078</u>	<u>-</u>
Ending Fund Balance	<u>\$ 410,402</u>	<u>\$ 149,753</u>	<u>\$ 244,671</u>	<u>\$ 94,918</u>
Reconciliation to Net Assets				
Fixed Assets, net			<u>50,847</u>	
Total Net Assets			<u>\$ 295,518</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, 2006

INSURANCE SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Charges for Services	\$ 2,759,654	\$ 2,734,829	\$ 2,656,156	\$ (78,673)
Interest on Investments	51,500	66,975	89,512	22,537
Miscellaneous	143,525	199,150	49,549	(149,601)
Total Revenues	2,954,679	3,000,954	2,795,217	(205,737)
EXPENDITURES:				
General Insurance Services	424,899	364,256 (1)	309,715	54,541
Benefits Administration	2,198,470	2,212,583 (1)	2,168,207	44,376
Workers' Compensation Insurance	565,956	565,956 (1)	370,140	195,816
Contingency	176,544	237,187 (1)	-	237,187
Total Expenditures	3,365,869	3,379,982	2,848,062	531,920
Net Change in Fund Balance	(411,190)	(379,028)	(52,845)	326,183
Beginning Fund Balance	1,798,177	1,775,932	1,775,932	-
Ending Fund Balance	\$ 1,386,987	\$ 1,396,904	\$ 1,723,087	\$ 326,183

(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, 2006**

	Balance at June 30, 2005	Additions	Deductions	Balance at June 30, 2006
Assets				
Cash and Investments	\$ 2,048,336	\$ 3,185,238	\$ 2,048,336	\$ 3,185,238
Accounts Receivable	8,472	7,272	8,472	7,272
Total Assets	\$ 2,056,808	\$ 3,192,510	\$ 2,056,808	\$ 3,192,510
Liabilities				
Due to Others	\$ 2,056,808	\$ 3,192,510	\$ 2,056,808	\$ 3,192,510

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

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Fiscal Year Ended June 30, 2006**

GENERAL AND WATER FUNDS

<u>TAX YEAR</u>	<u>IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/05</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/06</u>
Current:						
2005-06	\$ 9,171,224	\$ 528	\$ (284,928)	\$ 4,027	\$ 8,639,674	\$ 250,121
Prior Years:						
2004-05	229,752	(1,050)	14,364	9,710	179,711	75,165
2003-04	82,100	(146)	(7,192)	6,447	44,458	37,043
2002-03	43,763	(196)	(8,778)	5,722	27,291	13,612
2001-02	15,653	(1,850)	(5,420)	3,675	10,568	5,190
2000-01	5,059	(2,067)	(5,728)	210	(2,858)	4,466
Prior	22,684	0	1,227	117	230	23,798
Total Prior	399,011	(5,309)	(11,527)	25,881	259,400	159,274
Total All Funds	<u>\$ 9,570,235</u>	<u>\$ (4,781)</u>	<u>\$ (296,455)</u>	<u>\$ 29,908</u>	<u>\$ 8,899,074</u>	<u>\$ 409,395</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 8,899,074
Accrual of Receivables:	
June 30, 2005	(82,656)
June 30, 2006	74,873
Miscellaneous Taxes	23,686
Total Revenue	<u>\$ 8,914,977</u>

PARKWAY REDEVELOPMENT AGENCY FUND

	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2005	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2006
Current:						
2005-06	\$ 1,680,995	\$ 97	\$ (52,121)	\$ 635	\$ 1,583,567	\$ 45,845
Prior Years:						
2004-05	48,555	(222)	3,234	1,854	37,980	15,885
2003-04	16,699	(30)	(1,337)	1,186	9,043	7,535
2002-03	9,318	(42)	(1,869)	1,218	5,811	2,898
2001-02	3,196	(378)	(1,106)	750	2,158	1,060
Prior	6,354	(453)	(4,193)	73	(577)	3,264
Total Prior	84,122	(1,125)	(5,271)	5,081	54,415	30,642
Total	\$ 1,765,117	\$ (1,028)	\$ (57,392)	\$ 5,716	\$ 1,637,982	\$ 76,487

RECONCILIATION TO REVENUE

Cash Collections by County Treasurer Above	\$ 1,637,982
Accrual of Receivables:	
June 30, 2005	(17,279)
June 30, 2006	17,251
Miscellaneous Taxes	1,794
Total Revenue	\$ 1,639,748

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

STATISTICAL SECTION

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

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

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

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

NET ASSETS BY COMPONENT

For the last four fiscal years
(Unaudited)

	Fiscal Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental Activities				
Invested in Capital Assets, net of related debt	\$ 61,446,389	70,817,161	41,109,766	94,714,953
Unrestricted	<u>15,919,809</u>	<u>18,056,168</u>	<u>57,569,142</u>	<u>20,457,257</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>
Business-Type Activities				
Invested in Capital Assets, net of related debt	\$ 61,220,836	62,607,143	66,870,761	71,185,429
Restricted				
Unrestricted	<u>7,128,214</u>	<u>8,969,442</u>	<u>11,226,231</u>	<u>11,829,156</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>
Primary government				
Invested in Capital Assets, net of related debt	\$ 122,667,225	133,424,304	107,980,527	165,900,382
Unrestricted	<u>23,048,023</u>	<u>27,025,610</u>	<u>68,795,373</u>	<u>32,286,413</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>

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

CHANGES IN NET ASSETS

For the last four fiscal years
(Unaudited)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities				
Public Safety	\$ 6,861,932	\$ 8,967,348	11,308,389	8,505,477
Transportation	1,511,761	1,672,361	1,357,134	1,007,261
Building	644,421	862,341	1,110,231	765,541
Parks	1,139,412	361,174	1,518,671	1,135,134
Development	2,639,705	2,493,017	2,392,553	2,815,350
General Government	246,978	245,936	143,923	193,264
Solid Waste	325,399	378,738	2,050,240	(139,183)
Interest	149,460	364,393	173,982	339,344
Total Governmental Activities Expenses	<u>13,519,068</u>	<u>15,345,308</u>	<u>20,055,123</u>	<u>14,622,188</u>
Business-Type Activities				
Water	2,643,028	2,908,859	3,397,559	3,660,103
Sewer	3,394,601	3,606,999	5,015,385	4,544,046
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>
Total Primary Government Expenses	<u>\$ 19,973,027</u>	<u>\$ 22,408,933</u>	<u>28,468,067</u>	<u>22,826,337</u>
Program Revenues				
Governmental Activities				
Charges for Service	\$ 3,097,391	\$ 4,786,614	6,946,869	9,180,248
Operating Grants and Contributions	59,361	274,952	377,726	2,239,659
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>
Business-Type Activities				
Charges for Service	7,579,395	8,364,037	8,781,698	10,341,297
Operating Grants and Contributions	-	-	-	1,761,536
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>
Total Primary Government Revenues	<u>\$ 18,171,827</u>	<u>\$ 13,425,603</u>	<u>16,106,293</u>	<u>23,522,740</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (2,926,636)	\$ (10,283,742)	(12,730,528)	(3,202,281)
Business-Type Activities	<u>1,125,436</u>	<u>1,300,412</u>	<u>368,754</u>	<u>3,898,684</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>

**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
Licenses and Permits	58,381	**	**	**
Intergovernmental	4,264,905	3,636,796	3,805,599	3,727,927
Fines and Forfeitures	156,635	**	**	**
Special Assessments	893,573	**	**	**
Interest	421,389	307,318	535,698	914,546
Interest on Assessments	187,030	50,633	****	****
Trust Receipts	7,723	153,920	222,376	204,401
Contributions	6,450	6,168,301	5,520,142	*****
Industrial Payments	68,572	100,441	36,716	29,835
Sale of Assets	460,857	171,194	****	****
Miscellaneous	395,065	76,351	51,624	749,580
Transfers	623,055	377,096	441,915	65,571
Total Governmental Activities	\$ 10,479,871	\$ 22,077,469	22,536,107	19,695,583
Business-Type Activities				
Taxes	\$ 867	\$ 380	146	-
Licenses and Permits	-	-	-	-
Intergovernmental	171,211	212,002	240,625	260,966
Fines and Forfeitures	-	-	-	-
Special Assessments	12,252	**	**	**
Interest	132,832	107,273	168,727	361,315
Interest on Assessments	-	-	-	-
Trust Receipts	39,559	113,339	91,044	176,422
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
Transfers	(623,055)	(377,096)	(441,915)	(65,571)
Total Business-Type Activities	\$ 1,826,544	\$ 1,927,123	6,151,653	1,018,909
Total Primary Government	\$ 12,306,415	\$ 24,004,592	28,687,760	20,714,492
Change in Net Assets				
Governmental Activities	\$ 7,553,235	\$ 11,793,727	9,805,579	16,493,302
Business-Type Activities	2,951,980	3,227,535	6,520,407	4,917,593
Total Primary Government	\$ 10,505,215	\$ 15,021,262	16,325,986	21,410,895

* 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.

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

PROGRAM REVENUE BY FUNCTION

For the last four fiscal years
(Unaudited)

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

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

FUND BALANCES, GOVERNMENTAL FUNDS

For the last four fiscal years
(Unaudited)

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

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

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS⁽⁴⁾

For the last ten fiscal years
(Unaudited)

	For Fiscal Year Ended June 30,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues⁽¹⁾										
Taxes	\$ 6,272,652	\$ 7,035,244	\$ 7,154,545	\$ 7,511,590	\$ 7,898,609	\$ 8,441,907	\$ 10,380,444	\$ 11,093,602	\$ 11,854,212	\$ 14,006,903
Licenses and Permits	338,805	312,441	330,956	453,874	606,322	585,282	734,950	898,559	1,076,622	1,020,253
Intergovernmental	1,808,962	1,402,031	1,438,470	1,481,763	2,458,884	2,386,793	4,256,934	3,844,673	4,128,652	5,387,371
Charges for Services	2,949,341	2,997,655	3,143,862	3,574,603	2,133,777	1,200,539	2,287,356	3,299,013	4,970,440	5,002,020
Fines and Forfeitures	106,514	134,507	147,058	141,004	160,455	183,753	156,635	164,852	163,055	200,322
Special Assessments	991,975	459,105	166,803	80,439	102,060	222,021	521,448	517,331	428,056	591,532
Interest							544,835	311,951	443,858	779,618
Other Revenues ⁽²⁾	631,646	527,679	823,858	897,881	1,247,145	470,661	376,610	369,895	473,826	561,775
Total Revenues	13,099,895	12,868,662	13,205,552	14,141,154	14,607,252	13,496,953	19,259,212	20,499,876	23,538,721	27,549,794
Expenditures⁽¹⁾										
General Governmental	77,543	113,834	81,890	93,826	270,208	177,193	160,190	110,938	113,413	238,166
Public Safety	5,098,056	5,238,809	5,402,335	5,704,682	6,527,609	7,117,745	7,629,926	8,536,933	9,129,171	10,380,614
Field Operations	2,699,165	2,743,360	2,895,074	2,887,022	2,612,715	2,453,511	-	-	-	-
Community Development	905,208	927,148	1,120,811	1,210,034	1,488,285	1,599,375	3,037,279	2,428,001	1,934,013	3,439,641
Debt Service ⁽³⁾	208,393	209,138	208,870	317,665	91,882	93,305				
Principal							403,861	481,496	462,466	669,499
Interest							165,631	152,928	173,982	149,304
Solid Waste						6,842,294	377,602	1,884,141	392,357	399,179
Capital Outlay	577,298	518,609	723,088	299,287	713,738	382,517	5,414,335	4,786,154	9,132,159	9,499,093
Transportation							949,597	996,651	1,084,732	1,240,225
Building							697,950	792,896	893,389	938,973
Parks							1,076,203	1,115,138	1,225,688	1,389,164
Total Expenditures	9,565,663	9,750,898	10,432,068	10,512,516	11,704,437	18,665,940	19,912,574	21,285,276	24,541,370	28,313,858
Other Financing Sources (Uses)										
Loan Proceeds								1,500,000		
Sale of Assets							470,471	966,789	2,624,201	4,842
Operating Transfer In							4,325,468	3,064,292	3,801,142	4,109,259
Operating Transfers Out							(3,803,419)	(2,649,709)	(3,451,142)	(4,083,259)
Total Other Financing Sources (Uses)							992,520	2,881,372	2,974,201	30,842
Net Change in Fund Balances							339,158	2,095,972	1,971,552	(733,222)
Debt Service as a percentage of noncapital expenditures							3.93%	3.85%	4.13%	4.55%

(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
1997	4,243,539	198,024	1,264,939	566,150	6,272,652
1998	4,909,499	208,604	1,339,390	577,752	7,035,244
1999	4,910,494	190,578	1,449,605	603,868	7,154,545
2000	5,124,525	263,524	1,498,060	625,480	7,511,590
2001	5,375,396	245,783	1,590,649	686,781	7,898,609
2002	5,689,844	264,897	1,708,606	778,561	8,441,907
2003	7,438,564	257,322	1,761,362	923,195	10,380,443
2004	8,047,184	265,026	1,869,265	912,507	11,093,982
2005	8,705,901	289,165	1,931,515	927,631	11,854,212
2006	10,556,145	307,492	2,140,490	1,002,776	14,006,903

(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	Delinquent Taxes Collected	Total Tax Collections	Total Collections	Uncollected Delinquent Taxes	Uncollected Taxes
			as a Percentage of Current Levy			as a Percentage of Current Levy		as a Percentage of Current Levy
1997	5,861,854	5,323,429	91%	384,498	5,707,927	97%	571,505	10%
1998	5,311,599	4,859,610	91%	331,096	5,190,706	98%	503,037	9%
1999	5,289,752	4,847,215	92%	364,713	5,211,928	99%	490,179	9%
2000	5,548,281	5,125,870	92%	362,303	5,488,173	99%	472,721	9%
2001	5,475,944	5,069,343	93%	319,633	5,388,976	98%	435,506	8%
2002	5,816,331	5,415,158	93%	297,333	5,712,491	98%	414,740	7%
2003	6,252,061	5,851,379	94%	288,342	6,139,722	98%	404,297	6%
2004	6,804,725	6,386,298	94%	275,413	6,661,711	98%	377,548	6%
2005	7,427,728	6,943,714	93%	274,297	7,218,011	97%	399,011	5%
2006	9,171,224	8,639,674	94%	259,400	8,899,074	97%	409,395	4%

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

**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
1997	4.38	4.08	-	0.30	-
1998	5.49	5.17	-	0.32	-
1999	5.29	4.98	-	0.31	-
2000	5.28	4.99	-	0.29	-
2001	4.98	4.98	-	-	-
2002	4.98	4.98	-	-	-
2003	4.98	4.98	-	-	-
2004	5.02	5.02	-	-	-
2005	5.02	5.02	-	-	-
2006	5.02	5.02	-	-	-

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
1997	5,861,854	4,338,649	-	309,572	-	1,213,633
1998	6,805,405	5,001,599	-	310,000	-	1,493,806
1999	6,285,443	4,979,752	-	310,000	-	995,691
2000	6,684,935	5,238,282	-	310,000	-	1,136,653
2001	6,674,921	5,475,944	-	-	-	1,198,977
2002	7,003,863	5,816,331	-	-	-	1,187,532
2003	7,597,316	6,252,061	-	-	-	1,333,678
2004	8,188,825	6,804,725	-	-	-	1,384,100
2005	8,997,490	7,427,728	-	-	-	1,569,762
2006	10,852,219	9,171,224	-	-	-	1,680,995

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	
1997	1,062,137,402	N/A	N/A
1998	968,450,868	N/A	N/A
1999	1,068,703,948	N/A	N/A
2000	1,129,100,398	N/A	N/A
2001	1,180,905,168	N/A	N/A
2002	1,253,169,191	1,410,511,653	89%
2003	1,350,701,461	1,551,801,287	87%
2004	1,446,214,463	1,770,587,263	82%
2005	1,579,311,858	2,173,784,655	73%
2006	1,728,922,043	2,689,529,405	64%

Source: Josephine County

N/A - Not Available

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

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

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	General Fund	Debt Service Fund	Parkway Redevelopment Fund	Water Fund	Total	Josephine County	School District No. 7	Rogue Community College	Education Service District	4H Extension	Total	Measure 5 Total (2)
1996	4.06	-	-	0.30	4.36	0.66	12.91	1.16	0.87	-	19.96 (2)	13.36
1997	4.08	-	-	0.30	4.38	0.66	13.37	1.21	0.87	-	20.49 (2)	13.40
1998	5.17	-	-	0.32	5.49	0.66	8.09 (3)	0.51	0.35	0.05	15.15 (2)	14.61
1999	4.98	-	-	0.31	5.29	0.66	7.98 (3)	0.51	0.35	0.05	14.84 (2)	14.42
2000	4.99	-	-	0.29	5.28	1.15	7.82 (3)	0.51	0.35	0.05	15.16 (2)	14.77
2001	4.98	-	-	-	4.98	1.52	7.63 (3)	0.51	0.35	0.05	15.04 (2)	14.65
2002	4.98	-	-	-	4.98	0.96	7.54 (3)	0.51	0.35	0.05	14.39 (2)	13.99
2003	4.98	-	-	-	4.98	0.93	7.46 (3)	0.51	0.35	0.05	14.28 (2)	13.88
2004	5.02	-	-	-	5.02	0.88	6.83 (3)	0.51	0.35	0.05	13.64 (2)	13.24
2005	5.02	-	-	-	5.02	0.85	7.16 (3)	0.51	0.35	0.05	13.94 (2)	13.54
2006	5.02	-	-	-	5.02	0.85	7.16 (3)	0.51	0.35	0.05	13.94 (2)	13.54

(1) Excludes Urban Renewal Agencies

(2) Rate limited due to effect of Measure 5

(3) Ballot Measure 50 approved by voters on May, 1997, recalculated taxing districts' levies into permanent tax rates. Districts may levy local option levies or bond repayment levies in addition to the permanent rates with voter approval.

Source: Josephine County

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

SPECIAL ASSESSMENT COLLECTIONS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Assessments Outstanding Beginning of Year	Additional Assessments Made During Year	Assessments Collected During Year	Adjustments During Year	Assessments Outstanding End of Year	Ratio Collections to Outstanding Assessments During Year
1997	510,084	1,148,394	942,395	15,469	731,552	151.8%
1998	731,552	149,990	281,399	(115,505)	484,638	46.3%
1999	484,638	-	125,491	(4,982)	354,165	29.9%
2000	354,165	12,419	94,495	15,826	287,915	29.4%
2001	287,915	199,203	82,807	(7,329)	396,982	24.2%
2002	396,982	677,646	155,975	(4,783)	913,870	23.8%
2003	913,870	863,628	532,230	2,760	1,248,028	49.2%
2004	1,248,028	101,418	517,741	(82,271)	749,434	51.8%
2005*	749,434	566,527	457,152	12,609	871,418	52.5%
2006	871,418	1,563,448	561,900	0	1,872,966	30.0%

Source: Internal accounting reports of the City of Grants Pass

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

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

RATIO OF OUTSTANDING DEBT BY TYPE

For the last ten fiscal years
(Unaudited)

Fiscal year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Urban Renewal Refunding Bonds	Bancroft Bonds	Solid Waste Agency Loan	Water Bonds	SRF Loans			
1997	3,720,000	855,000	-	3,580,000	-	8,155,000	N/A	\$ 397
1998	3,570,000	700,000	-	2,465,000	-	6,735,000	N/A	328
1999	3,410,000	535,000	-	4,080,000	-	8,025,000	N/A	388
2000	3,245,000	250,000	-	4,080,000	2,125,541	7,575,000	2.30%	362
2001	3,070,000	175,000	-	3,845,000	5,746,346	7,090,000	N/A	306
2002	2,735,000	90,000	-	3,600,000	6,007,072	6,425,000	N/A	271
2003	2,425,000	-	-	3,345,000	5,769,771	11,539,771	N/A	482
2004	2,070,000	-	1,500,000	3,080,000	5,523,312	12,173,312	2.97%	491
2005	1,695,000	-	1,420,000	2,800,000	12,142,747	18,057,747	4.21%	710
2006	1,300,000	-	1,335,000	2,505,000	10,923,053	16,063,053	2.76%	519

-87-

N/A - information not available

Source: Internal accounting reports of the City of Grants Pass

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

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

For the last ten fiscal years (Unaudited)										
Fiscal Year Ended June 30,	Population	Assessed Value (In \$1,000)	Gross Bonded Debt (1)	Less Debt Payable from Enterprise Revenue (2)	Less Debt Payable from Nonenterprise Revenue (3)	Gross Bonded Debt Payable from General Revenue	Less Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt per Dollar Assessed Value	Net Bonded Debt per Capita
1997	20,535	1,062,137	7,300,000	3,580,000	3,720,000	-	-	-	0.00%	-
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%	-

- (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 2006

Total Real Market Value as of June 30, 2006				\$ 2,689,529,405
Less Non-Profit Housing				-1,977,640
Plus Estimated Real Market Value on properties annexed November 2006				+206,529,000
Plus Estimated Real Market Value on properties annexed May 2006*				+114,143,759
				\$ 3,008,224,524
 Debt limit, 3% of total assessed value - ORS 287.004				 \$ 90,246,736
Amount of debt applicable to debt limit				
Total bonded debt, including special assessment bonds			\$ 3,805,000	
Less				
Other deductions allowed by law				
Special assessment and revenue bonds	2,505,000			
Total deductions		2,505,000		
Total amount of debt applicable to debt limit				1,300,000
Legal debt margin				\$ 88,946,736

*Total Real Market Value as defined in ORS 308.207

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	31,864,122	29,053,526	32,034,007	33,873,012	35,427,155	37,595,076	40,521,044	43,386,434	47,379,356	90,246,736
Total net debt applicable to limit	0	0	3,570,000	3,245,000	3,070,000	2,735,000	2,425,000	2,070,000	1,695,000	1,300,000
Legal debt margin	31,864,122	29,053,526	28,464,007	30,628,012	32,357,155	34,860,076	38,096,044	41,316,434	45,684,356	88,946,735
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	11.14%	9.58%	8.67%	7.27%	5.98%	4.77%	3.58%	1.44%

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
1997	43,170,000	71.20%	30,737,040
1998	41,890,000	63.03%	26,403,267
1999	40,395,000	65.32%	26,386,014
2000	36,443,139	70.00%	25,510,197
2001	36,965,000	74.96%	27,708,964
2002	34,990,000	75.72%	26,494,428
2003	32,825,000	77.29%	25,370,443
2004	30,650,000	78.24%	23,980,560
2005	27,715,000	80.34%	22,266,231
2006	24,665,000	92.04%	22,701,660

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	Real Property		Total Debt Service	Total General Expenditures (1)	Debt Service as a Percentage of General Expenditures
	Principal	Interest			
1997	-	-	-	9,565,663	N/A
1998	-	-	-	9,750,898	N/A
1999	-	-	-	10,432,068	N/A
2000	-	-	-	10,512,516	N/A
2001	-	-	-	11,704,437	N/A
2002	-	-	-	18,665,940	N/A
2003	-	-	-	19,892,574	N/A
2004				21,285,276	N/A
2005				24,541,370	N/A
2006				28,313,858	N/A

(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	
1997 (3)	3,494,037	1,217,809	2,276,228	1,055,000	259,730	1,314,730	1.73
1998 (3)	3,402,829	1,364,172	2,038,657	1,115,000	204,342	1,319,342	1.55
1999 (3)	4,041,802	1,070,597	2,971,205	1,185,000	298,825	1,483,825	2.00
2000 (3)	3,879,416	1,242,621	2,636,795	1,280,000	251,045	1,531,045	1.72
2001 (3)	3,549,285	1,617,606	1,931,679	235,000	176,165	411,165	4.70
2002 (3)	3,619,296	1,822,033	1,797,263	245,000	169,614	414,614	4.33
2003 (3)	3,730,443	1,809,437	1,921,006	255,000	157,200	412,200	4.66
2004 (3)	4,219,848	2,891,158	1,328,690	265,000	147,473	412,473	3.22
2005 (3)	4,385,147	3,376,904	1,008,243	280,000	134,895	414,895	2.43
2006 (3)	5,070,651	3,669,862	1,400,789	295,000	123,058	418,058	3.35

(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, 2006

-93-

	Interest Rates	Date of Issue	Original Issue	Outstanding June 30, 2005	Bond Transactions				Outstanding June 30, 2005
					Issued	Called	Matured	Paid	
General Obligation Bonds									
Supported Bonds									
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 6,165,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds									
1998 Water Revenue	3.9-4.5%	08/01/98	4,080,000	2,800,000	\$ -	\$ -	295,000	\$ 295,000	2,505,000
Bancroft Improvement Bonds									
Series of 1982	9.75-15.00%	6/01/82	532,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series of 1990	7.00-15.00%	11/1/90	930,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Urban Renewal Bonds									
Urban Renewal Refunding Bonds, 2001	5%	11/13/01	4,270,000	1,695,000	\$ -	\$ -	395,000	395,000	1,300,000
Total Bonds				<u>\$ 4,495,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 690,000</u>	<u>\$ 690,000</u>	<u>\$ 3,805,000</u>

	Interest Rates	Date of Issue	Interest Coupons			
			Outstanding June 30, 2005	Matured	Paid	Outstanding June 30, 2006
General Obligation Bonds						
Supported Bonds						
1992 A Water Refunding	3.10-5.85%	4/01/92	\$ 4,616	\$ -	\$ -	\$ 4,616
Revenue Bonds						
1998 Water Revenue	3.9-4.5%	08/01/98	\$ -	124,115	124,115	\$ -
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	\$ -	74,875	74,875	\$ -
Total Bonds			<u>\$ 8,964</u>	<u>\$ 198,990</u>	<u>\$ 198,990</u>	<u>\$ 8,964</u>

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

SCHEDULE OF FUTURE DEBT SERVICE

For the Year Ended June 30, 2006
Governmental Activities

Year of Maturity	Urban Renewal Bonds		General Revenue Revenue Supported Bonds		OECD Special Public Works Fund (Loan for Fire Mt. Gems Project TR4445)		Interagency Loan to Josephine County/City of Grants Pass Solid Waste Agency	
	Parkway Redevelopment Agency		General Fund		General Fund		General Fund	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006-2007	415,000	54,625	305,000	111,430	4,986	10,294	90,000	45,045
2007-2008	430,000	33,500	320,000	98,163	5,235	10,045	95,000	41,535
2008-2009	455,000	11,375	340,000	84,083	5,496	9,784	95,000	37,830
2009-2010			355,000	69,123	5,771	9,509	100,000	34,125
2010-2011			375,000	53,325	6,059	9,221	105,000	30,225
2011-2012			395,000	36,450	6,361	8,919	110,000	26,130
2012-2013			415,000	18,675	6,678	8,601	115,000	21,840
2013-2014					7,012	8,268	115,000	17,355
2014-2015					7,362	7,918	120,000	12,870
2015-2016					7,729	7,551	125,000	8,190
2016-2017					8,115	7,165	85,000	3,315
2017-2018					8,520	6,760		
2018-2019					8,945	6,335		
2019-2020					9,391	5,889		
2020-2021					9,860	5,420		
2021-2022					10,352	4,928		
2022-2023					10,868	4,412		
2023-2024					11,410	3,869		
2024-2025					11,980	3,300		
2025-2026					12,578	2,702		
2026-2027					13,205	2,075		
2027-2028					13,864	1,416		
2028-2030					14,510	724		
	<u>\$1,300,000</u>	<u>\$99,500</u>	<u>\$2,505,000</u>	<u>\$471,249</u>	<u>\$206,285</u>	<u>\$145,108</u>	<u>\$1,155,000</u>	<u>\$278,460</u>

Business-Type Activities

Department of Environmental Quality Long-term Notes				Intergovernmental Note Payable to Josephine County	
Wastewater Fund		Redwood Sanitary Sewer Service		Harbeck-Fruitdale Sanitary District	
Principal	Interest	Principal	Interest	Principal	Interest
266,247	229,001	286,652	184,469	1,872	3,508
275,458	219,790	298,174	171,514	1,956	3,424
284,987	210,261	310,160	158,037	2,044	3,336
294,846	200,402	322,627	144,019	2,136	3,244
305,046	190,202	335,596	129,437	2,232	3,148
315,599	179,649	349,085	114,270	2,333	3,047
326,516	168,732	363,117	98,493	2,437	2,942
337,812	157,436	377,713	82,081	2,547	2,833
349,498	145,750	392,895	65,011	2,662	2,718
361,589	133,659	408,688	47,253	2,782	2,598
374,098	121,150	425,116	28,782	2,907	2,473
387,039	108,209	310,827	9,568	3,038	2,342
400,429	94,819			3,174	2,206
414,281	80,967			3,317	2,063
428,612	66,636			3,466	1,913
443,440	51,808			3,622	1,757
458,781	36,467			3,785	1,594
474,651	20,596			3,956	1,424
243,474	4,176			4,134	1,246
				4,320	1,060
				4,514	866
				4,717	663
				10,005	678
<u>\$6,742,403</u>	<u>\$2,419,710</u>	<u>\$4,180,650</u>	<u>\$1,232,934</u>	<u>\$77,956</u>	<u>\$51,082</u>

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

PROPERTY VALUES, CONSTRUCTION VALUES AND BANK DEPOSITS

For the last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Commercial Construction (1)		Residential Construction (1)		Bank Deposits (in \$1,000) (2)	Property Value (3)		
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Nontaxable
1997	# 39	25,162,173	165	11,658,782	613,662	343,152,670	733,539,913	210,044,405
1998	# 37	22,474,622	124	12,624,062	666,413	(4)	(4)	(4)
1999	# 25	6,790,303	260	25,802,704	664,670	(4)	(4)	(4)
2000	# 100	33,101,557	197	20,898,092	709,466	(4)	(4)	(4)
2001	# 52	50,110,899	247	31,564,269	753,956	(4)	(4)	(4)
2002	# 59	17,771,045	239	32,332,952	835,906	(4)	(4)	(4)
2003	# 45	18,098,182	274	49,745,662	901,476	(4)	(4)	(4)
2004	31	4,991,043	463	77,950,022	959,242	(4)	(4)	(4)
2005	32	33,579,289	470	79,408,188	1,038,152	(4)	(4)	(4)
2006	17	19,666,915	508	80,933,576	1,030,196	(4)	(4)	(4)

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)
1997	20,535	N/A	N/A	N/A	5,092	7.9%
1998	20,537	N/A	N/A	N/A	5,094	7.8%
1999	20,674	N/A	N/A	N/A	5,254	7.6%
2000	20,935	329,559	15,742	43	5,199	7.0%
2001	23,170	N/A	N/A	N/A	5,396	7.1%
2002	23,670	N/A	N/A	N/A	5,347	8.2%
2003	23,965	N/A	N/A	N/A	5,535	8.7%
2004	24,790	411,117 (est.)	16,584 (est.)	39.7	5,596	7.3%
2005	25,423	429,471 (est.)	16,893 (est.)	39.4	5,707	7.2%
2006	30,930	484,941 (est.)	19,940 (est.)	38.2	5,779	6.9%

N/A = Information not available

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

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

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

INSURANCE AND SURETY BONDS IN FORCE

June 30, 2006
(Unaudited)

Company	Policy Number	Amount	Coverage	Policy Term	Premium
City - County Insurance Services	05LGSP	\$ 2,000,000	Comprehensive general liability	7/01/2005 - 6/30/2006	\$ 171,881
City - County Insurance Services	05APDGSP	Various	Auto physical damage	7/01/2005 - 6/30/2006	31,289
City - County Insurance Services	05PGSP	47,495,523	Property insurance (includes earthquake and flood)	7/01/2005 - 6/30/2006	70,582
Travelers	100834725	50,000	Public Official Bond Director of Admin Serv	8/10/2005 - 8/09/2008	188
Travelers	104717452	50,000	Public Official Bond - City Manager	3/22/2006 - 11/30/2008	250
Insurance Company of North America	SPS900303	30,000	Volunteer accident	7/01/2005 - 6/30/2006	1,046
City - County Insurance Services	05EQGP	5,000,000	Excess earthquake	7/01/2005 - 6/30/2006	2,500
National District Attorneys Association	CP0407770	50,000	City Attorney	2/01/2005 - 2/01/2006	197
Safety National Casualty	AGC-9977-OR	1,000,000	Excess workers' compensation	7/01/2005 - 7/01/2006	33,020
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	05LGSP	1,500,000	Excess Liability Coverage	7/01/2005 - 7/01/2006	26,487
City - County Insurance Services	05LGSP	200,000	Excess Crime	7/01/2005 - 7/01/2006	987

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

JOSEPHINE COUNTY PRINCIPAL EMPLOYERS

For the Last Four Fiscal Years
(Unaudited)

Employer	Type of Business	2003		2004		2005		2006	
		Approximate Employment	Rank						
Three Rivers Community Hospital	* Health Care	750	1	750	1	852	1	650	3
Master Brand Cabinets	* Wood products manufacturing	510	6	725	2	710	2	700	1
Rogue Community College	Education	715	2	715	3	425	7	350	9
Josephine County	* Government	700	3	700	4	621	5	621	5
Three Rivers School District	Education	670	4	670	5	670	3	682	2
Grants Pass School District No. 7	* Education	650	5	650	6	641	4	641	4
Fire Mountain Gems	* Catalog Sales	225	9	350	7	350	8	500	6
Wal-Mart	* Department Store	330	7	330	8	498	6	498	7
Rogue Valley Door	* Wood products manufacturing	255	8	305	9	350	8	400	8
Fred Meyer	* Department Store							300	10
Highland House Nursing Center	* Health Care	210	10	210	10	210	12		
ECS Composites	Plastics manufacturing			210	10	300	9	300	10
Hach Ultra Analytics	Electronics							235	12
Royale Gardens	* Health Care	210	10	210	10	227	10	227	13
Diversified Collection Services	* Collections agency			210	10	225	11	225	14
ESAM	Electronics							225	14
Total employees		5,225		6,035		6,079		6,554	

* 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.

Source: City of Grants Pass Economic Development Department

CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

TEN LARGEST TAXPAYERS
WITHIN CITY LIMITS

For the Last Four Fiscal Years
(Unaudited)

Name	Type of Business	2003			2004			2005			2006		
		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	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%	\$ 17,182,200	1	0.99%
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%									
Auerbach Grants Pass LLC & Freeman Freeman Grants Pass LLC	Commercial	-			10,578,340	3	0.73%	11,477,780	4	0.73%	11,501,360	3	0.67%
The Suites Assisted Living Community LLC	Rental	-						6,115,230	9	0.39%	6,298,680	9	0.36%
Albertson's Inc.	Commercial	-			8,285,211	4	0.57%	12,567,975	3	0.80%	12,510,356	2	0.72%
Wal-Mart Stores Inc.	Commercial	7,120,444	6	0.53%	8,113,563	5	0.56%	13,234,825	2	0.84%	10,396,905	5	0.60%
Jensen, Robert A & Shirley Y	Commercial	7,415,458	4	0.55%	7,611,908	6	0.53%	7,747,631	6	0.49%	7,720,830	8	0.45%
Hillebrand Children Riverwood Apts.	Utility	6,326,184	8	0.47%	7,508,090	7	0.52%	7,733,270	7	0.49%	7,965,230	6	0.46%
Pacificorp (PP&L)	Rental	7,038,700	7	0.52%	6,974,000	8	0.48%	5,468,000	10	0.35%	5,835,000	10	0.34%
Marquis Suites	Sr. Housing	5,941,473	9	0.44%									0.00%
Masterbrand Cabinets	Industrial	5,760,190	10	0.43%	6,261,500	9	0.43%	6,639,570	8	0.42%	7,982,850	7	0.46%
Johnson, Carl D	Commercial	7,186,030	5	0.53%	5,948,330	10	0.41%						0.00%
SPM - Grants LLC	Commercial							10,765,340	5	0.68%	10,765,340	4	0.62%
Total of top-ten taxpayers		90,441,266		6.70%	93,558,218		6.46%	108,897,521		6.90%	98,158,751		5.68%
Other Taxpayers		1,260,260,195		93.30%	1,352,656,245		93.54%	1,470,414,337		93.10%	1,630,763,292		94.32%
Total City Assessed Value		\$ 1,350,701,461		100.00%	\$ 1,446,214,463		100.00%	\$ 1,579,311,858		100.00%	\$ 1,728,922,043		100.00%

Source: Josephine County Assessor

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

OPERATING INDICATORS BY FUNCTION

June 30, 2006
(Unaudited)

		2003	2004	2005	2006
Public Safety					
Traffic stops	(1)			5,519	6,318
Warnings issued	(1)			3,870	4,232
Citations issued	(1)	6,381	5,469	5,180	4,416
Calls for service - Police	(1)	27,146	28,209	33,591**	36324**
Calls for service - Fire	(1)	3,491	3,426	3,190	3,126
Businesses inspected	(1)	439	557*	249**	839
Business self-inspections	(1)	455	503*	454**	614
Citizen Public Safety Academy attendance	(1)	52	52	50	40
Transportation					
Street overlays (square yards)	(5)	73,830	52,648	41289**	0***
Street overlays (tons of asphalt)	(5)	8,561	8,773	7506**	0***
Signage additions	(5)	143	141	279**	177
Signage replacements	(5)	339	135	189**	352
Miles of restriping	(5)	12.17	13.14	7.34**	12.3
Building					
Total Permits issued	(2)	3,900	5,154	5,606	5,334
New single family permits	(2)	205	325	361	362
New multi-family permits	(2)	31	59	44	54
New commercial permits	(2)	16	17	31	17
Total Inspections	(2)	11,695	14,024	15,507	17,043
Parks					
Swimming pool attendance	(5)	10,664	9,601	16,464	11,555
Rental of facilities	(5)	154	200	199	207
Number of games scheduled	(5)	1,577	1387*	2 1,458	1,727
Development					
Total land use applications	(2)	250	289	325	347
Subdivision final plats	(2)	12	20	29	20
Commercial site plan review	(2)	55	53	51	56
Water					
New connections	(2)	291	482	561	581
Number of consumers	(3)	8,869	9,158	9,521	10,038
Average daily consumption (gallons)	(4)	4,299,873	4,512,102	4,679,667	4,923,417
Average daily production (gallons)	(4)	4,850,000	5,166,992	4,959,750	5,007,417
Wastewater					
Wastewater treated (1000s of gallons)	(4)	2,151,709	2,029,600	2,114,400	2,569,300
Sludge to co-compost (yards)	(4)	6,868	6,800	5,617	6,725
Greenwaste received (cubic yards)	(4)	31,752	37,495	43,961	37,081
Woodwaste received (cubic yards)	(4)	40,591	43,103	50,871	61,916
JO-GRO™ sales (cubic yards)	(4)	7,035	7,471	5,248	5,754

Sources:

- | | |
|-------------------------------------------|---------------------------------------------|
| (1) City Public Safety Department | (3) City Administrative Services Department |
| (2) City Community Development Department | (4) City Utility Department |
| | (5) City Field Operations 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.

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

CAPITAL ASSETS STATISTICS BY FUNCTION

Last four years.

		2003	2004	2005	2006
Public Safety					
Police stations	(1)	1	1	1	1
Sub-stations	(1)	1	1	1	1
Marked Patrol Units	(5)	9	9	9	10
K-9 units	(5)	2	2	2	2
Motorcycles	(5)	2	2	2	2
Fire stations	(1)	2	2	2	2
Pumpers	(1)	3	3	3	3
Ladder Trucks	(1)	1	1	1	1
Wildland Engine	(1)	1	1	1	1
Transportation					
Streets (miles)	(2)	99	102	105	106
Streetlights	(5)	1,165	1,452	1,460	1,517
City Owned				118	125
PP&L Owned				1,342	1,392
Traffic signals	(5)	6	6	7	7
Parks					
Number of parks	(5)	12	13	14	15
Acreage of parks	(5)	116	128	134	134
Swimming pools	(5)	1	1	1	1
Playgrounds	(5)	6	7	7	8
Baseball/softball fields	(5)	10	10	12	12
Soccer fields	(5)	4	4	4	5
Tennis courts	(5)	12	12	14	14
Water					
Water mains (miles)	(4)	157	153	172	175
Fire hydrants (calendar year)	(4)	1,063	1,295	1,359	1,472
Storage capacity (millions of gallons)	(4)	19.2	19.2	19.2	19
Reservoirs	(4)	8	8	8	8
Wastewater					
Sanitary sewers (miles)	(4)	160	153	166	167
Storm drains (miles)	(4)	32	36	101	103
Lift stations	(4)	3	3	3	3
Treatment capacity (millions of gallons)	(4)	4	4	4	4

Sources:

- | | |
|-------------------------------------------|---------------------------------------------|
| (1) City Public Safety Department | (3) City Administrative Services Department |
| (2) City Community Development Department | (4) City Utility Department |
| | (5) City Field Operations Department |

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

MISCELLANEOUS STATISTICS

June 30, 2006
(Unaudited)

Date of Incorporation -1887

Form of government - Council/Manager

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

Sources:

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

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

STAFF ALLOCATION BY ACTIVITY*

Department/Activity	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administration										
Management	3.30	3.45	3.45	3.55	4.75	4.75	4.90	5.90	5.90	5.90
Information Technology	-	-	-	-	-	-	2.00	2.00	2.00	3.00
Administrative Services	10.05	11.60	11.60	11.60	15.00	15.00	13.00	13.00	13.00	14.00
Legal	1.10	1.10	1.10	1.10	0.85	0.85	0.80	0.80	0.80	0.80
Risk Insurance	0.25	0.25	0.25	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Solid Waste	-	-	-	-	-	-	-	-	-	-
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Tourism Development	-	-	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Downtown	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
	16.20	17.90	18.90	18.90	23.40	23.40	24.50	25.50	25.50	27.50
Community Development										
Management	3.50	3.00	4.00	4.00	5.00	6.00	6.00	6.00	7.00	7.00
Engineering	4.00	5.00	5.50	6.50	8.00	8.00	8.00	8.00	8.00	9.00
Planning & Bldg & Safety	6.00	7.00	8.00	8.00	9.00	9.00	11.00	14.00	11.00	12.00
Economic Development	-	-	-	-	-	-	-	-	-	-
Parking Enf./Downtown	-	-	-	-	-	-	-	-	-	-
	13.50	15.00	17.50	18.50	22.00	23.00	25.00	28.00	26.00	28.00
Field Operations										
Park Maintenance	5.20	6.20	6.30	6.30	6.35	6.30	6.30	6.30	5.30	6.30
Property Management	1.15	1.35	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20
Aquatics	0.35	0.30	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Street Maintenance	5.55	5.55	6.55	6.55	6.50	7.45	7.45	6.45	6.45	6.45
Recreation	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Garage Operations	0.30	0.30	0.30	0.30	0.30	0.40	0.40	0.40	0.40	0.40
Equipment Repair	0.40	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35
	13.00	14.00	15.00	15.00	15.00	16.00	16.00	15.00	14.00	15.00
Utilities										
Water Treatment	3.20	3.70	3.79	4.79	4.45	5.00	5.40	5.40	5.40	5.40
Water Distribution	5.70	5.70	6.07	7.07	6.95	7.00	8.00	8.00	8.00	7.50
Wastewater Collection	2.70	2.70	3.07	3.07	3.95	4.00	4.00	4.00	3.00	3.50
Wastewater Treatment	9.70	9.20	8.79	8.79	9.12	7.75	8.25	8.25	8.25	8.25
JO-GRO™	-	-	-	-	3.33	3.25	3.35	3.35	3.35	3.35
Capital Projects	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Solid Waste	1.30	1.30	1.38	1.38	1.30	1.10	-	-	-	-
	23.60	23.60	24.10	26.10	30.10	29.10	30.00	30.00	29.00	29.00
Public Safety										
Field Operations	50.50	50.50	50.50	50.50	51.50	52.50	54.50	52.50	52.50	53.50
Support Operations	18.00	18.00	16.00	16.00	26.00	26.00	27.00	26.00	25.00	25.00
Code Enforcement	-	-	-	-	-	-	-	-	-	-
	68.50	68.50	66.50	66.50	77.50	78.50	81.50	78.50	77.50	78.50
Total	135.00	135.00	142.00	145.00	168.00	170.00	177.00	177.00	172.00	178.00

* Actual full-time positions

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

**WATER UTILITY
TEN LARGEST REVENUE SOURCES**

For the last four fiscal years
(Unaudited)

Customer (classification)	2003				2004				2005				2006			
	Annual Consumption Units (100 hcf)	Annual Revenue	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue**	Rank	Percent of Total Revenue	Annual Consumption Units (100 hcf)	Annual Revenue***	Rank	Percent of Total Revenue
City of Grants Pass (public)	67,471	\$ 95,239	1	2.93%	77,221	\$ 98,849	1	3.05%	53,982	\$ 116,945	1	3.60%	234,635	\$ 219,801	1	6.77%
School District 7 (public)	54,955	69,797	2	2.15%	51,132	67,457	2	2.08%	48,765	56,202	2	1.73%	46,379	34,752	4	1.07%
Josephine County (public)	34,178	59,434	3	1.83%	31,826	55,766	3	1.72%	30,154	47,362	4	1.46%	47,807	55,879	2	1.72%
Three Rivers Hospital (commercial)	27,433	37,096	4	1.14%	35,030	41,526	4	1.28%	30,941	39,083	3	1.20%	43,855	38,342	3	1.18%
Riverwood Apts. (multi-family)	19,869	30,052	5	0.93%	20,444	31,213	5	0.96%				0.00%	31,233	25,570	5	0.79%
State of Oregon (public)	20,018	28,352	6	0.87%	20,985	29,775	6	0.92%	11,506	15,698	9	0.48%	19,976	19,347	8	0.60%
Timber Products (commercial)	27,133	25,422	7	0.78%				0.00%	28,673	25,378	5	0.78%	33,673	22,942	6	0.71%
Grants Pass Shopping Center (commercial)	15,540	24,948	8	0.77%	13,431	25,582	7	0.79%				0.00%	5,743	10,413	10	0.32%
Grants Pass Hardwoods (commercial)	27,618	22,185	9	0.68%	37,424	23,926	8	0.74%	23,079	20,880	6	0.64%				0.00%
Spring Pointe/Spring Village (commercial)	12,949	20,819	10	0.64%	13,139	14,593	9	0.45%	15,009	21,993	7	0.68%	22,655	21,337	7	0.66%
Wal-Mart (commercial)					9,496	12,238	10	0.38%	12,145	13,734	8	0.42%	18,627	13,912	9	0.43%
Sub-total	307,164	413,344		12.74%	300,632	400,925		11.98%	242,109	357,275		10.59%	504,583	462,295		13.82%
All other sources		2,831,815		87.26%		2,976,687		88.02%		3,121,695		89.41%		2,965,309		86.18%
*Total Water Revenues		\$ 3,245,159		100.00%		\$ 3,377,612		100.00%		\$ 3,478,970		100.00%		\$ 3,427,604		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 the lower revenue numbers.

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

UTILITY STATISTICS

WATER USAGE CUSTOMER ANALYSIS

For the last eight fiscal years

(Unaudited)

Number of Accounts

Fiscal Year Ended June 30,	Residential	Multi-Family	Commercial	Public	Fire Protection	Outside City Surcharge	Josephine Co. Contract	Total
1999	5,601	704	970	129	79	39	1	7,523
2000	5,814	721	967	145	77	40	1	7,765
2001	6,094	722	980	120	76	85	1	8,078
2002	6,333	743	995	170	95	176	1	8,513
2003	6,553	766	1,027	173	97	252	1	8,869
2004	6,780	808	1,046	168	100	255	1	9,158
2005	6,909	874	1,095	189	116	270	1	9,454
2006	7,630	916	1,065	101	120	205	1	10,038

Water Consumption (hcf)

Fiscal Year Ended June 30,	Residential	Multi-Family	Commercial	Public	Fire Protection	Outside City Surcharge	Josephine Co. Contract	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	1,778,620	427,838	823,682	241,280 *	2,405	50,128	-	3,323,953

* As of January 1, 2006 the definition of public accounts was changed and they became commercial accounts.

**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

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES

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CERTIFIED PUBLIC ACCOUNTANTS

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October 13, 2006

2005-2006 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, 2006, and have issued our report thereon dated October 13, 2006.

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 the City of Grants Pass, Oregon, for the year ended June 30, 2006, 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

REPORT ON INTERNAL ACCOUNTING CONTROL (CONTINUED)

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

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.

2005-06 AND 2006-07 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, 2006, except as noted in note 1 to the financial statements.

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, 2006, 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 2005-2006.

2005-2006 AUDITORS' COMMENTS AND DISCLOSURES (CONTINUED)

INSURANCE AND FIDELITY BONDS

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

STATUTORY BONDED DEBT LIMITATION

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

OUTSTANDING WARRANTS

The City did not have any endorsed warrants outstanding at June 30, 2006.


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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
US DEPARTMENT OF JUSTICE		
Bullet Proof Vests	16.607	6,618
LLEBG 2002	16.592	4,263
US DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Rural Access to Emergency Devices Grant	93.259	19,432
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed thru OECDD		
Community Development Block Grants	14.228	600,000 (1)
PASSED THROUGH STATE - OREGON STATE POLICE		
Assistance to Firefighters Grant	97.044	<u>13,851</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 644,164</u>

(1) Major Program

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October 13, 2006

To the City Council
CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

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

We have audited the financial statements of City of Grants Pass, Josephine County, Oregon, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered City of Grants Pass', Josephine County, Oregon, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 over financial reporting and its operations that we consider to be material weaknesses.

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

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

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October 13, 2006

To the City Council
CITY OF GRANTS PASS
JOSEPHINE COUNTY, OREGON

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

We have audited the compliance of City of Grants Pass, Oregon with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Grants Pass, Oregon major federal programs are identified in the accompanying schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Grants Pass, Oregon management. Our responsibility is to express an opinion on City of Grants Pass, Oregon compliance based on our audit.

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

In our opinion, City of Grants Pass, Oregon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

CITY OF GRANTS PASS
October 13, 2006

The management of City of Grants Pass, Oregon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Grants Pass, Oregon internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 over compliance and its operation that we consider to be material weaknesses.

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

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

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

**SCHEDULE OF PRIOR AND CURRENT YEAR AUDIT FINDINGS
AND QUESTIONED COSTS RELATIVE TO FEDERAL AWARDS**

For the Year Ended June 30, 2006

CURRENT YEAR AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS:

Unqualified Opinion

CURRENT YEAR NONCOMPLIANCE, AUDIT FINDINGS AND QUESTIONED COSTS:

None

CURRENT YEAR AUDITORS' REPORT ON COMPLIANCE FOR MAJOR PROGRAMS:

Unqualified Opinion

PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS:

None

PROGRAM TESTED AS MAJOR FOR THE YEAR ENDED JUNE 30, 2006:

Community Development Block Grant – CFDA 14.228

DOLLAR THRESHOLD FOR DISTINGUISHING BETWEEN TYPE A AND B PROGRAMS:

\$300,000

LOW-RISK AUDIT QUALIFICATION:

The City did not qualify as a low-risk auditee under section .530. of OMB Circular A-133.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

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