



FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2009

WITH

INDEPENDENT AUDITORS' REPORT

CITY OF FOREST GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION
YEAR ENDED JUNE 30, 2009
WITH
INDEPENDENT AUDITORS' REPORT

Prepared by:
Administrative Services Department

CITY OF FOREST GROVE

June 30, 2009

ELECTED OFFICIALS

Mayor	Richard Kidd
Councilor	Victoria Lowe
Councilor	Ronald Thompson
Councilor	Thomas Johnston
Councilor	Elena Uhing
Councilor	Camille Miller
Councilor	Peter Truax

All council members receive mail at the address listed below

APPOINTED OFFICIALS

City Manager	Michael Sykes
Director of Administrative Services	Paul Downey

City Hall
Forest Grove, OR 97116

CITY OF FOREST GROVE

Year ended June 30, 2009

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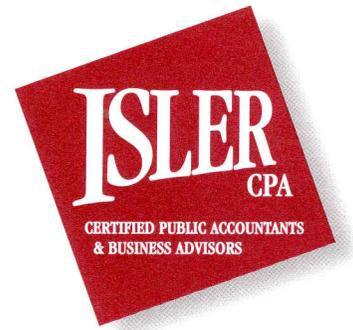
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FINANCIAL SECTION



Independent Auditors' Report

Honorable Mayor and City Council Members
City of Forest Grove

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forest Grove, Oregon ("City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and notes to the required supplemental information on pages 2 through 7 and 41 through 47 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, 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. The budgetary comparison information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other financial schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ISLER CPA

Paul R. Nielson

by Paul Nielson, a member of the firm
Eugene, Oregon
January 8, 2010

CITY OF FOREST GROVE, OREGON MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Forest Grove's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$94,877,870 at June 30, 2009.
- During the year, the City's net assets increased by \$2,117,486. The increase in Net Assets is primarily due to the construction of a park facility and trail in northwest Forest Grove.
- The general fund reported a fund balance this year of \$3,648,757 which is an increase of \$488,642 from the prior fiscal year.

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-term* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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 - is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional 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 and building and safety, streets and storm drainage, solid waste, economic development, culture and recreation, and interest on long-term debt. Property taxes, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*. 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.
- *Enterprise funds* - Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Internal service funds* are used to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds* - The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of 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

CITY OF FOREST GROVE - NET ASSETS
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
ASSETS						
Current and Other Assets	\$ 15,109	\$ 16,436	\$ 24,591	\$ 23,710	\$ 39,700	\$ 40,146
Capital Assets	29,750	27,464	39,396	39,137	69,146	66,601
Total Assets	<u>44,859</u>	<u>43,900</u>	<u>63,987</u>	<u>62,847</u>	<u>108,846</u>	<u>106,747</u>
LIABILITIES						
Current and Other Liabilities	1,243	768	1,273	1,344	2,516	2,112
Long-Term Liabilities	4,352	4,414	7,100	7,461	11,452	11,875
Total Liabilities	<u>5,595</u>	<u>5,182</u>	<u>8,373</u>	<u>8,805</u>	<u>13,968</u>	<u>13,987</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	26,544	23,645	32,555	31,891	59,099	55,536
Restricted	4,467	4,815	2,380	2,266	6,847	7,081
Unrestricted	8,253	10,258	20,679	19,885	28,932	30,143
Total Net Assets	<u>\$ 39,264</u>	<u>\$ 38,718</u>	<u>\$ 55,614</u>	<u>\$ 54,042</u>	<u>\$ 94,878</u>	<u>\$ 92,760</u>

Governmental Activities

Capital assets represent over 66% of the total governmental assets. The increase in Capital Assets is primarily due to the construction of a park facility and trail in northwest Forest Grove.

Business-type Activities

Capital assets represent over 61% of the total business type assets. The primary reason for the increase in Current and Other Assets is due to increase in Cash and Investments due to operating revenues exceeding operating expenditures. The increase in Capital Assets is due to the dedication of infrastructure improvements by developers.

CITY OF FOREST GROVE - CHANGES IN NET ASSETS
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
REVENUES:						
Program Revenues:						
Charges for Services	\$ 5,634	\$ 6,909	\$ 21,677	\$ 22,413	\$ 27,311	\$ 29,322
Operating Grants	1,197	1,085	201	39	1,398	1,124
Capital Grants	466	4,531	1,076	1,733	1,542	6,264
General Revenues:						
Taxes	7,915	7,380	-	-	7,915	7,380
Other	321	792	(7)	157	314	949
Total Revenues	<u>15,533</u>	<u>20,697</u>	<u>22,947</u>	<u>24,342</u>	<u>38,480</u>	<u>45,039</u>
EXPENSES:						
General Government	7,360	6,112	-	-	7,360	6,112
Public Safety	6,550	6,222	-	-	6,550	6,222
Highways and Streets	1,297	1,501	-	-	1,297	1,501
Culture and recreation	612	1,225	-	-	612	1,225
Light	-	-	11,881	12,439	11,881	12,439
Sewer	-	-	3,908	3,618	3,908	3,618
Water	-	-	3,709	3,537	3,709	3,537
Surface Water Management	-	-	865	326	865	326
Interest	181	190	-	-	181	190
Total Expenses	<u>16,000</u>	<u>15,250</u>	<u>20,363</u>	<u>19,920</u>	<u>36,363</u>	<u>35,170</u>
Changes in net assets before transfers	(467)	5,447	2,584	4,422	2,117	9,869
Internal transfers	1,013	115	(1,013)	(113)	-	2
Changes in net assets	<u>546</u>	<u>5,562</u>	<u>1,571</u>	<u>4,309</u>	<u>2,117</u>	<u>9,871</u>
Beginning net assets	38,718	33,156	54,042	49,733	92,760	82,889
Ending net assets	<u>\$ 39,264</u>	<u>\$ 38,718</u>	<u>\$ 55,613</u>	<u>\$ 54,042</u>	<u>\$ 94,877</u>	<u>\$ 92,760</u>

The City's total revenues were \$38,480,493. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 56% and 18% of total revenues, respectively. The total cost of all programs was \$36,363,007. Net Assets increased by \$2,117,486 indicating an increase in the City's overall financial position. The reason for the increase in Net Assets was explained previously in this letter.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$15,330,850 in 2009 compared to \$16,969,704 in 2008. The decrease is due to a general decline in the economy which resulted in a decrease in tax and charges for services revenues. Governmental fund balances totaled \$12,024,155 at June 30, 2009 for a decrease of \$2,297,670. A summary of changes in governmental fund balances follows:

CITY OF FOREST GROVE - CHANGES IN GOVERNMENTAL FUND BALANCES

	Balance at June 30, 2009	Balance at June 30, 2008	Change
General Fund	\$ 3,648,757	\$ 3,160,115	\$ 488,642
Street Fund	897,392	1,285,293	(387,901)
Capital Projects Fund	2,268,274	3,140,849	(872,575)
Special Public Works Debt Service Fund	173,599	229,124	(55,525)
Traffic Impact Fee Fund	3,122,218	3,012,320	109,898
Other Governmental Funds	1,913,915	3,494,124	(1,580,209)
Total	<u>\$ 12,024,155</u>	<u>\$ 14,321,825</u>	<u>\$ (2,297,670)</u>

CITY OF FOREST GROVE - CHANGES IN PROPRIETARY NET ASSETS

	Balance at June 30, 2009	Balance at June 30, 2008	Change
Light Fund	\$ 20,316,741	\$ 19,068,857	\$ 1,247,884
Sewer Fund	8,373,614	8,084,642	288,972
Water Fund	17,856,859	18,006,328	(149,469)
Surface Water Management Fund	6,686,045	6,616,293	69,752
Other Proprietary Funds	2,380,242	2,266,295	113,947
Total	<u>\$ 55,613,501</u>	<u>\$ 54,042,415</u>	<u>\$ 1,571,086</u>

General Fund Budgetary Highlights

The fund balance in the General Fund was increased by \$488,642. The Net Change in Fund Balance is due to departments not spending all of their budgeted appropriations in order increase the carryover available for future years.

CAPITAL ASSETS

At June 30, 2009, the City had \$69,145,348 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets, net of accumulated depreciation increased by \$2,544,223 as previously discussed. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2009, the City had \$7,275,000 in outstanding bonds payable, and \$3,006,953 in outstanding notes and contracts payable. The City has had no change in its credit rating. In 2009, the City issued no additional debt. More detailed information about the City's long term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Factors considered in preparing the City's budget for the 2010 fiscal year were, but not limited to the following:

- The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City will be having meetings of the Budget Committee to discuss this issue and what solutions might be available.
- New home construction was greatly reduced due to the change in the economy. The drop in construction activity will slow the rate of growth of property taxes in the future which will affect future property tax revenues and the ability to provide service.
- Investment losses in the City's defined benefit pension plan will generate an increase in the City's contribution to the pension plan above the rate increase that staff was anticipating. The City has recouped some of the investment losses in calendar year 2009 but not enough to offset the rate in the contributions.

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 Forest Grove. Our address is: PO Box 326, Forest Grove, Oregon 97116.

BASIC FINANCIAL STATEMENTS

CITY OF FOREST GROVE

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 13,851,116	\$ 13,899,323	\$ 27,750,439
Receivables			
Taxes	268,700	-	268,700
Assessments	205,040	-	205,040
Accounts, net	755,074	1,028,823	1,783,897
Inventories	-	545,175	545,175
Prepaid expenses	29,469	250	29,719
Investment in joint ventures	-	9,117,693	9,117,693
Capital assets			
Land	8,299,193	884,378	9,183,571
Construction in progress	74,469	160,961	235,430
Other capital assets, net of accumulated depreciation	21,376,046	37,562,499	58,938,545
Intangible assets, net of accumulated amortization	-	<u>787,802</u>	<u>787,802</u>
Total assets	<u>\$ 44,859,107</u>	<u>\$ 63,986,904</u>	<u>\$ 108,846,011</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 965,853	\$ 908,542	\$ 1,874,395
Due to CWS	-	135,488	135,488
Payroll and related accruals	245,756	92,016	337,772
Accrued interest payable	20,368	68,051	88,419
Deposits	10,512	-	10,512
Unearned revenue	-	69,227	69,227
Noncurrent liabilities:			
Due within one year:			
Bonds payable	330,000	235,000	565,000
Contracts payable	65,694	185,384	251,078
Due in more than one year:			
Bonds payable	2,875,000	3,835,000	6,710,000
Contracts payable	170,198	2,585,677	2,755,875
Compensated absences	708,815	259,018	967,833
Other postemployment benefits	<u>202,542</u>	<u>-</u>	<u>202,542</u>
Total Liabilities	<u>5,594,738</u>	<u>8,373,403</u>	<u>13,968,141</u>
NET ASSETS			
Invested in capital assets, net of related debt	26,544,708	32,554,579	59,099,287
Restricted for:			
Future system development	-	2,380,242	2,380,242
Highways and streets	4,099,673	-	4,099,673
Debt service	367,108	-	367,108
Unrestricted	<u>8,252,880</u>	<u>20,678,680</u>	<u>28,931,560</u>
Total net assets	<u>39,264,369</u>	<u>55,613,501</u>	<u>94,877,870</u>
Total liabilities and net assets	<u>\$ 44,859,107</u>	<u>\$ 63,986,904</u>	<u>\$ 108,846,011</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE
Statement of Activities

For the Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 7,360,149	\$ 2,444,235	\$ 952,976	\$ -	\$ (3,962,938)	\$ -	\$ (3,962,938)
Public safety	6,549,350	1,108,980	17,412	-	(5,422,958)	-	(5,422,958)
Highways and streets	1,297,075	561,418	-	322,638	(413,019)	-	(413,019)
Culture and recreation	612,150	1,519,618	226,716	143,031	1,277,215	-	1,277,215
Interest on long-term debt	180,934	-	-	-	(180,934)	-	(180,934)
Total governmental activities	\$ 15,999,658	\$ 5,634,251	\$ 1,197,104	\$ 465,669	\$ (8,702,634)	\$ -	\$ (8,702,634)
Business-type activities:							
Power services	11,880,945	13,604,952	200,719	-	-	1,924,726	1,924,726
Sewer services	3,907,975	3,675,858	-	457,150	-	225,033	225,033
Water services	3,709,314	3,749,637	-	331,489	-	371,812	371,812
Surface water management	865,115	646,640	-	287,475	-	69,000	69,000
Total business-type activities	\$ 20,363,349	\$ 21,677,087	\$ 200,719	\$ 1,076,114	\$ -	\$ 2,590,571	\$ 2,590,571
Total primary government	\$ 36,363,007	\$ 27,311,338	\$ 1,397,823	\$ 1,541,783	\$ (8,702,634)	\$ 2,590,571	\$ (6,112,063)
General revenues:							
Property taxes					6,903,835	-	6,903,835
Other taxes					1,011,556	-	1,011,556
Interest income					392,198	294,134	686,332
Rental income					-	35,929	35,929
Loss on disposal of capital assets					(55,973)	(22,952)	(78,925)
Loss on abandonment of capital assets					(16,025)	-	(16,025)
Loss on investment in joint venture					-	(313,929)	(313,929)
Transfers					1,013,443	(1,012,667)	776
Total general revenues and transfers					\$ 9,249,034	\$ (1,019,485)	\$ 8,229,549
Change in net assets					546,400	1,571,086	2,117,486
Net assets, beginning					38,717,969	54,042,415	92,760,384
Net assets, ending					\$ 39,264,369	\$ 55,613,501	\$ 94,877,870

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Fund</u>	<u>Special Public Works Debt Service Fund</u>	<u>Traffic Impact Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS							
Cash and investments	\$ 3,956,301	\$ 1,073,074	\$ 2,319,386	\$ 173,600	\$ 3,122,218	\$ 2,105,977	\$ 12,750,556
Receivables:							
Taxes	248,082	-	-	-	-	20,618	268,700
Assessments	-	-	-	195,909	-	9,131	205,040
Accounts receivable	433,792	1,333	142,439	-	-	177,510	755,074
Prepaid expenditures	29,469	-	-	-	-	-	29,469
Total assets	<u>\$ 4,667,644</u>	<u>\$ 1,074,407</u>	<u>\$ 2,461,825</u>	<u>\$ 369,509</u>	<u>\$ 3,122,218</u>	<u>\$ 2,313,236</u>	<u>\$ 14,008,839</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 178,075	\$ 169,525	\$ 193,551	\$ -	\$ -	\$ 347,068	\$ 888,219
Accrued payroll and related expenses	226,950	7,490	-	-	-	7,111	241,551
Deferred revenue	613,862	-	-	195,910	-	34,630	844,402
Deposits	-	-	-	-	-	10,512	10,512
Total liabilities	<u>1,018,887</u>	<u>177,015</u>	<u>193,551</u>	<u>195,910</u>	<u>-</u>	<u>399,321</u>	<u>1,984,684</u>
Fund Balance:							
Reserved for:							
Highways and streets	-	897,392	-	-	3,122,218	80,063	4,099,673
Public safety	-	-	-	-	-	486,749	486,749
Culture and recreation	-	-	-	-	-	693,590	693,590
Debt service	-	-	-	173,599	-	193,509	367,108
Prepaid expenditures	29,469	-	-	-	-	-	29,469
Unreserved, reported in:							
General fund	3,619,288	-	-	-	-	-	3,619,288
Capital projects fund	-	-	2,268,274	-	-	-	2,268,274
Special revenue funds	-	-	-	-	-	460,004	460,004
Total fund balances	<u>3,648,757</u>	<u>897,392</u>	<u>2,268,274</u>	<u>173,599</u>	<u>3,122,218</u>	<u>1,913,915</u>	<u>12,024,155</u>
Total liabilities and fund balances	<u>\$ 4,667,644</u>	<u>\$ 1,074,407</u>	<u>\$ 2,461,825</u>	<u>\$ 369,509</u>	<u>\$ 3,122,218</u>	<u>\$ 2,313,236</u>	<u>14,008,839</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets

June 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - governmental funds	\$	12,024,155
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets, cost	43,688,284	
Less accumulated depreciation	<u>(14,987,000)</u>	
		28,701,284

The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.

Deferred revenue		844,402
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:

Accrued interest payable	(20,368)	
Compensated absences	(702,262)	
Bonds payable	(3,205,000)	
Contracts payable	(235,892)	
Other postemployment benefits	<u>(202,542)</u>	
		(4,366,064)

Internal service funds are used by management to charge costs of support services, administration, and fleet management services to individual funds. Their assets and liabilities are included in the governmental activities Statement of Net Assets.

	<u>2,060,592</u>
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Net assets of governmental activities	\$	<u>39,264,369</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

Year ended June 30, 2009

	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Projects Fund</u>	<u>Special Public Works Debt Service Fund</u>	<u>Traffic Impact Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
REVENUES:							
Property taxes	\$ 5,689,620	\$ -	\$ -	\$ -	\$ -	\$ 473,922	\$ 6,163,542
Franchise taxes	522,579	-	-	-	-	-	522,579
Other taxes	153,917	-	-	-	-	113,500	267,417
Licenses, permits, and fees	69,325	8,962	3,000	-	95,334	325,742	502,363
Intergovernmental revenues	1,546,607	892,799	600,000	-	-	542,196	3,581,602
Charges for services	-	-	35,298	-	-	208,077	243,375
Internal charges	2,660,386	-	-	-	-	-	2,660,386
Other services	443,709	-	-	-	-	-	443,709
Special assessments	-	-	-	6,999	-	-	6,999
Fines and forfeitures	236,723	-	-	-	-	1,039	237,762
Investment earnings	120,069	24,897	72,105	18,364	74,077	58,882	368,394
Reimbursements	24,856	-	-	-	-	-	24,856
Grants and contributions	62,593	2,211	209,169	-	-	11,031	285,004
Other revenue	22,862	-	-	-	-	-	22,862
Total revenues	<u>11,553,246</u>	<u>928,869</u>	<u>919,572</u>	<u>25,363</u>	<u>169,411</u>	<u>1,734,389</u>	<u>15,330,850</u>
EXPENDITURES:							
Current:							
General government	5,324,742	-	31,278	-	-	892,779	6,248,799
Public Safety	6,246,917	-	-	-	-	136,536	6,383,453
Highways and streets	-	938,525	-	-	-	32,332	970,857
Culture and recreation	349,267	-	-	-	-	3,855	353,122
Debt Service:							
Principal	-	-	-	62,586	-	315,000	377,586
Interest	-	-	-	18,302	-	166,083	184,385
Capital Outlay	11,590	378,245	1,760,869	-	59,513	1,801,912	4,012,129
Total expenditures	<u>11,932,516</u>	<u>1,316,770</u>	<u>1,792,147</u>	<u>80,888</u>	<u>59,513</u>	<u>3,348,497</u>	<u>18,530,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(379,270)</u>	<u>(387,901)</u>	<u>(872,575)</u>	<u>(55,525)</u>	<u>109,898</u>	<u>(1,614,108)</u>	<u>(3,199,481)</u>
OTHER FINANCING SOURCES (USES)							
Capital contributions	-	-	-	-	-	132,000	132,000
Transfers in	907,912	-	-	-	-	84,776	992,688
Transfers out	(40,000)	-	-	-	-	(182,877)	(222,877)
Total other financing source (uses)	<u>867,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,899</u>	<u>901,811</u>
Net change in fund balances	488,642	(387,901)	(872,575)	(55,525)	109,898	(1,580,209)	(2,297,670)
Beginning of year	3,160,115	1,285,293	3,140,849	229,124	3,012,320	3,494,124	14,321,825
End of year	<u>\$ 3,648,757</u>	<u>\$ 897,392</u>	<u>\$ 2,268,274</u>	<u>\$ 173,599</u>	<u>\$ 3,122,218</u>	<u>\$ 1,913,915</u>	<u>\$ 12,024,155</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Reconciliation of the Statement of Revenues, Expenditures, And Changes
in the Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances - governmental funds \$ (2,297,670)

Governmental funds report capital outlay 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. The amount by which depreciation exceeds
capital outlay in the current period is:

Capital outlay	3,238,666	
Less current year depreciation	<u>(1,239,678)</u>	
		1,998,988

Contributed capital assets are reported as contributions in the Statement of Activities, but
do not appear in the governmental funds because they are not financial resources. In
addition, the statement of activities reports gains and losses arising from the disposal
of existing capital assets while the governmental funds do not.

Contributed capital assets	320,427	
Net book value of assets disposed of	<u>(5,037)</u>	
		315,390

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

Change in deferred revenue		221,143
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Some expenses reported in the statement of activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in the
governmental funds.

Change in compensated absences		(113,037)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources
to governmental funds, while the repayment of the principal of long-term debt
consumes the current financial resources of governmental funds. Neither transaction,
however, has any effect on the net assets. Also, governmental funds report the effect
of issuance costs, premiums, discounts, and similar items when debt is issued,
whereas these amounts are deferred and amortized in the Statement of Activities.
This amount is the net effect of those differences in the treatment of long-term debt
and related items:

Change in accrued interest	3,451	
Principal payments	377,586	
Accrual of other postemployment benefits	<u>(202,542)</u>	
		178,495

Internal service funds are used by management to charge costs of management of
information systems, utility costs, risk management, and equipment and fleet
management services to individual funds. The net revenue of activities of internal
service funds is reported with the governmental activities.

Change in net assets of governmental activities		<u>\$ 546,400</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Net Assets

PROPRIETARY FUNDS

June 30, 2009

	Business-type Activities - Enterprise Funds					Total	Governmental
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds		Administrative Services - Internal Service Fund
ASSETS							
Current assets:							
Cash and investments	\$ 6,515,682	\$ 1,849,218	\$ 2,640,408	\$ 474,032	\$ 2,419,983	\$ 13,899,323	\$ 1,100,560
Accounts receivable, net	677,239	180,019	139,468	32,097	-	1,028,823	-
Inventory	383,556	7,047	154,572	-	-	545,175	-
Prepaid expenses	250	-	-	-	-	250	-
Total current assets	<u>7,576,727</u>	<u>2,036,284</u>	<u>2,934,448</u>	<u>506,129</u>	<u>2,419,983</u>	<u>15,473,571</u>	<u>1,100,560</u>
Investment in joint venture	-	-	9,117,693	-	-	9,117,693	-
Capital assets, net of accumulated depreciation	13,517,435	8,249,035	10,654,882	6,186,486	-	38,607,838	1,048,424
Intangible assets, net of accumulated amortization	-	-	787,802	-	-	787,802	-
Total assets	<u>\$ 21,094,162</u>	<u>\$ 10,285,319</u>	<u>\$ 23,494,825</u>	<u>\$ 6,692,615</u>	<u>\$ 2,419,983</u>	<u>\$ 63,986,904</u>	<u>\$ 2,148,984</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 507,083	\$ 232,820	\$ 124,967	\$ 3,931	\$ 39,741	\$ 908,542	\$ 77,634
Due to CWS	-	135,488	-	-	-	135,488	-
Accrued payroll and related expenses	64,790	4,460	20,127	2,639	-	92,016	4,205
Deposits	68,051	-	-	-	-	68,051	-
Accrued interest payable	-	26,190	43,037	-	-	69,227	-
Current portion of bonds payable	-	-	235,000	-	-	235,000	-
Current portion of contracts payable	-	156,629	28,755	-	-	185,384	-
Total current liabilities	<u>639,924</u>	<u>555,587</u>	<u>451,886</u>	<u>6,570</u>	<u>39,741</u>	<u>1,693,708</u>	<u>81,839</u>
Noncurrent Liabilities:							
Bonds payable, less current portion	-	-	3,835,000	-	-	3,835,000	-
Contracts payable, less current portion	-	1,356,118	1,229,559	-	-	2,585,677	-
Compensated absences	137,497	-	121,521	-	-	259,018	6,553
Total noncurrent liabilities	<u>137,497</u>	<u>1,356,118</u>	<u>5,186,080</u>	<u>-</u>	<u>-</u>	<u>6,679,695</u>	<u>6,553</u>
Total liabilities	<u>777,421</u>	<u>1,911,705</u>	<u>5,637,966</u>	<u>6,570</u>	<u>39,741</u>	<u>8,373,403</u>	<u>88,392</u>
NET ASSETS							
Invested in capital assets, net of related debt	13,517,435	6,736,288	6,114,370	6,186,486	-	32,554,579	1,048,424
Restricted for systems development	-	-	-	-	2,380,242	2,380,242	-
Unrestricted	6,799,306	1,637,326	11,742,489	499,559	-	20,678,680	1,012,168
Total net assets	<u>20,316,741</u>	<u>8,373,614</u>	<u>17,856,859</u>	<u>6,686,045</u>	<u>2,380,242</u>	<u>55,613,501</u>	<u>2,060,592</u>
Total liabilities and net assets	<u>\$ 21,094,162</u>	<u>\$ 10,285,319</u>	<u>\$ 23,494,825</u>	<u>\$ 6,692,615</u>	<u>\$ 2,419,983</u>	<u>\$ 63,986,904</u>	<u>\$ 2,148,984</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Revenues, Expenses, and Changes in Net Assets

PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					Governmental	
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds	Administrative Services - Internal Service Fund	
Operating revenues:							
Charges for services	\$ 13,438,354	\$ 3,669,469	\$ 2,543,331	\$ 646,640	\$ -	\$ 20,297,794	\$ 1,252,044
Licenses, permits, and fees	144,134	1,889	5,211	-	4,500	155,734	-
Operating grants	200,719	-	-	-	-	200,719	9,750
Other revenue	22,464	-	1,201,095	-	-	1,223,559	11,930
Total operating revenues	13,805,671	3,671,358	3,749,637	646,640	4,500	21,877,806	1,273,724
Operating expenses:							
System operation and maintenance	3,368,997	2,986,437	1,222,108	454,455	162,260	8,194,257	1,076,172
Electricity and water purchases	7,068,499	-	66,486	-	-	7,134,985	-
General fund administration charges	933,877	440,680	886,541	209,082	-	2,470,180	3,710
General and administrative costs	75,164	9,360	825,336	1,360	101,109	1,012,329	-
Depreciation and amortization	434,408	237,744	424,038	158,368	-	1,254,558	167,251
Total operating expenses	11,880,945	3,674,221	3,424,509	823,265	263,369	20,066,309	1,247,133
Operating income (loss)	1,924,726	(2,863)	325,128	(176,625)	(258,869)	1,811,497	26,591
Nonoperating revenues (expenses):							
Investment earnings	133,642	40,403	53,687	10,077	56,325	294,134	23,804
Rental income	-	-	35,929	-	-	35,929	-
Gain (loss) on sale of capital assets	(22,952)	-	-	-	-	(22,952)	(50,936)
Gain (loss) on investment in joint venture	-	-	(313,929)	-	-	(313,929)	-
Interest expense	-	(71,494)	(225,546)	-	-	(297,040)	-
Total nonoperating revenues (expenses)	110,690	(31,091)	(449,859)	10,077	56,325	(303,858)	(27,132)
Income (loss) before contributions and transfers	2,035,416	(33,954)	(124,731)	(166,548)	(202,544)	1,507,639	(541)
Contributions and transfers:							
Capital contributions	-	254,325	114,175	269,128	438,486	1,076,114	-
Transfers in	-	121,995	-	-	-	121,995	243,632
Transfers out	(787,532)	(53,394)	(138,913)	(32,828)	(121,995)	(1,134,662)	-
Total contributions and transfers	(787,532)	322,926	(24,738)	236,300	316,491	63,447	243,632
Change in net assets	1,247,884	288,972	(149,469)	69,752	113,947	1,571,086	243,091
Net Assets:							
Beginning of year	19,068,857	8,084,642	18,006,328	6,616,293	2,266,295	54,042,415	1,817,501
End of year	\$ 20,316,741	\$ 8,373,614	\$ 17,856,859	\$ 6,686,045	\$ 2,380,242	\$ 55,613,501	\$ 2,060,592

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Cash Flows

PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds					Total	Governmental
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds		Administrative Services - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 13,894,147	\$ 3,660,312	\$ 3,741,415	\$ 614,543	\$ 4,500	\$ 21,914,917	\$ -
Payments for interfund services used	-	-	-	-	-	-	1,263,974
Rents received	-	-	35,929	-	-	35,929	-
Payments to suppliers and contractors	(8,747,934)	(3,169,665)	(3,071,003)	(474,966)	(329,188)	(15,792,756)	(901,679)
Payments to employees	(2,546,129)	(263,519)	5,234	(223,389)	-	(3,027,803)	(181,326)
Net cash provided (used) by operating activities	<u>2,600,084</u>	<u>227,128</u>	<u>711,575</u>	<u>(83,812)</u>	<u>(324,688)</u>	<u>3,130,287</u>	<u>180,969</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	-	121,995	-	-	-	121,995	243,632
Transfers out	(787,532)	(53,394)	(138,913)	(32,828)	(121,995)	(1,134,662)	-
Operating grant	-	-	-	-	-	-	9,750
Net cash provided (used) by noncapital financing activities	<u>(787,532)</u>	<u>68,601</u>	<u>(138,913)</u>	<u>(32,828)</u>	<u>(121,995)</u>	<u>(1,012,667)</u>	<u>253,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Capital contributions	-	-	-	-	438,486	438,486	-
Acquisition and construction of capital assets	(721,585)	(6,900)	(147,467)	(29,722)	-	(905,674)	(202,047)
Proceeds from sale of capital assets	7,535	-	-	-	-	7,535	12,272
Principal paid on capital debt	-	(152,193)	(252,784)	-	-	(404,977)	-
Interest paid on capital debt	-	(63,806)	(227,344)	-	-	(291,150)	-
Net cash provided (used) by capital and related financing activities	<u>(714,050)</u>	<u>(222,899)</u>	<u>(627,595)</u>	<u>(29,722)</u>	<u>438,486</u>	<u>(1,155,780)</u>	<u>(189,775)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest and dividends received	<u>133,642</u>	<u>40,403</u>	<u>53,687</u>	<u>10,077</u>	<u>56,325</u>	<u>294,134</u>	<u>23,804</u>
Net change in cash and investments	1,232,144	113,233	(1,246)	(136,285)	48,128	1,255,974	268,380
Cash and investments:							
Beginning of year	<u>5,283,538</u>	<u>1,735,985</u>	<u>2,641,654</u>	<u>610,317</u>	<u>2,371,855</u>	<u>12,643,349</u>	<u>832,180</u>
End of year	<u>\$ 6,515,682</u>	<u>\$ 1,849,218</u>	<u>\$ 2,640,408</u>	<u>\$ 474,032</u>	<u>\$ 2,419,983</u>	<u>\$ 13,899,323</u>	<u>\$ 1,100,560</u>

Continued on next page

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE
PROPRIETARY FUNDS
Statement of Cash Flows, Continued
For the Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds						Governmental Activities
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds	Total	Administrative Services - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities							
Operating income (loss)	\$ 1,924,726	\$ (2,863)	\$ 325,128	\$ (176,625)	\$ (258,869)	\$ 1,811,497	\$ 26,591
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	434,408	237,744	424,038	158,368	-	1,254,558	167,251
Operating grant	-	-	-	-	-	-	(9,750)
Rental income	-	-	35,929	-	-	35,929	-
(Increase) decrease in assets:							
Accounts receivable	75,066	(11,046)	(8,222)	(4,883)	-	50,915	-
Inventory	(3,785)	91	13,929	-	-	10,235	-
Prepaid expenses	(250)	-	-	-	-	(250)	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	114,949	4,350	(101,103)	(33,777)	(65,819)	(81,400)	(3,833)
Accrued payroll	14,029	(1,148)	5,234	319	-	18,434	474
Unearned revenue	13,660	-	-	(27,214)	-	(13,554)	-
Compensated absences	27,281	-	16,642	-	-	43,923	236
Net cash provided (used) by operating activities	<u>\$ 2,600,084</u>	<u>\$ 227,128</u>	<u>\$ 711,575</u>	<u>\$ (83,812)</u>	<u>\$ (324,688)</u>	<u>\$ 3,130,287</u>	<u>\$ 180,969</u>
Noncash capital and financing activities:							
Capital assets acquired with capital lease	<u>\$ -</u>	<u>\$ 254,325</u>	<u>\$ 114,175</u>	<u>\$ 269,128</u>	<u>\$ -</u>	<u>\$ 637,628</u>	<u>\$ -</u>
Gain (loss) on joint venture	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (313,929)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (313,929)</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Net Assets

FIDUCIARY FUNDS

June 30, 2009

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Library Endowment Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 212,788	\$ 19,574,898	\$ 41,499	\$ 19,829,185
LIABILITIES				
Amounts held in trust	<u>212,788</u>	<u>-</u>	<u>-</u>	<u>212,788</u>
NET ASSETS				
Amounts held in trust:				
Library endowment	-	-	41,499	41,499
Pension benefits	<u>-</u>	<u>19,574,898</u>	<u>-</u>	<u>19,574,898</u>
Total net assets	<u>-</u>	<u>19,574,898</u>	<u>41,499</u>	<u>19,616,397</u>
Total liabilities and fund balances	<u>\$ 212,788</u>	<u>\$ 19,574,898</u>	<u>\$ 41,499</u>	<u>\$ 19,829,185</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Statement of Revenues, Expenses, and Changes in Net Assets

FIDUCIARY FUNDS

For the Year Ended June 30, 2009

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Library Endowment Fund</u>	<u>Total</u>
Additions:			
Contributions	\$ 1,495,896	\$ -	\$ 1,495,896
Investment earnings (loss)	<u>(1,872,940)</u>	<u>962</u>	<u>(1,871,978)</u>
Total additions	<u>(377,044)</u>	<u>962</u>	<u>(376,082)</u>
Deductions:			
Payments to retirees	988,423	-	988,423
Administrative expenses	75,957	-	75,957
Miscellaneous expenses	1,000	-	1,000
Investment expenses	<u>14,257</u>	<u>-</u>	<u>14,257</u>
Total deductions	<u>1,079,637</u>	<u>-</u>	<u>1,079,637</u>
Change in net assets before transfers	<u>(1,456,681)</u>	<u>962</u>	<u>(1,455,719)</u>
Transfers out	<u>-</u>	<u>(776)</u>	<u>(776)</u>
Change in net assets	(1,456,681)	186	(1,456,495)
Net Assets:			
Beginning of year	<u>21,031,579</u>	<u>41,313</u>	<u>21,072,892</u>
End of year	<u>\$ 19,574,898</u>	<u>\$ 41,499</u>	<u>\$ 19,616,397</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies

A. Reporting Entity

The City of Forest Grove, Oregon ("City") was incorporated in 1872. The City Council ("Council"), composed of the Mayor and six council members, comprises the legislative branch of the government. Individual departments are under the direction of the City Manager, who is appointed by the Council.

These financial statements include all funds, organizations, departments and offices that are not legally separate from the City of Forest Grove. The elected governing body, the City Council, is not financially accountable for any legally separate organization. In addition, there are no organizations, due to either their nature or significance to the City that would make these financial statements incomplete or misleading by their exclusion. Accordingly, for financial reporting purposes, the City has no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. These statements do not include fiduciary funds because their resources are not available to support the City's programs. *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 user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 classified as program revenues are reported as *general revenues*.

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are classified and summarized as governmental, proprietary, and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are consolidated into a single column with each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

C. 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 and fiduciary fund financial statements. 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 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*. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

All other 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 susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal revenue sources are property taxes, building permits, utility franchise fees, and fines and forfeitures.

The *Street Fund* accounts for the building and maintaining of streets and related infrastructure within the City. The principal revenue source is state gasoline taxes apportioned from the State of Oregon and expenditures as specified under Article IX, section 3, of the Constitution of the State of Oregon.

The *Capital Projects Fund* accounts for major capital projects that receive funding from several operating funds within the City or for major capital projects that will be funded by accumulated reserves in the Capital Projects Fund. Currently, the principal source of funds is the proceeds resulting from sale of the property that contains the Forest Grove Wastewater Treatment Plant and the Fernhill Wetlands.

The *Special Public Works Debt Service Fund* accounts for the payment of debt on bonds issued by the State of Oregon Office of Economic Development for construction of the Taylor Way Industrial Park.

The *Traffic Impact Fee Fund* accounts for the construction and financing of street improvement projects which benefit the citizens. The fund's primary financing source is assessments against commercial and residential property owners based on a formula of future traffic generated by the development.

The government reports the following major proprietary funds:

The *Light Fund* accounts for the revenues and expenses of providing for the City's electric utility operations.

The *Sewer Fund* accounts for the operations of the City's sewer, which is financed primarily through user charges to the general public.

The *Water Fund* accounts for the operations of the City's water utility, which is financed primarily through fees for service.

The *Surface Water Management Fund* accounts for the operations of the City's surface water management, which is financed primarily through fees for service.

Additionally, the government reports the following fund types:

Special revenue funds account for revenues derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

Debt service fund account for the payment of principal and interest on tax allocation development and urban renewal bonds, certificates of participation, and general obligation improvement bonds.

Capital projects funds account for revenue derived primarily from property taxes and state gas tax apportionments which are designated for the construction of specific projects.

Internal service funds account for automotive services and equipment within the City and computer equipment and services. The costs of the services provided are recovered by the charges to the department receiving the service.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

Fiduciary Funds are reported as follows:

The *Agency Fund* accounts for customer deposits required for construction and other purposes. Upon completion of the purpose or project, the deposit is transferred to the appropriate fund or refunded to the customer.

The *Pension Trust Fund* accounts for the defined benefit pension plans of City employees. This fund is not budgeted.

The *Private Purpose Trust Fund* accounts for the activity of the *Library Endowment Fund*. The Fund was created with the proceeds from the sale of the Rogers Library in 1989. Only the earnings on the proceeds may be spent.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. The City has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided 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.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and investment earnings.

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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Use of 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 reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

E. Assets, liabilities and net assets

1. Cash and investments

The City's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. City's investments are limited to the LGIP and a U.S. Treasury Strip. Investments are valued at fair value.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities and net assets, continued

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied and become a lien on July 1st. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes are due November 15th of the same year, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed if full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the due date.

Property taxes receivable which have been collected and received by the City within 60 days subsequent to year end are considered measurable and available, and are recognized as revenues in the governmental fund financial statements. All other property taxes receivable are offset by deferred revenue because they are not deemed available to finance operations of the current period. Property tax receivables are deemed to be substantially collectable or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. Assessment lien installments which are expected to be collected in the following year in accordance with the modified accrual basis of accounting are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by deferred revenues and, accordingly, have not been recorded as revenue. Assessments are payable over a period of 10 to 20 years and bear interest at 5% to 10%. Assessment interest revenue is recognized when it is due.

Revenues of the proprietary fund types are recognized when earned, including services earned but not billed.

3. Inventories and prepaid items

Inventories are stated at the lower of cost, using the first-in/first-out (FIFO) method, or market.

4. Capital assets

Purchased or constructed capital assets are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. The City defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life of two years or more. Capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at cost, or their estimated fair value at the time of donation.

In the entity-wide and proprietary fund financial statements, disposal of capital assets are recorded by relieving the governmental or business-type activities of the related costs and accumulated depreciation, with the resulting gains or losses being reflected in the Statement of Activities. In the governmental fund financial statements, the proceeds from sales of governmental fund capital assets are recorded as other financing sources in the appropriate fund.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities and net assets, continued

4. Capital assets, continued

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-35
Infrastructure	20-100
Fixtures and equipment	5-10

5. Intangible assets

Intangible assets are stated at cost and include water rights at Scoggins Dam, amortized over 40 years using the straight-line method. The value of the asset is based on the original cost of Scoggins Dam, net of accumulated amortization.

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave as the City does not have a policy to pay any amounts when employees separate from service with the City. Earned but unpaid sick leave does not vest and is therefore not accrued. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statement 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.

8. Fund equity

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

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note II - Stewardship, compliance, and accountability

Budgetary information

The City adopts annual budgets for all funds, except the Agency Fund and the Pension Trust Fund, in accordance with Oregon Local Budget Law. The City begins its budgeting process by appointing Budget Committee members early in the fiscal year. Budget recommendations are developed by management through late winter, with the Budget Committees approving the budgets in early spring. Public notices of the budget hearings are generally published in the early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The City Council then adopts the budgets, authorizes appropriations, and declares the tax levy no later than June 30.

The General Fund is appropriated at the department level along with transfers and contingencies, while all other funds are appropriated to the following six levels: personal services, materials and services, capital outlay, interfund transactions, debt service, and operating contingency. Expenditures cannot legally exceed the appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Management may amend line items in the budget without Council approval as long as appropriation levels at the above levels of control are not changed. Supplemental appropriations may occur if the City Council approves them due to a need which exists which was not determined at the time the budget was adopted.

The budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All City appropriations lapse at the end of the fiscal period.

The following funds reported expenditures over budgeted amounts for the year ended June 30, 2009.

Sewer Fund: Materials and services, \$15,950

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds

A. Cash and investments

1. Cash and investments

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

As of June 30, 2009, the City's cash and investment balances were reported as follows:

	<u>Primary Government</u>
Petty cash	\$ 1,400
Deposits with financial institutions	5,007,272
Local government investment pool	16,644,609
Investments	6,351,445
Pension Trust Fund	<u>19,574,898</u>
 Total cash and investments	 <u>\$ 47,579,624</u>
 Less cash and investments in trust and agency funds	 <u>(19,829,185)</u>
 Cash and investment, as reported in Primary Government Statement of Net Assets	 <u>\$ 27,750,439</u>

Deposits. At June 30, 2009, the City's deposits with various financial institutions had a bank value of \$28,057,951. All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. On October 14, 2008 the Transaction Account Guarantee Program (TLGP) was created. The TLGP provides depositors with unlimited coverage for noninterest-bearing transaction accounts if their bank is a participant in the FDIC's Temporary Liquidity Guarantee Program. Noninterest-bearing checking accounts including DDAs and low-interest NOW accounts that cannot earn more than 0.5% interest. This program is scheduled to end on December 31, 2009.

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At June 30, 2009, the City's deposits were fully collateralized.

Investments. As of June 30, 2009, the City held the following investments and maturities:

<u>Investment type</u>	<u>Carrying Value</u>	<u>Weighted average maturity in years</u>	<u>% of investment portfolio</u>
U.S. treasury	\$ 160,945	0.035	3 %
U.S. agency securities	6,190,500	0.865	97 %
Total	<u>\$ 6,351,445</u>	<u>0.900</u>	<u>100 %</u>

The "weighted average maturity in years" calculation assumes that all investments are held until maturity.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

A. Cash and investments, continued

Interest rate risk. As a means of limiting its exposure to losses arising from rising interest rates, the City's investment policy limits investment as follows:

<u>Investment type</u>	<u>Maximum % of portfolio</u>
U.S. treasury obligations	100 %
U.S. government agency and instrumentality securities	10 %
Local government investment pool	100 %
Time certificates of deposit- commercial banks	10 %
Time certificates of deposit- savings and loan associations	10 %
Banker's acceptance	10 %
Repurchase agreement	15 %

Unless matched to a specific cash flow, the City will not directly invest in securities maturing in more than 18 months. With the approval of the City Council, if the investment is related to a specific cash flow or particular capital project, securities will be held to a maximum of 36 months.

With the exception of pass-through funds, the maximum amount of pooled investments to be placed in the Local Government Investment Pool is limited by Oregon Statute to \$42,523,082, which will increase proportionately to the Portland Consumer Price Index. The limit can be temporarily exceeded for ten business days and does not apply either to pass-through funds or to funds invested on behalf of another governmental unit.

Credit risk -- Investments. The City's policy, which adheres to State of Oregon law, is to limit its Corporate and Municipal investments to the following: Issuers must be rated "A-1" (commercial paper and bankers acceptance) or "AA" (bonds and debt obligations for the states of Oregon, California, Idaho, and Washington) or "AAA" (FDIC guaranteed corporate bonds) or better by Standard and Poor's, Moody's Investors Service or any other nationally recognized statistical rating organization at time of purchase. Federal instrumentality securities shall be rated in the highest rating category by a nationally recognized statistical rating organization (NRSRO) and shall be rated not less by any NRSRO that rates the debt.

At June 30, 2009, the City's investments were rated as follows:

<u>Investment type</u>	<u>Highest Rating From</u>		
	<u>Moody's Investors Service or Standard & Poor's Corporation</u>		
	<u>Total</u>	<u>Aaa/AAA</u>	<u>Not Rated</u>
U.S. Treasury	\$ 160,945	\$ 160,945	\$ -
U.S. agency securities	6,190,500	6,190,500	-
Total	<u>\$ 6,351,445</u>	<u>\$ 6,351,445</u>	<u>\$ -</u>

The Oregon State Treasurer maintains the Oregon Short Term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. LGIP was created to offer a short-term investment alternative to Oregon local governments and it is not registered with the U.S. Securities and Exchange Commission. The investments are regulated by the OSTF and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2009, the fair value of the City's deposits with the LGIP approximates cost. The OSTF financial statements are available at <http://www.ost.state.or.us/>.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

A. Cash and investments, continued

The LGIP's portfolio concentration of credit risk at June 30, 2009 included: U.S. Agency securities (43.7%), Corporate bonds (26.8%), Commercial Paper (16.6%), Bank Notes (0.9%), Temporary Liquidity Guarantee (11.0%), and Certificates of Deposits (1.0%). The credit risk associated with the investments was: AAA rating (55.5%), AA rating (26.1%), A rating (16.5%), BBB rating (0.8%), and not rated (1.1%).

Concentration of Credit Risk. The City's policy for investing in individual issuers varies depending on the type of investments. Agency securities are restricted to no more than 33% for any one issuer. No more than 10% of the total portfolio of investments may be invested in a single issuer of bankers' acceptances. Investments in commercial paper or corporate bonds of any one issuer may not exceed 5% of the investment portfolio. Repurchase agreements may not exceed 25% per issuer. Obligations of the states of Oregon, California, Idaho, and Washington are restricted to no more than 10% for any one issuer.

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others.

Oregon Revised Statutes, Chapter 294, authorizes the City to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, and various interest bearing bonds of Oregon municipalities.

The City is also authorized to invest in the State of Oregon Local Government Investment Pool ("LGIP"), an external investment pool, within prescribed limits. The LGIP investments are recorded at cost, which approximates fair value. The LGIP investments are governed by a written investment policy that is comprised of members of local government and private investment professionals, who are appointed by the Governor of the State of Oregon.

At June 30, 2009, there were two issuers that exceeded five percent of the total investment balances: \$3,084,570 of Federal Home Loan Mortgage Corporation (48.6%) and \$3,160,346 of Federal Home Loan Bank (49.8%).

2. Cash and investments - Pension Trust Fund:

The City of Forest Grove's Retirement Plan Trust plan assets are invested with Union Bank of California. As of June 30, 2009, the Pension Trust Fund's cash and investment balances were reported as follows:

Interest bearing cash	\$ 370,160
U.S. treasury notes	1,799,024
Mutual funds	<u>17,405,714</u>
Total cash and investments	<u>\$ 19,574,898</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates the City limits investments to maturities not exceeding seven years. As of June 30, 2009, 100% of the investments in U.S. treasury notes mature within two years.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

B. Receivables

Receivables as of year end for the government's individual major funds and other funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Funds					Total Governmental Funds
	General Fund	Street Fund	Capital Projects Fund	SPWF Debt Service Fund	Nonmajor Governmental Funds	
Taxes	\$ 248,082	\$ -	\$ -	\$ -	\$ 20,618	\$ 268,700
Assessments	-	-	-	195,909	9,131	205,040
Accounts	433,792	1,333	142,439	-	177,510	755,074
Gross receivables	681,874	1,333	142,439	195,909	207,259	1,228,814
Allowance for uncollectibles	-	-	-	-	-	-
Net receivables	<u>\$ 681,874</u>	<u>\$ 1,333</u>	<u>\$ 142,439</u>	<u>\$ 195,909</u>	<u>\$ 207,259</u>	<u>\$ 1,228,814</u>

	Enterprise Funds					Total
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Total Enterprise Funds	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,700
Assessments	-	-	-	-	-	205,040
Accounts	805,027	191,368	152,744	32,097	1,181,236	1,936,310
Gross receivables	805,027	191,368	152,744	32,097	1,181,236	2,410,050
Allowance for uncollectibles	(127,788)	(11,349)	(13,276)	-	(152,413)	(152,413)
Net receivables	<u>\$ 677,239</u>	<u>\$ 180,019</u>	<u>\$ 139,468</u>	<u>\$ 32,097</u>	<u>\$ 1,028,823</u>	<u>\$ 2,257,637</u>

C. Deferred revenue

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. These deferred revenue amounts are not reported in the statement of net assets, as the revenue is recognized in the government-wide Statement of Net Assets. As of June 30, 2009, the various components of deferred revenue in the governmental funds were as follows:

Property taxes	\$ 205,154
Assessments receivable	195,910
Other	<u>443,338</u>
Total	<u>\$ 844,402</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

D. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,544,284	\$ 2,754,909	\$ -	\$ 8,299,193
Construction in progress	<u>233,356</u>	<u>74,469</u>	<u>(233,356)</u>	<u>74,469</u>
Total capital assets, not being depreciated	<u>5,777,640</u>	<u>2,829,378</u>	<u>(233,356)</u>	<u>8,373,662</u>
Capital assets, being depreciated:				
Buildings and improvements	11,354,271	-	-	11,354,271
Fixtures and equipment	5,423,903	844,691	(221,655)	6,046,939
Infrastructure	<u>20,032,473</u>	<u>320,427</u>	<u>(5,037)</u>	<u>20,347,863</u>
Total capital assets, being depreciated	36,810,647	1,165,118	(226,692)	37,749,073
Less accumulated depreciation	<u>(15,124,545)</u>	<u>(1,406,929)</u>	<u>158,447</u>	<u>(16,373,027)</u>
Total capital assets, being depreciated, net	<u>21,686,102</u>	<u>(241,811)</u>	<u>(68,245)</u>	<u>21,376,046</u>
Governmental activities capital assets, net	<u>\$ 27,463,742</u>	<u>\$ 2,587,567</u>	<u>\$ (301,601)</u>	<u>\$ 29,749,708</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

D. Capital assets, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 884,378	\$ -	\$ -	\$ 884,378
Construction in progress	<u>174,500</u>	<u>971,689</u>	<u>(985,228)</u>	<u>160,961</u>
Total capital assets, not being depreciated	<u>1,058,878</u>	<u>971,689</u>	<u>(985,228)</u>	<u>1,045,339</u>
Capital assets, being depreciated:				
Buildings and improvements	8,785,557	9,767	-	8,795,324
Fixtures and equipment	19,179,775	928,069	(101,100)	20,006,744
Infrastructure	37,157,179	689,012	-	37,846,191
Intangible - water rights	<u>1,707,484</u>	<u>-</u>	<u>-</u>	<u>1,707,484</u>
Total capital assets, being depreciated	66,829,995	1,626,848	(101,100)	68,355,743
Less accumulated depreciation and amortization:				
Accumulated depreciation	(27,874,585)	(1,211,781)	606	(29,085,760)
Accumulated amortization	<u>(876,905)</u>	<u>(42,777)</u>	<u>-</u>	<u>(919,682)</u>
Total accumulated depreciation	<u>(28,751,490)</u>	<u>(1,254,558)</u>	<u>606</u>	<u>(30,005,442)</u>
Total capital assets, being depreciated, net	<u>38,078,505</u>	<u>372,290</u>	<u>(100,494)</u>	<u>38,350,301</u>
Business-type activities capital assets, net	<u>\$ 39,137,383</u>	<u>\$ 1,343,979</u>	<u>\$ (1,085,722)</u>	<u>\$ 39,395,640</u>

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

Governmental activities:	
General government	\$ 251,227
Public safety	165,897
Highways and streets	730,777
Culture and recreation	<u>259,028</u>
Total depreciation expense - governmental activities	<u>\$ 1,406,929</u>
Business-type activities:	
Light	\$ 434,408
Sewer	237,744
Water	424,038
Surface water management	<u>158,368</u>
Total depreciation expense - business-type activities	<u>\$ 1,254,558</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

E. Long-term debt

General obligation bonds outstanding at year end are as follows:

Description	Interest Rates	Amount
Governmental activities:		
General obligation bonds:		
Fire station bond	3.5% to 5.9%	\$ 335,000
Improvement bond	4.00% to 4.85%	<u>2,870,000</u>
Total general obligation bonds		<u>\$ 3,205,000</u>

Fire station bond issued in 1999, original amount of \$975,000, matures in 2014. Interest rates vary, starting at 3.25% in 1994, 3.5% in 1995, 4.0% in 1996, 4.3% in 1997, 4.5% in 1998, 4.7% in 1999, 4.9% in 2000, 5.0% in 2001, 5.1% in 2002, 5.2% in 2003, 5.3% in 2004, 5.45% in 2005, 5.6% in 2006, 5.7% in 2007, 5.8% in 2008, and 5.9% from 2009 to 2014.

Improvement bond issued in 1999, original amount of \$5,000,000, matures in 2018. Interest rates vary, starting at 4.0% from 1999 to 2005, 4.15% from 2006 to 2007, 4.3% from 2008 to 2009, 4.35% in 2010, 4.45% in 2011, 4.50% in 2012, 4.55% in 2013, 4.6% in 2014, 4.7% in 2015, 4.85% from 2016 to 2018.

Annual debt service requirements to maturity for general obligation bonds at year end are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2010	\$ 330,000	\$ 151,606
2011	335,000	136,175
2012	345,000	120,324
2013	360,000	103,742
2014	395,000	86,271
2015 - 2019	<u>1,440,000</u>	<u>178,220</u>
Total	<u>\$ 3,205,000</u>	<u>\$ 776,338</u>

Revenues bonds outstanding at year end are as follows:

Description	Interest Rates	Amount
Business-type activities:		
Revenue bonds:		
Full faith and credit bonds	2.0% to 4.685%	<u>\$ 4,070,000</u>

Full faith and credit bonds issued in 2003, payable from revenues of the Water Fund, original amount of \$5,285,000, matures in 2023. Interest rates vary, starting at 2.0% from 2003 to 2006, 2.75% in 2007, 3.0% in 2008, 3.25% in 2009, 3.625% in 2010, 4.0% in 2011, 4.125% in 2012, 4.250% in 2013, 4.0% from 2014 to 2015, 4.2% in 2016, 4.3% in 2017, 4.4% in 2018, 4.350% in 2019, 4.5% in 2020, 4.55% in 2021, and 4.685% from 2022 to 2023.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

E. Long-term debt, continued

Annual debt service requirements to maturity at year end for revenue bonds are as follows:

<u>Year ending June 30,</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 235,000	\$ 175,019
2011	245,000	166,500
2012	255,000	156,700
2013	260,000	146,181
2014	255,000	135,131
2015 - 2019	1,430,000	510,116
2020 - 2024	<u>1,390,000</u>	<u>164,798</u>
Total	<u>\$ 4,070,000</u>	<u>\$ 1,454,445</u>

Contracts outstanding at year end are as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities:		
Contracts:		
Contract payable to the State of Oregon Economic Development Department	6.59%	99,387
Contract payable to the State of Oregon Economic Development Department	5.47%	<u>136,505</u>
Total governmental activities		<u>235,892</u>
Business-type activities:		
Contracts:		
Contract payable to the US Department of Interior, Bureau of Reclamation	3.50%	1,258,314
Contract payable to Clean Water Services	3.77%	607,979
Contract payable to Clean Water Services	4.20%	<u>904,768</u>
Total business-type activities		<u>2,771,061</u>
Total contracts		<u>\$ 3,006,953</u>

Contract payable to the State of Oregon Economic Development Department for community development; payable from assessments to property owners; annual payments through 2010 of \$54,656 including interest of 6.59%.

Contract payable to the State of Oregon Economic Development Department for community development; payable from assessments to property owners; annual payments through 2016 of approximately \$21,000 including interest of 5.47%.

Contract payable to the US Department of Interior, Bureau of Reclamation related to water rights at Scoggins Dam; annual payments through 2035 of \$72,797 including interest of 3.5%.

Contract payable to Clean Water Services related to the Forest Grove Rehabilitation project; annual payments through 2016 of \$94,004 including interest of 3.77%.

Contract payable to Clean Water Services related to the Forest Grove Sunset Drive Sanitary Sewer project; annual payments through 2018 of \$121,995 including interest of 4.20%.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

E. Long-term debt, continued

Annual debt service requirements to maturity at year end for contracts are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 65,694	\$ 14,369	\$ 185,384	\$ 103,412
2011	69,007	10,216	192,724	96,072
2012	17,886	5,820	200,355	88,441
2013	18,053	4,791	208,290	80,506
2014	18,228	3,753	216,541	72,255
2015 - 2019	47,024	4,062	846,795	236,120
2020 - 2024	-	-	217,514	146,470
2025 - 2027	-	-	258,341	105,644
2028 - 2032	-	-	306,828	57,157
2033 - 2036	-	-	138,289	7,302
Total	\$ 235,892	\$ 43,011	\$ 2,771,061	\$ 993,379

The Full Faith and Credit Bonds require that the City use Timber Sales Revenues to solely pay costs relating to the City's water system, including payment due on the Full Faith and Credit Bonds. Each fiscal year, Timber Sales Revenue are required to be deposited into a Debt Service Account until the account balance is equal to the remaining principal and interest payments remaining on the Full Faith and Credit Bonds. Each year the City shall reasonably estimate the water system revenues and the Timber Sales Revenue. If the revenue estimate indicates there will not be sufficient revenue to pay all of the water system costs including the debt service on the Full Faith and Credit Bonds, the City will promptly increase rates and charges for the water system so that it reasonably expects to cover all water system costs.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 3,520,000	\$ -	\$ (315,000)	\$ 3,205,000	\$ 330,000
Contracts payable	298,478	-	(62,586)	235,892	65,694
Total bonds and contracts payable	3,818,478	-	(377,586)	3,440,892	395,694
Compensated absences	595,542	113,273	-	708,815	-
Governmental activity long-term liabilities	<u>\$ 4,414,020</u>	<u>\$ 113,273</u>	<u>\$ (377,586)</u>	<u>\$ 4,149,707</u>	<u>\$ 395,694</u>
Business-type activities:					
Revenue bonds	\$ 4,295,000	\$ -	\$ (225,000)	\$ 4,070,000	\$ 235,000
Contracts payable	2,951,038	-	(179,977)	2,771,061	185,384
Total bonds and contracts payable	7,246,038	-	(404,977)	6,841,061	420,384
Compensated absences	215,095	43,923	-	259,018	-
Business-type activity long-term liabilities	<u>\$ 7,461,133</u>	<u>\$ 43,923</u>	<u>\$ (404,977)</u>	<u>\$ 7,100,079</u>	<u>\$ 420,384</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$6,553 of internal service funds compensated absences are included in the above amounts. Also for governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

F. Conduit debt

The City has issued limited obligation ("conduit") revenue bonds for the express purpose of providing capital financing for specific third parties. Although the conduit debt obligations bear the name of the City, the City has no obligation for such debt; accordingly, the debt is not reported as a liability in the City's financial statements.

Conduit debt outstanding at year end was as follows:

<u>Description</u>	<u>Amount</u>
Revenue bond issued by Pacific University on September 1, 2005 for \$41,000,000 to improve campus facilities, maturing May 1, 2036.	\$ 41,000,000
Revenue bond issued by Pacific University on September 1, 2005 for \$5,625,000 to improve campus facilities, maturing May 1, 2012.	3,015,000
Revenue bond issued by the Oak Tree Foundation on June 29, 2007 for \$30,460,000 to construct student housing for Pacific University, maturing March 1, 2037.	<u>30,460,000</u>
Total	<u>\$ 74,475,000</u>

Subsequent to year end, Pacific University issued revenue bond debt considered conduit debt of the City for \$35,305,000 to improve campus facilities, maturing June 30, 2039.

G. Interfund transfers

	<u>Transfers in:</u>				<u>Total transfers out</u>
	<u>General fund</u>	<u>Sewer fund</u>	<u>Nonmajor governmental funds</u>	<u>Internal service funds</u>	
<u>Transfers out:</u>					
General fund	\$ -	\$ -	\$ -	\$ 40,000	\$ 40,000
Light fund	681,017	-	-	106,515	787,532
Sewer fund	53,394	-	-	-	53,394
Water fund	107,996	-	-	30,917	138,913
Nonmajor enterprise funds	-	121,995	-	-	121,995
Surface water management fund	32,828	-	-	-	32,828
Nonmajor governmental funds	32,677	-	84,000	66,200	182,877
Fiduciary funds	-	-	776	-	776
Total transfers in	<u>\$ 907,912</u>	<u>\$ 121,995</u>	<u>\$ 84,776</u>	<u>\$ 243,632</u>	<u>\$ 1,358,315</u>

Transfers are budgeted for and made to reimburse the general fund for administrative charges and to reimburse funds for payments made on behalf of another fund.

H. Pension plan

The City has a defined benefit single employer retirement plan covering substantially all employees. Employees are divided into two groups: Public Safety Members (consisting of firefighters and police officers) and General Members. All full-time employees of the City are eligible to participate in the plan after six months of employment, except that employees over the age of 57 at the date of hire shall not be eligible for the fire and police employee plan and employees over the age of 64 at the date of hire shall not be eligible for the general employee plan. Benefits generally vest after five years of service. Public safety members are eligible for retirement at age 58, while general members are eligible at age 65. Beginning July 1, 2003, the employee groups were combined for reporting purposes. Early retirement is available after age 50, with reduced benefits except for public safety employees with at least 25 years of service or general members with at least 30 years of service. As of July 1, 2008, the plan consisted of 128 active members and 90 inactive members, which consist of 64 retired members, 17 members who have terminated with vested accounts, and 9 terminated nonvested members with account balances.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

H. Pension plan, continued

The financial statements of the pension plan are prepared using the accrual basis of accounting. Plan contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The City Council has the sole authority to establish and amend the provisions of the Plan. Investments are presented at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded at a national or international exchange are valued at the last reported sales price at current exchange rates. Substantially all investments are held by the Union Bank of California, which reports the fair value of investments to the plan.

The most recent actuarial valuation was performed on July 1, 2008. The plan's pension liability and the annual required contribution rate were determined using the Individual Entry Age Normal Actuarial Cost Method. Under the Individual Entry Age Method, a normal cost is determined for each participant by allocating the actuarial present value of the projected benefit on a level percentage of salary basis over the service of each participant between entry age and assumed exit age, then the individual normal costs are summed for the group. The unfunded actuarial liability created by this method is currently amortized over 22 years. Significant actuarial assumptions include an investment return of 7.5% compounded annually, projected annual salary increases of 5%, and an annual consumer price index inflation of 2%. Based on the December 31, 2008 actuarial valuation the annual contribution rates for the year ended June 30, 2009 were 12.3% and 7% for the City and the employees respectively. The actual annual contribution rates for the year ended June 30, 2009 were 10.2% and 7% for the City and the employees respectively.

The following table presents a schedule of employer annual pension costs and contributions:

<u>Year ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation/ (Surplus)</u>
2008	827,154	832,428	123 %	(442,022)
2007	816,146	817,960	101 %	(248,616)
2006	736,164	734,571	121 %	(82,136)
2005	790,508	790,589	91 %	67,560
2004	670,170	670,113	100 %	(3,249)

The following table shows the components of the City's annual pension costs, the amount actually contributed to the plan, and changes in the City's net pension obligation/(surplus) for the year ending June 30, 2008:

Annual required contribution	\$ 832,428
Interest on net pension obligation	(18,594)
Adjustment to annual required contribution	<u>13,520</u>
Annual pension cost	827,354
Employer contributions made	<u>1,021,458</u>
Increase (decrease) in net pension obligation (surplus)	(194,104)
Net pension obligation/(surplus) at beginning of year	<u>(247,918)</u>
Net pension obligation/(surplus) at end of year	<u>\$ (442,022)</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

I. Other Post-employment Benefits (OPEB)

City Healthcare Plan

Plan Description

The City administers a single-employer defined benefit healthcare plan per the requirements of collective bargaining agreements. The healthcare plan provides post-retirement medical, dental, and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. Benefit provisions are susceptible to change as they are established through negotiations between the City and representatives of collective bargaining units. Eligible participants may select from one of two deductible levels of the City's health insurance care plan. The level of benefits provided by the plans are the same as those afforded to active employees. Coverage is provided to retirees, spouses, and domestic partners until they become eligible for Medicare, typically age 65, and to eligible dependents until age 18. The City's post-retirement healthcare plan was established in accordance with Oregon Revised Statutes (ORS) 243.303. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based on all plan members, including both active employees and retirees. Due to the effect of age, retiree claim costs are generally higher than claim costs for all members as a whole. The difference between retiree claims costs and the amount of retiree healthcare premiums represents the City's implicit employer contribution.

Funding Policy

The City has the authority to establish and amend contribution requirements. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ending June 30, 2009, the City's combined plan contributions were \$74,255.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the fiscal year ending June 30, 2009, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 276,797
Interest on net OPEB obligation	-
Adjustment to the annual required contribution	-
Annual OPEB cost (expense)	<u>276,797</u>
Contributions made	<u>74,255</u>
Increase in net OPEB obligation	202,542
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ 202,542</u></u>

The City's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2009 was as follows:

<u>Fiscal year</u> <u>ending June 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Contribution</u>	<u>Percentage of</u> <u>annual OPEB</u> <u>cost contributed</u>	<u>Net OPEB</u> <u>obligation</u>
2009	\$ 276,797	\$ 74,255	27 %	\$ 202,542

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note III - Detailed notes on all funds, continued

Other Post-employment Benefits (OPEB), continued

Funded Status and Funding Progress

As of August 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,685,541, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,685,541. For the fiscal year ending June 30, 2009, the City has set aside \$0 to pay for future post-employment life insurance benefits for disabled employees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members up to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The August 1, 2008 actuarial valuation for the healthcare plan was based on the entry age normal and the projected unit credit actuarial cost methods, respectively. The actuarial assumptions for both valuations included an investment return of 4.5%. The healthcare plan actuarial valuation included a healthcare cost inflation trend rate of 8.0% in the first year, 7.0% in the second year, 6.5% in the third year, 6.0% for the 4th through 14th year, 5.5% for the 15th through 29th year, and 5.0% thereafter. The unfunded actuarially accrued liability and the gains and losses for both plans are amortized as a level dollar amount over an open period of 30 years.

Note IV - Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The City purchases commercial insurance to minimize its exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

B. Transactions with Clean Water Services of Washington County

The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1% of sewer service charges collected, 20% of connection charges collected, and 75% of surface water management fees collected in accordance with agreements between the City and CWS. The amount collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2009 was \$2,971,527. The amount due to and payable to CWS at June 30, 2009 is \$135,488.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note IV - Other information, continued

C. Joint ventures

Hillsboro, Forest Grove, Beaverton, Tigard, and Tualatin Valley Water Joint Water Commission (Commission): The City is a party to the Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission, an entity organized under ORS 190. As a member of the Commission, the City owns a 13.3% interest in a joint water service system. The City's investment in the commission at June 30, 2009 is \$8,363,675. The Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

The system was established to provide joint operations for the supply, pumping, treatment, and transmission of municipal and industrial waters. Under the Joint Water Services Agreement, the City may utilize the system for treatment of raw water up to 13.3% of the design capacity of the system. The Commission is authorized to draw upon the raw water resources of each participating city to meet the projected needs of that city. No participant has the right to draw treated water from the system in excess of their proportionate contribution of raw water. The expenses of operation and maintenance of the system are paid monthly based on each participant's pro rata share of water production. In addition, the minimum amount to be paid by the City is not less than the per gallon cost as determined from time to time by the Commission multiplied by 72 million gallons per year. The agreement is perpetual but may be terminated by giving a one-year notice to the other cities.

J.W. Barney Reservoir Expansion: The City, together with the cities of Hillsboro and Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District is a party to the Barney Reservoir Joint Ownership Commission, an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir", located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir." As a member of the Commission, the City owns a 2.5% interest in the reservoir. The City's investment in the Commission at June 30, 2009 is \$754,018. The Barney Reservoir Joint Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

D. Deferred compensation plan

The City has a deferred compensation plan created in accordance with the Internal Revenue Code Section 457(g). The Plan is administered by independent plan administrators through administrative service agreements. The Plan is available to all employees of the City. Employees may defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Plan's assets are held in a custodial account for the exclusive benefit of participants and beneficiaries, and are not subject to claims of the City's creditors, nor can they be used by the City for any purpose other than the payment of benefits to the Plan participants. Accordingly, these Plan assets and related liability are not recorded on the accompanying statement of net assets.

E. Commitments and contingencies

The City is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not be material to the City's financial condition.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2009

Note IV - Other information, continued

F. Subsequent events

Subsequent to year end the Oregon Public Employees Retirement System (PERS) will be conducting an equal-to-or-better than (ETOB) study for the City's Defined Benefit Pension Plan as of December 31, 2008. PERS will be comparing the City's retirement benefits to PERS benefits for each level of PERS – Tier 1, Tier 2, and OPSRP. If the City does not pass the test, it has to adjust its plan so it is ETOB under the required state statutes. As of the date of this report management believes there is insufficient information to determine if the City will or will not pass the test and the financial implications of not passing the test because the cost is dependent of what is needed to bring the plan into compliance. It is estimated that PERS will have completed a preliminary determination by January 29, 2010. If the City does not pass the preliminary determination, then a full ETOB test will be conducted.

G. Recently issued accounting guidance

Management is determining the effect on its financial statements of the following recently issued accounting statements.

The Governmental Accounting Standards Board (GASB) Statement 51, Accounting and Financial Reporting for Intangible Asset, is effective for periods beginning after June 15, 2009. The Statement establishes accounting and financial reporting requirements for intangible assets. It defines intangible assets as capital assets and provides guidance for capitalization and amortization. Existing authoritative guidance relating to capital assets (such as GASB 42 relating to impairment) should be applied to these assets.

GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments, is effective for periods beginning after June 15, 2009. Early implementation is encouraged. The Statement requires fair value accounting and reporting for derivatives. Changes in fair value are generally reported in the activity statement. Certain derivative transactions that reduce exposures to financial risks may be effective hedges and reported using hedge accounting wherein the change in fair value is reported as either deferred inflows or deferred outflows in the statement of net assets instead of the activity statement.

GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, is effective for periods beginning after June 15, 2010. Early implementation is encouraged. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Governments are required to disclose information about the processes through which constraints are imposed. Governmental fund type definitions are modified and clarified which may affect the activities governments choose to report in governmental funds.

GASB Statement 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The statement identifies the sources of accounting principles and provides a consistent framework, or hierarchy, for selecting the accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles for governmental entities. The hierarchy of accounting principles within GASB 55 is consistent with that previously defined in the AICPA Statement on Auditing Standards (SAS) No. 69, The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles. GASB 55 became effective April 2, 2009. The City had previously utilized the guidance within SAS No. 69, and, therefore, does not expect the adoption of GASB 55 to have a material effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST GROVE

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 5,639,694	\$ 5,639,694	\$ 5,689,620	\$ 49,926
Franchise taxes	566,603	566,603	522,579	(44,024)
Other taxes	279,519	279,519	153,917	(125,602)
Licenses, permits, and fees	106,785	106,785	69,325	(37,460)
Intergovernmental revenues	1,577,867	1,577,867	1,546,607	(31,260)
Internal charges	2,660,388	2,660,388	2,660,386	(2)
Other services	444,274	444,274	443,709	(565)
Fines and penalties	351,174	351,174	236,723	(114,451)
Investment earnings	100,000	100,000	120,069	20,069
Reimbursements	65,677	65,677	24,856	(40,821)
Other revenue	19,250	19,250	22,862	3,612
Grants and contributions	58,397	58,397	62,593	4,196
Total revenues	<u>11,869,628</u>	<u>11,869,628</u>	<u>11,553,246</u>	<u>(316,382)</u>
Expenditures:				
Legislative and Executive				
Personal Services	\$ 402,657	\$ 412,657	\$ 405,264	\$ 7,393
Materials and Services	116,308	116,308	111,443	4,865
Total Legislative and Executive	<u>518,965</u>	<u>528,965</u>	<u>516,707</u>	<u>12,258</u>
Administrative Services				
Personal Services	1,265,380	1,265,380	1,265,149	231
Materials and Services	665,091	665,091	592,887	72,204
Total Administrative Services	<u>1,930,471</u>	<u>1,930,471</u>	<u>1,858,036</u>	<u>72,435</u>
Library				
Personal Services	708,296	724,296	721,796	2,500
Materials and Services	169,869	169,869	167,687	(2,182)
Capital Outlay	5,000	5,000	-	5,000
Total Library	<u>883,165</u>	<u>899,165</u>	<u>889,483</u>	<u>9,682</u>
Planning				
Personal Services	273,777	273,777	270,315	3,462
Materials and Services	138,460	138,460	78,952	59,508
Total Planning	<u>412,237</u>	<u>412,237</u>	<u>349,267</u>	<u>62,970</u>
Fire				
Personal Services	2,037,204	2,037,204	2,069,463	(32,259)
Materials and Services	530,860	530,860	480,045	50,815
Total Fire	<u>2,568,064</u>	<u>2,568,064</u>	<u>2,549,508</u>	<u>18,556</u>
Engineering				
Personal Services	717,772	717,772	641,809	75,963
Materials and Services	146,341	146,341	92,105	54,236
Capital outlay	16,100	16,100	-	16,100
Total Engineering	<u>880,213</u>	<u>880,213</u>	<u>733,914</u>	<u>146,299</u>
Police				
Personal Services	3,395,842	3,395,842	3,241,778	154,064
Materials and Services	451,504	475,004	455,631	19,373
Total Police	<u>3,847,346</u>	<u>3,870,846</u>	<u>3,697,409</u>	<u>173,437</u>
Aquatics				
Personal Services	389,295	389,295	364,691	24,604
Materials and Services	201,702	201,702	204,592	(2,890)
Total Aquatics	<u>590,997</u>	<u>590,997</u>	<u>569,283</u>	<u>21,714</u>

Continued on next page

CITY OF FOREST GROVE

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued)

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation				
Personal Services	417,696	417,696	362,196	55,500
Materials and Services	122,303	122,303	113,322	8,981
Capital Outlay	8,800	8,800	11,590	(2,790)
Total Parks and Recreation	<u>548,799</u>	<u>548,799</u>	<u>487,108</u>	<u>61,691</u>
Municipal Court				
Personal Services	124,379	124,379	113,375	11,004
Materials and Services	109,853	109,853	57,764	52,089
Total Municipal Court	<u>234,232</u>	<u>234,232</u>	<u>171,139</u>	<u>63,093</u>
Nondepartmental				
Materials and Services	<u>267,800</u>	<u>267,800</u>	<u>110,662</u>	<u>157,138</u>
Contingency	<u>800,000</u>	<u>750,500</u>	<u>-</u>	<u>750,500</u>
Total expenditures	<u>13,482,289</u>	<u>13,482,289</u>	<u>11,932,516</u>	<u>1,549,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,612,661)</u>	<u>(1,612,661)</u>	<u>(379,270)</u>	<u>1,233,391</u>
Other financing sources (uses):				
Transfers in	875,235	875,235	907,912	32,677
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(40,000)</u>	<u>20,000</u>
Total other financing sources (uses)	<u>815,235</u>	<u>815,235</u>	<u>867,912</u>	<u>52,677</u>
Net change in fund balance	(797,426)	(797,426)	488,642	1,286,068
Fund Balance:				
Beginning of year	<u>3,086,129</u>	<u>3,086,129</u>	<u>3,160,115</u>	<u>73,986</u>
End of year	<u>\$ 2,288,703</u>	<u>\$ 2,288,703</u>	<u>\$ 3,648,757</u>	<u>\$ 1,360,054</u>

CITY OF FOREST GROVE

STREET FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ -	\$ -	\$ 8,962	\$ 8,962
Intergovernmental revenues	1,107,721	1,107,721	892,799	(214,922)
Investment earnings	37,330	37,330	24,897	(12,433)
Grants and contributions	<u>233,500</u>	<u>233,500</u>	<u>2,211</u>	<u>(231,289)</u>
Total revenues	<u>1,378,551</u>	<u>1,378,551</u>	<u>928,869</u>	<u>(449,682)</u>
Expenditures:				
Personal services	206,269	256,269	248,228	8,041
Materials and services	841,549	841,549	690,297	151,252
Capital outlay	1,003,600	1,003,600	378,245	625,355
Contingency	<u>210,443</u>	<u>160,443</u>	<u>-</u>	<u>160,443</u>
Total expenditures	<u>2,261,861</u>	<u>2,261,861</u>	<u>1,316,770</u>	<u>945,091</u>
Net change in fund balance	(883,310)	(883,310)	(387,901)	495,409
Fund Balance:				
Beginning of year	<u>1,244,310</u>	<u>1,244,310</u>	<u>1,285,293</u>	<u>40,983</u>
End of year	<u>\$ 361,000</u>	<u>\$ 361,000</u>	<u>\$ 897,392</u>	<u>\$ 536,392</u>

CITY OF FOREST GROVE
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ -	\$ -	\$ 3,000	\$ 3,000
Intergovernmental revenues	600,000	600,000	600,000	-
Charges for services	-	-	35,298	35,298
Investment earnings	50,000	50,000	72,105	22,105
Grants and contributions	-	-	209,169	209,169
Total revenues	<u>650,000</u>	<u>650,000</u>	<u>919,572</u>	<u>269,572</u>
Expenditures:				
Materials and services	70,000	70,000	31,278	38,722
Capital outlay	<u>3,729,805</u>	<u>3,729,805</u>	<u>1,760,869</u>	<u>1,968,936</u>
Total expenditures	<u>3,799,805</u>	<u>3,799,805</u>	<u>1,792,147</u>	<u>2,007,658</u>
Net change in fund balance	(3,149,805)	(3,149,805)	(872,575)	2,277,230
Fund Balance:				
Beginning of year	<u>3,149,805</u>	<u>3,149,805</u>	<u>3,140,849</u>	<u>(8,956)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,268,274</u>	<u>\$ 2,268,274</u>

CITY OF FOREST GROVE
SPECIAL PUBLIC WORKS DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 42,300	\$ 42,300	\$ 18,364	\$ (23,936)
Special assessments	<u>6,550</u>	<u>6,550</u>	<u>6,999</u>	<u>449</u>
Total revenues	<u>48,850</u>	<u>48,850</u>	<u>25,363</u>	<u>(23,487)</u>
Expenditures:				
Debt service	<u>80,889</u>	<u>80,889</u>	<u>80,888</u>	<u>1</u>
Net change in fund balance	(32,039)	(32,039)	(55,525)	(23,486)
Fund Balance:				
Beginning of year	<u>89,928</u>	<u>89,928</u>	<u>229,124</u>	<u>139,196</u>
End of year	<u>\$ 57,889</u>	<u>\$ 57,889</u>	<u>\$ 173,599</u>	<u>\$ 115,710</u>

CITY OF FOREST GROVE
TRAFFIC IMPACT FEE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 842,603	\$ 842,603	\$ 95,334	\$ (747,269)
Investment earnings	<u>91,352</u>	<u>91,352</u>	<u>74,077</u>	<u>(17,275)</u>
Total revenues	<u>933,955</u>	<u>933,955</u>	<u>169,411</u>	<u>(764,544)</u>
Expenditures:				
Capital outlay	<u>3,979,025</u>	<u>3,979,025</u>	<u>59,513</u>	<u>3,919,512</u>
Net change in fund balance	(3,045,070)	(3,045,070)	109,898	3,154,968
Fund balance:				
Beginning of year	<u>3,045,070</u>	<u>3,045,070</u>	<u>3,012,320</u>	<u>(32,750)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,122,218</u>	<u>\$ 3,122,218</u>

CITY OF FOREST GROVE
Notes to Required Supplementary Information
June 30, 2009

Note 1 - Basis of Budgeting

The basis of budgeting is the same as GAAP for the General Fund and major special revenue funds that have been presented as Required Supplementary Information.

Note 2 - Schedule of Funding Progress - Defined Benefit Single Employer Retirement Plan

Defined benefit single employer retirement plan schedule of funding progress for the City of Forest Grove:

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded/ (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded/ (Surplus) Actuarial Liability/ Payroll
2008	21,031,579	29,772,076	8,740,497	71 %	7,652,811	114 %
2007	21,206,225	27,291,995	6,085,770	78 %	7,904,747	77 %
2006	17,745,264	24,620,703	6,875,439	72 %	7,263,639	95 %

The City does not issue a stand-alone financial report for its pension plan, instead it is reported as a pension trust fund as part of the City's basic financial statements.

Note 3 - Schedule of Funding Progress - Other Post Employment Benefits

Other Post Employment Benefits schedule of funding progress:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability	Funded ratio	Covered payroll	Unfunded actuarial accrued liability as a percentage of covered payroll
8/1/2008	-	1,685,541	1,685,541	-	N/A	N/A

The City's other post employment benefits include retiree healthcare. The actuarial cost method for retiree healthcare benefits is entry age normal.

OTHER FINANCIAL SCHEDULES

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF FOREST GROVE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>General Debt Service Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 828,291	\$ 1,089,052	\$ 188,634	\$ 2,105,977
Receivables:				
Taxes	-	-	20,618	20,618
Assessments	9,131	-	-	9,131
Accounts	<u>167,754</u>	<u>9,756</u>	<u>-</u>	<u>177,510</u>
Total assets	<u>\$ 1,005,176</u>	<u>\$ 1,098,808</u>	<u>\$ 209,252</u>	<u>\$ 2,313,236</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 209,504	\$ 137,564	\$ -	\$ 347,068
Accrued payroll and related expenses	7,111	-	-	7,111
Deferred revenue	9,131	9,756	15,743	34,630
Deposits	<u>10,512</u>	<u>-</u>	<u>-</u>	<u>10,512</u>
Total liabilities	<u>236,258</u>	<u>147,320</u>	<u>15,743</u>	<u>399,321</u>
Fund Balances:				
Reserved for:				
Highways and streets	80,063	-	-	80,063
Public safety	7,541	479,208	-	486,749
Culture and recreation	221,310	472,280	-	693,590
Debt service	-	-	193,509	193,509
Unreserved	<u>460,004</u>	<u>-</u>	<u>-</u>	<u>460,004</u>
Total fund balances	<u>768,918</u>	<u>951,488</u>	<u>193,509</u>	<u>1,913,915</u>
Total liabilities and fund balances	<u>\$ 1,005,176</u>	<u>\$ 1,098,808</u>	<u>\$ 209,252</u>	<u>\$ 2,313,236</u>

CITY OF FOREST GROVE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>General Debt Service Fund</u>	<u>Total</u>
REVENUES:				
Property taxes		\$ -	\$ 473,922	\$ 473,922
Other taxes	113,500	-	-	113,500
Licenses, permits, and fees	325,616	126	-	325,742
Intergovernmental revenues	435,094	107,102	-	542,196
Charges for services	-	208,077	-	208,077
Fines and forfeitures	1,039	-	-	1,039
Investment earnings	17,984	33,480	7,418	58,882
Contributions	11,031	-	-	11,031
Total revenues	<u>904,264</u>	<u>348,785</u>	<u>481,340</u>	<u>1,734,389</u>
EXPENDITURES:				
Current:				
General government	892,779	-	-	892,779
Public safety	136,536	-	-	136,536
Highways and streets	32,332	-	-	32,332
Community development	3,855	-	-	3,855
Debt Service:				
Principal	-	-	315,000	315,000
Interest	-	-	166,083	166,083
Capital Outlay	-	1,801,912	-	1,801,912
Total expenditures	<u>1,065,502</u>	<u>1,801,912</u>	<u>481,083</u>	<u>3,348,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(161,238)</u>	<u>(1,453,127)</u>	<u>257</u>	<u>(1,614,108)</u>
OTHER FINANCING SOURCES (USES):				
Capital contributions	-	132,000	-	132,000
Transfers in	776	84,000	-	84,776
Transfers out	<u>(32,677)</u>	<u>(150,200)</u>	<u>-</u>	<u>(182,877)</u>
Total other financing sources (uses)	<u>(31,901)</u>	<u>65,800</u>	<u>-</u>	<u>33,899</u>
Net change in fund balances	(193,139)	(1,387,327)	257	(1,580,209)
Fund Balances				
Beginning of year	<u>962,057</u>	<u>2,338,815</u>	<u>193,252</u>	<u>3,494,124</u>
Ending of year	<u>\$ 768,918</u>	<u>\$ 951,488</u>	<u>\$ 193,509</u>	<u>\$ 1,913,915</u>

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for revenues derived from specific tax or other earmarked revenue sources, including federal and state grant awards, which are restricted to finance particular functions or activities.

Funds included in this fund category are:

Building Permits Fund – accounts for building permit revenues and expenses to help ensure the city is complying with the laws and regulations established concerning the usage of building permit fees.

Street Tree Fund – the City's Land Division Ordinance requires all subdivisions and partitions to install street trees. Each development is assessed for the cost of acquisition, installation and one year of maintenance for the street trees required for a project. The Street Tree Fund is the collection of these assessments.

911 Emergency Fund – to account for 911 telephone tax revenue transferred to Washington County Consolidated Communications Agency (WCCCA) for police dispatch services.

Forfeiture Sharing Fund – to account for drug forfeiture funds that are restricted to spending on drug law enforcement activities.

Assessment Fund – contains collection on special assessments that have no further liability against the assessment.

Library Donations Fund – to account for all donations for library purposes that do not have the same restriction as the proceeds from the sale of the Rogers Library. The sources of funds for this fund are the interest earnings on the Library Endowment Fund and funds raised by the Forest Grove Library Foundation that are given to the City by the Foundation.

Community Enhancement Fund – contains revenue received from the Metropolitan Services District (METRO). The revenue is collected by METRO from the operation of the solid waste transfer station in Forest Grove.

Trail System Fund – accounts for payments from Waste Management to the City dedicated to the development and maintenance of the City's trail system.

Transportation Services Fund – accounts for the pass-through of grant funds for transportation services.

Public Arts Donation Fund – accounts for all art donations to the City.

CITY OF FOREST GROVE

Combining Balance Sheet

Special Revenue Funds

June 30, 2009

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Assessment Fund	Library Donations Fund	Community Enhancement Fund	Trail System Fund	Transportation Services Fund	Public Arts Donation Fund	Total
ASSETS											
Cash and investments	\$ 450,147	\$ 80,063	\$ -	\$ 18,053	\$ -	\$ 4,926	\$ 26,305	\$ 209,061	\$ 28,558	\$ 11,178	\$ 828,291
Accounts receivables	-	-	-	-	9,131	-	-	-	167,754	-	176,885
Total assets	<u>450,147</u>	<u>80,063</u>	<u>-</u>	<u>18,053</u>	<u>9,131</u>	<u>4,926</u>	<u>26,305</u>	<u>209,061</u>	<u>196,312</u>	<u>11,178</u>	<u>1,005,176</u>
LIABILITIES											
Accounts payable	\$ 9,337	\$ -	\$ -	\$ -	\$ -	\$ 3,855	\$ -	\$ -	\$ 196,312	\$ -	\$ 209,504
Accrued payroll and related expenses	7,111	-	-	-	-	-	-	-	-	-	7,111
Deferred revenue	-	-	-	-	9,131	-	-	-	-	-	9,131
Deposits	-	-	-	10,512	-	-	-	-	-	-	10,512
Total liabilities	<u>16,448</u>	<u>-</u>	<u>-</u>	<u>10,512</u>	<u>9,131</u>	<u>3,855</u>	<u>-</u>	<u>-</u>	<u>196,312</u>	<u>-</u>	<u>236,258</u>
FUND BALANCE											
Reserved for:											
Highways and streets	-	80,063	-	-	-	-	-	-	-	-	80,063
Public safety	-	-	-	7,541	-	-	-	-	-	-	7,541
Culture and recreation	-	-	-	-	-	1,071	-	209,061	-	11,178	221,310
Unreserved	433,699	-	-	-	-	-	26,305	-	-	-	460,004
Total fund balances	<u>\$ 433,699</u>	<u>\$ 80,063</u>	<u>\$ -</u>	<u>\$ 7,541</u>	<u>\$ -</u>	<u>\$ 1,071</u>	<u>\$ 26,305</u>	<u>\$ 209,061</u>	<u>\$ -</u>	<u>\$ 11,178</u>	<u>\$ 768,918</u>
Total liabilities and fund balances	<u>\$ 450,147</u>	<u>\$ 80,063</u>	<u>\$ -</u>	<u>\$ 18,053</u>	<u>\$ 9,131</u>	<u>\$ 4,926</u>	<u>\$ 26,305</u>	<u>\$ 209,061</u>	<u>\$ 196,312</u>	<u>\$ 11,178</u>	<u>\$ 1,005,176</u>

CITY OF FOREST GROVE

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances

Special Revenue Funds

For the Year Ended June 30, 2009

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Library Donations Fund	Community Enhancement Fund	Trail System Fund	Transportation Services Fund	Public Arts Donation Fund	Total
Revenues:										
Other taxes	\$ -	\$ -	\$ 113,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,500
Licenses, permits, and fees	310,218	15,398	-	-	-	-	-	-	-	325,616
Intergovernmental revenues	-	-	-	-	-	70,416	49,086	315,592	-	435,094
Fines and forfeitures	-	-	-	1,039	-	-	-	-	-	1,039
Investment earnings	11,432	1,858	-	796	-	48	3,703	-	147	17,984
Contributions	-	-	-	-	-	-	-	-	11,031	11,031
Total revenues	321,650	17,256	113,500	1,835	-	70,464	52,789	315,592	11,178	904,264
Expenditures:										
General government	490,230	-	-	-	-	86,957	-	315,592	-	892,779
Public safety	-	-	113,500	23,036	-	-	-	-	-	136,536
Highways and streets	-	32,332	-	-	-	-	-	-	-	32,332
Culture and recreation	-	-	-	-	3,855	-	-	-	-	3,855
Total expenditures	490,230	32,332	113,500	23,036	3,855	86,957	-	315,592	-	1,065,502
Excess (deficiency) of revenues over (under) expenditures	(168,580)	(15,076)	-	(21,201)	(3,855)	(16,493)	52,789	-	11,178	(161,238)
Other Financing Sources (Uses):										
Transfers in	-	-	-	-	776	-	-	-	-	776
Transfers out	-	-	-	(32,677)	-	-	-	-	-	(32,677)
Total other financing sources (uses)	-	-	-	(32,677)	776	-	-	-	-	(31,901)
Net change in fund balances	(168,580)	(15,076)	-	(53,878)	(3,079)	(16,493)	52,789	-	11,178	(193,139)
Fund Balances										
Beginning of year	602,279	95,139	-	61,419	4,150	42,798	156,272	-	-	962,057
End of year	\$ 433,699	\$ 80,063	\$ -	\$ 7,541	\$ 1,071	\$ 26,305	\$ 209,061	\$ -	\$ 11,178	\$ 768,918

CITY OF FOREST GROVE
BUILDING PERMITS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 725,678	\$ 725,678	\$ 310,218	\$ (415,460)
Investment earnings	<u>18,361</u>	<u>18,361</u>	<u>11,432</u>	<u>(6,929)</u>
Total revenues	<u>744,039</u>	<u>744,039</u>	<u>321,650</u>	<u>(422,389)</u>
Expenditures:				
Personal services	474,691	474,691	370,853	103,838
Materials and services	176,662	176,662	119,377	57,285
Capital outlay	98,700	98,700	-	98,700
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>850,053</u>	<u>850,053</u>	<u>490,230</u>	<u>359,823</u>
Excess (deficiency) of revenues over (under) expenditures	(106,014)	(106,014)	(168,580)	(62,566)
Other financing sources (uses):				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balance	(86,014)	(86,014)	(168,580)	(82,566)
Fund Balance:				
Beginning of year	<u>531,235</u>	<u>531,235</u>	<u>602,279</u>	<u>71,044</u>
End of year	<u>\$ 445,221</u>	<u>\$ 445,221</u>	<u>\$ 433,699</u>	<u>\$ (11,522)</u>

CITY OF FOREST GROVE
STREET TREE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 26,385	\$ 26,385	\$ 15,398	\$ (10,987)
Investment earnings	<u>2,400</u>	<u>2,400</u>	<u>1,858</u>	<u>(542)</u>
Total revenues	<u>28,785</u>	<u>28,785</u>	<u>17,256</u>	<u>(11,529)</u>
Expenditures:				
Materials and services	<u>115,666</u>	<u>115,666</u>	<u>32,332</u>	<u>83,334</u>
Net change in fund balance	(86,881)	(86,881)	(15,076)	71,805
Fund Balance:				
Beginning of year	<u>86,881</u>	<u>86,881</u>	<u>95,139</u>	<u>8,258</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,063</u>	<u>\$ (80,063)</u>

CITY OF FOREST GROVE
911 EMERGENCY FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	\$ 160,000	\$ 160,000	\$ 113,500	\$ (46,500)
Expenditures:				
Materials and services	160,000	160,000	113,500	46,500
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE
FORFEITURE SHARING FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ 1,039	\$ 1,039
Investment earnings	<u>500</u>	<u>500</u>	<u>796</u>	<u>296</u>
Total revenues	<u>500</u>	<u>500</u>	<u>1,835</u>	<u>1,335</u>
Expenditures:				
Materials and services	14,823	29,623	23,036	6,587
Capital outlay	<u>14,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>29,623</u>	<u>29,623</u>	<u>23,036</u>	<u>6,587</u>
Excess (deficiency) of revenues over (under) expenditures	(29,123)	(29,123)	(21,201)	7,922
Other financing sources:				
Transfers out	<u>(32,677)</u>	<u>(32,677)</u>	<u>(32,677)</u>	<u>-</u>
Net change in fund balance	(61,800)	(61,800)	(53,878)	7,922
Fund Balance:				
Beginning of year	<u>61,800</u>	<u>61,800</u>	<u>61,419</u>	<u>(381)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,541</u>	<u>\$ 7,541</u>

CITY OF FOREST GROVE
LIBRARY DONATIONS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Materials and services	<u>5,206</u>	<u>5,206</u>	<u>3,855</u>	<u>1,351</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,206)</u>	<u>(5,206)</u>	<u>(3,855)</u>	<u>1,351</u>
Other financing sources (uses):				
Transfers in	<u>1,056</u>	<u>1,056</u>	<u>776</u>	<u>(280)</u>
Net change in fund balance	<u>(4,150)</u>	<u>(4,150)</u>	<u>(3,079)</u>	<u>1,071</u>
Fund Balance:				
Beginning of year	<u>4,150</u>	<u>4,150</u>	<u>4,150</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,071</u>	<u>\$ 1,071</u>

CITY OF FOREST GROVE
COMMUNITY ENHANCEMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 80,000	\$ 80,000	\$ 70,416	\$ (9,584)
Investment earnings	<u>400</u>	<u>400</u>	<u>48</u>	<u>(352)</u>
Total revenues	<u>80,400</u>	<u>80,400</u>	<u>70,464</u>	<u>(9,936)</u>
Expenditures:				
Materials and services	<u>93,470</u>	<u>93,470</u>	<u>86,957</u>	<u>6,513</u>
Net change in fund balance	(13,070)	(13,070)	(16,493)	(3,423)
Fund Balance:				
Beginning of year	<u>43,790</u>	<u>43,790</u>	<u>42,798</u>	<u>(992)</u>
End of year	<u>\$ 30,720</u>	<u>\$ 30,720</u>	<u>\$ 26,305</u>	<u>\$ (4,415)</u>

CITY OF FOREST GROVE

TRAIL SYSTEM FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ -	\$ -	\$ 49,086	\$ 49,086
Investment earnings	<u>1,500</u>	<u>1,500</u>	<u>3,703</u>	<u>2,203</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>52,789</u>	<u>51,289</u>
Expenditures:				
Materials and services	6,000	6,000	-	6,000
Capital outlay	<u>152,180</u>	<u>152,180</u>	<u>-</u>	<u>152,180</u>
Total expenditures	<u>158,180</u>	<u>158,180</u>	<u>-</u>	<u>158,180</u>
Net change in fund balance	(156,680)	(156,680)	52,789	209,469
Fund Balance:				
Beginning of year	<u>156,680</u>	<u>156,680</u>	<u>156,272</u>	<u>(408)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,061</u>	<u>\$ 209,061</u>

CITY OF FOREST GROVE
TRANSPORTATION SERVICES FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 400,000	\$ 400,000	\$ 315,592	\$ (84,408)
Expenditures:				
Materials and services	400,000	400,000	315,592	84,408
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

CITY OF FOREST GROVE
PUBLIC ARTS DONATION FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ -	\$ -	\$ 147	\$ 147
Contributions	<u>-</u>	<u>-</u>	<u>11,031</u>	<u>11,031</u>
Total revenues	<u>-</u>	<u>-</u>	<u>11,178</u>	<u>11,178</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	11,178	11,178
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,178</u>	<u>\$ 11,178</u>

CAPITAL PROJECTS FUNDS

The Capital Projects Funds was established to account for major capital projects that received funding from several operating funds within the City or for major capital projects that will be funded by accumulated reserves in the Capital Projects Fund. Currently, the principal source of funds in the Capital Projects Fund is the proceeds resulting from sale to Clean Water Services (CWS) of the property that contains the Forest Grove Wastewater Treatment Plant and the Fernhill Wetlands. The sale proceeds are budgeted to purchase additional park land to replace the property sold to CWS.

Funds included in the category are:

Park Development Fund – accounts for revenue collected from the construction of new residential dwellings. Funds are segregated into five park districts, half of these funds must be used for park improvement or acquisition of park property in that district. Up to half of the district funds can be used for development or acquisition of land for community parks.

Fire Equipment Replacement Fund – provides for the timely replacement of fire department vehicles by building up funds for the programmed replacement of these vehicles. An annual charge is assessed based on the costs and the useful lives of the vehicles currently in service. The City and Rural Fire District split the costs of the vehicles purchased by this fund on an equal basis. The money in this fund is the City's portion of the accumulated replacement costs of the vehicles.

Bikeway Development Fund – established to improve conditions for pedestrians, cyclists and the disabled in Forest Grove through the development of the Bike and Pedestrian Network Plan.

CIP Excise Tax Fund – accounts for the revenues and expenditures related to the CIP excise tax to fund Public Safety and General Government programs within the Capital Improvements Program.

CITY OF FOREST GROVE

Combining Balance Sheet

Capital Projects Funds

June 30, 2009

	<u>Park Acquisition and Development Fund</u>	<u>Fire Equipment Replacement Fund</u>	<u>Bike and Pedestrian Pathways Fund</u>	<u>CIP Excise Tax Fund</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 540,527	\$ 336,777	\$ 67,399	\$ 144,349	\$ 1,089,052
Accounts receivable, net	-	-	-	9,756	9,756
Total assets	<u>\$ 540,527</u>	<u>\$ 336,777</u>	<u>\$ 67,399</u>	<u>\$ 154,105</u>	<u>\$ 1,098,808</u>
LIABILITIES					
Accounts payable	\$ 135,646	\$ 1,918	\$ -	\$ -	\$ 137,564
Deferred revenue	-	-	-	9,756	9,756
Total liabilities	<u>135,646</u>	<u>1,918</u>	<u>-</u>	<u>9,756</u>	<u>147,320</u>
FUND BALANCE					
Reserved for:					
Public safety	-	334,859	-	144,349	479,208
Culture and recreation	<u>404,881</u>	<u>-</u>	<u>67,399</u>	<u>-</u>	<u>472,280</u>
Total fund balances	<u>404,881</u>	<u>334,859</u>	<u>67,399</u>	<u>144,349</u>	<u>951,488</u>
Total liabilities and fund balances	<u>\$ 540,527</u>	<u>\$ 336,777</u>	<u>\$ 67,399</u>	<u>\$ 154,105</u>	<u>\$ 1,098,808</u>

CITY OF FOREST GROVE

Combining Schedule of Revenues, Expenses, and Changes in Fund Balances

Capital Projects Funds

For the Year Ended June 30, 2009

	Park Acquisition and Development Fund	Fire Equipment Replacement Fund	Bike and Pedestrian Pathways Fund	CIP Excise Tax Fund	Total
REVENUES:					
Licenses, permits, and fees	\$ -	\$ -	\$ 126	\$ -	\$ 126
Intergovernmental revenues	-	98,909	8,193	-	107,102
Charges for services	-	-	-	208,077	208,077
Investment earnings	<u>17,176</u>	<u>12,649</u>	<u>1,266</u>	<u>2,389</u>	<u>33,480</u>
Total operating revenues	<u>17,176</u>	<u>111,558</u>	<u>9,585</u>	<u>210,466</u>	<u>348,785</u>
EXPENDITURES:					
Capital outlay	<u>1,230,421</u>	<u>553,262</u>	<u>273</u>	<u>17,956</u>	<u>1,801,912</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,213,245)</u>	<u>(441,704)</u>	<u>9,312</u>	<u>192,510</u>	<u>(1,453,127)</u>
OTHER FINANCING SOURCES (USES):					
Capital contributions	132,000	-	-	-	132,000
Transfers in	-	84,000	-	-	84,000
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,200)</u>	<u>(150,200)</u>
Total other financing sources (uses)	<u>132,000</u>	<u>84,000</u>	<u>-</u>	<u>(150,200)</u>	<u>65,800</u>
Net change in fund balances	(1,081,245)	(357,704)	9,312	42,310	(1,387,327)
Fund Balances					
Beginning of year	<u>1,486,126</u>	<u>692,563</u>	<u>58,087</u>	<u>102,039</u>	<u>2,338,815</u>
End of year	<u>\$ 404,881</u>	<u>\$ 334,859</u>	<u>\$ 67,399</u>	<u>\$ 144,349</u>	<u>\$ 951,488</u>

CITY OF FOREST GROVE
PARK ACQUISITION AND DEVELOPMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 20,000	\$ 20,000	\$ 17,176	\$ (2,824)
System development charges	<u>429,000</u>	<u>429,000</u>	<u>132,000</u>	<u>(297,000)</u>
Total revenues	<u>449,000</u>	<u>449,000</u>	<u>149,176</u>	<u>(299,824)</u>
Expenditures:				
Capital outlay	<u>1,874,894</u>	<u>1,874,894</u>	<u>1,230,421</u>	<u>644,473</u>
Net change in fund balance	(1,425,894)	(1,425,894)	(1,081,245)	344,649
Fund balance:				
Beginning of year	<u>1,425,894</u>	<u>1,425,894</u>	<u>1,486,126</u>	<u>60,232</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 404,881</u>	<u>\$ 404,881</u>

CITY OF FOREST GROVE
FIRE EQUIPMENT REPLACEMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 55,000	\$ 55,000	\$ 98,909	\$ 43,909
Investment earnings	<u>12,000</u>	<u>12,000</u>	<u>12,649</u>	<u>649</u>
Total revenues	<u>67,000</u>	<u>67,000</u>	<u>111,558</u>	<u>44,558</u>
Expenditures:				
Capital outlay	533,000	563,000	553,262	9,738
Contingency	<u>50,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>583,000</u>	<u>583,000</u>	<u>553,262</u>	<u>29,738</u>
Excess (deficiency) of revenues over (under) expenditures	(516,000)	(516,000)	(441,704)	74,296
Other financing sources (uses):				
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Net change in fund balance	(432,000)	(432,000)	(357,704)	74,296
Fund Balance:				
Beginning of year	<u>723,187</u>	<u>723,187</u>	<u>692,563</u>	<u>(30,624)</u>
End of year	<u>\$ 291,187</u>	<u>\$ 291,187</u>	<u>\$ 334,859</u>	<u>\$ 43,672</u>

CITY OF FOREST GROVE
BIKE AND PEDESTRIAN PATHWAYS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 50	\$ 50	\$ 126	\$ 76
Intergovernmental revenues	9,190	9,190	8,193	(997)
Investment earnings	<u>1,740</u>	<u>1,740</u>	<u>1,266</u>	<u>(474)</u>
Total revenues	<u>10,980</u>	<u>10,980</u>	<u>9,585</u>	<u>(1,395)</u>
Expenditures:				
Capital outlay	<u>68,973</u>	<u>68,973</u>	<u>273</u>	<u>68,700</u>
Net change in fund balance	(57,993)	(57,993)	9,312	67,305
Fund Balance:				
Beginning of year	<u>57,993</u>	<u>57,993</u>	<u>58,087</u>	<u>94</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,399</u>	<u>\$ 67,399</u>

CITY OF FOREST GROVE
CIP EXCISE TAX FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 205,000	\$ 205,000	\$ 208,077	\$ 3,077
Investment earnings	<u>2,500</u>	<u>2,500</u>	<u>2,389</u>	<u>(111)</u>
Total revenues	<u>207,500</u>	<u>207,500</u>	<u>210,466</u>	<u>2,966</u>
Expenditures:				
Capital outlay	<u>158,647</u>	<u>158,647</u>	<u>17,956</u>	<u>140,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,853</u>	<u>48,853</u>	<u>192,510</u>	<u>143,657</u>
Other financing sources (uses):				
Transfers out	<u>(150,200)</u>	<u>(150,200)</u>	<u>(150,200)</u>	<u>-</u>
Net change in fund balance	(101,347)	(101,347)	42,310	143,657
Fund Balance:				
Beginning of year	<u>101,347</u>	<u>101,347</u>	<u>102,039</u>	<u>692</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,349</u>	<u>\$ 144,349</u>

DEBT SERVICES FUND

The General Debt Service Fund has been budgeted to make principal and interest payments on the FY 93-94 Fire Station Bond Issue and the FY 98-99 General Obligation Bond Issue for the park land acquisition, the aquatic center expansion, and the library expansion. The funding source for the debt repayment is property taxes.

CITY OF FOREST GROVE
GENERAL DEBT SERVICE FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 481,083	\$ 481,083	\$ 473,922	\$ (7,161)
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>7,418</u>	<u>2,418</u>
Total revenues	<u>486,083</u>	<u>486,083</u>	<u>481,340</u>	<u>(4,743)</u>
Expenditures:				
Debt service	<u>481,083</u>	<u>481,083</u>	<u>481,083</u>	<u>-</u>
Net change in fund balance	5,000	5,000	257	(4,743)
Fund Balance:				
Beginning of year	<u>195,648</u>	<u>195,648</u>	<u>193,252</u>	<u>(2,396)</u>
End of year	<u>\$ 200,648</u>	<u>\$ 200,648</u>	<u>\$ 193,509</u>	<u>\$ (7,139)</u>

ENTERPRISE FUNDS

Light Fund – established to provide high-quality electric utility services for the City of Forest Grove and surrounding unincorporated areas at the lowest possible cost.

Sewer Fund – established to provide a safe and sanitary sewer collection and treatment system.

Water Fund – established to provide high quality water for domestic, commercial industrial and recreational use and to manage the watershed for the production of high quality water and a healthy forest.

Surface Water Management Fund – established to comply with federal regulations to protect the quality of storm water runoff within the City of Forest Grove.

Sewer System Development Charges Fund – established to provide a revenue source for capital expansion that is necessary to meet the service requirements of the expanding customer base.

Water System Development Charges Fund – established to provide a revenue source for capital expansion that is necessary to meet the service requirements of the expanding customer base.

Surface Water Management (SWM) System Development Charges Fund – established to provide a revenue source for capital expansion that is necessary to meet the impacts of growth and development of the City.

CITY OF FOREST GROVE

LIGHT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 22,000	\$ 22,000	\$ 144,134	\$ 122,134
Charges for services	13,651,207	13,651,207	13,438,354	(212,853)
Sale of materials	15,000	15,000	12,391	(2,609)
Investment earnings	115,000	115,000	133,642	18,642
Reimbursements	50,000	50,000	10,073	(39,927)
Grants and contributions	<u>6,000</u>	<u>6,000</u>	<u>200,719</u>	<u>194,719</u>
Total revenues	<u>13,859,207</u>	<u>13,859,207</u>	<u>13,939,313</u>	<u>80,106</u>
Expenditures:				
Personal services	2,765,967	2,765,967	2,560,158	205,809
Materials and services	10,535,977	10,535,977	9,212,832	1,323,145
Capital outlay	831,500	831,500	364,101	467,399
Contingency	<u>2,021,304</u>	<u>2,021,304</u>	<u>-</u>	<u>2,021,304</u>
Total expenditures	<u>16,154,748</u>	<u>16,154,748</u>	<u>12,137,091</u>	<u>4,017,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,295,541)</u>	<u>(2,295,541)</u>	<u>1,802,222</u>	<u>4,097,763</u>
Other financing sources (uses):				
Transfers out	<u>(795,547)</u>	<u>(795,547)</u>	<u>(787,532)</u>	<u>8,015</u>
Net change in fund balance	(3,091,088)	(3,091,088)	1,014,690	4,105,778
Fund Balance:				
Beginning of year	<u>4,966,302</u>	<u>4,966,302</u>	<u>5,538,557</u>	<u>572,255</u>
End of year	<u>\$ 1,875,214</u>	<u>\$ 1,875,214</u>	\$ 6,553,247	<u>\$ 4,678,033</u>
Reconciliation to GAAP Basis:				
Inventory			383,556	
Capital assets, net			13,517,435	
Compensated absences			<u>(137,497)</u>	
Total net assets - end of year			<u>\$ 20,316,741</u>	

CITY OF FOREST GROVE

SEWER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 5,000	\$ 5,000	\$ 1,889	\$ (3,111)
Charges for services	3,629,111	3,629,111	3,669,469	40,358
Investment earnings	<u>37,164</u>	<u>37,164</u>	<u>40,403</u>	<u>3,239</u>
Total revenues	<u>3,671,275</u>	<u>3,671,275</u>	<u>3,711,761</u>	<u>40,486</u>
Expenditures:				
Personal services	289,468	289,468	262,371	27,097
Materials and services	3,154,934	3,154,934	3,170,884	(15,950)
Capital outlay	222,000	222,000	10,031	211,969
Debt service	94,005	94,005	94,004	1
Contingency	<u>357,398</u>	<u>357,398</u>	<u>-</u>	<u>357,398</u>
Total expenditures	<u>4,117,805</u>	<u>4,117,805</u>	<u>3,537,290</u>	<u>580,515</u>
Excess (deficiency) of revenues over (under) expenditures	(446,530)	(446,530)	174,471	621,001
Other financing sources (uses):				
Transfers out	<u>(53,394)</u>	<u>(53,394)</u>	<u>(53,394)</u>	<u>-</u>
Net change in fund balance	(499,924)	(499,924)	121,077	621,001
Fund Balance:				
Beginning of year	<u>1,499,924</u>	<u>1,499,924</u>	<u>1,535,392</u>	<u>35,468</u>
End of year	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	\$ 1,656,469	<u>\$ 656,469</u>
Reconciliation to GAAP Basis:				
Inventory			7,047	
Capital assets, net			8,249,035	
Accrued interest			(26,190)	
Long-term debt			<u>(1,512,747)</u>	
Total net assets - end of year			<u>\$ 8,373,614</u>	

CITY OF FOREST GROVE

WATER FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 5,000	\$ 5,000	\$ 5,211	\$ 211
Charges for services	2,607,244	2,607,244	2,543,331	(63,913)
Sales of materials	713,624	713,624	1,201,095	487,471
Investment earnings	72,237	72,237	53,687	(18,550)
Rental income	<u>35,928</u>	<u>35,928</u>	<u>35,929</u>	<u>1</u>
Total revenues	<u>3,434,033</u>	<u>3,434,033</u>	<u>3,839,253</u>	<u>405,220</u>
Expenditures:				
Personal services	896,110	896,110	852,589	43,521
Materials and services	1,994,154	2,044,154	2,023,166	20,988
Capital outlay	710,001	710,001	241,612	468,389
Debt service	480,128	480,128	480,128	-
Contingency	<u>833,250</u>	<u>783,250</u>	<u>-</u>	<u>783,250</u>
Total expenditures	<u>4,913,643</u>	<u>4,913,643</u>	<u>3,597,495</u>	<u>1,316,148</u>
Excess (deficiency) of revenues over (under) expenditures	(1,479,610)	(1,479,610)	241,758	1,721,368
Other financing sources (uses):				
Transfers out	<u>(136,796)</u>	<u>(136,796)</u>	<u>(138,913)</u>	<u>(2,117)</u>
Net change in fund balance	(1,616,406)	(1,616,406)	102,845	1,719,251
Fund Balance:				
Beginning of year	<u>2,407,882</u>	<u>2,407,882</u>	<u>2,531,937</u>	<u>124,055</u>
End of year	<u>\$ 791,476</u>	<u>\$ 791,476</u>	<u>\$ 2,634,782</u>	<u>\$ 1,843,306</u>
Reconciliation to GAAP Basis:				
Inventory			154,572	
Investment in joint venture			9,117,693	
Capital assets, net			10,654,882	
Intangibles, net			787,802	
Accrued interest			(43,037)	
Compensated absences			(121,521)	
Long-term debt			<u>(5,328,314)</u>	
Total net assets - end of year			<u>\$ 17,856,859</u>	

CITY OF FOREST GROVE
SURFACE WATER MANAGEMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 612,149	\$ 612,149	\$ 646,640	\$ 34,491
Investment earnings	<u>18,248</u>	<u>18,248</u>	<u>10,077</u>	<u>(8,171)</u>
Total revenues	<u>630,397</u>	<u>630,397</u>	<u>656,717</u>	<u>26,320</u>
Expenditures:				
Personal services	219,484	244,484	223,708	20,776
Materials and services	375,270	390,270	370,444	19,826
Capital outlay	491,000	491,000	100,467	390,533
Contingency	<u>45,074</u>	<u>5,074</u>	<u>-</u>	<u>5,074</u>
Total expenditures	<u>1,130,828</u>	<u>1,130,828</u>	<u>694,619</u>	<u>436,209</u>
Excess (deficiency) of revenues over (under) expenditures	(500,431)	(500,431)	(37,902)	462,529
Other financing sources (uses):				
Transfers out	<u>(32,828)</u>	<u>(32,828)</u>	<u>(32,828)</u>	<u>-</u>
Net change in fund balance	(533,259)	(533,259)	(70,730)	462,529
Fund Balance:				
Beginning of year	<u>608,259</u>	<u>608,259</u>	<u>570,289</u>	<u>(37,970)</u>
End of year	<u>\$ 75,000</u>	<u>\$ 75,000</u>	\$ 499,559	<u>\$ 424,559</u>
Reconciliation to GAAP Basis:				
Capital assets, net			<u>6,186,486</u>	
Total net assets - end of year			<u>\$ 6,686,045</u>	

CITY OF FOREST GROVE

Combining Statement of Net Assets

Nonmajor Enterprise Funds

June 30, 2009

	<u>Sewer System Development Charges Fund</u>	<u>Water System Development Charges Fund</u>	<u>Surface Water Management System Development Charges Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	<u>\$ 1,168,707</u>	<u>\$ 975,279</u>	<u>\$ 275,997</u>	<u>\$ 2,419,983</u>
LIABILITIES				
Accounts payable	<u>\$ 38,741</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 39,741</u>
NET ASSETS				
Restricted for systems development	<u>1,129,966</u>	<u>975,279</u>	<u>274,997</u>	<u>2,380,242</u>
Total liabilities and net assets	<u>\$ 1,168,707</u>	<u>\$ 975,279</u>	<u>\$ 275,997</u>	<u>\$ 2,419,983</u>

CITY OF FOREST GROVE

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Nonmajor Enterprise Funds

For the Year Ended June 30, 2009

	<u>Sewer System Development Charges Fund</u>	<u>Water System Development Charges Fund</u>	<u>Surface Water Management System Development Charges Fund</u>	<u>Total</u>
Operating revenues:				
Licenses, permits, and fees	\$ 4,500	\$ -	\$ -	\$ 4,500
Operating expenses:				
System operation and maintenance	162,260	-	-	162,260
General and administrative costs	<u>-</u>	<u>59,259</u>	<u>41,850</u>	<u>101,109</u>
Total operating expenses	<u>162,260</u>	<u>59,259</u>	<u>41,850</u>	<u>263,369</u>
Operating income (loss)	<u>(157,760)</u>	<u>(59,259)</u>	<u>(41,850)</u>	<u>(258,869)</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>28,606</u>	<u>20,232</u>	<u>7,487</u>	<u>56,325</u>
Income (loss) before contributions and transfers	(129,154)	(39,027)	(34,363)	(202,544)
Capital contributions	202,825	217,314	18,347	438,486
Transfers out	<u>(121,995)</u>	<u>-</u>	<u>-</u>	<u>(121,995)</u>
Change in net assets	(48,324)	178,287	(16,016)	113,947
Net Assets:				
Beginning of year	<u>1,178,290</u>	<u>796,992</u>	<u>291,013</u>	<u>2,266,295</u>
End of year	<u>\$ 1,129,966</u>	<u>\$ 975,279</u>	<u>\$ 274,997</u>	<u>\$ 2,380,242</u>

CITY OF FOREST GROVE

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2009

	<u>Sewer System Development Charges Fund</u>	<u>Water System Development Charges Fund</u>	<u>Surface Water Management System Development Charges Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,500	\$ -	\$ -	\$ 4,500
Payments to suppliers and contractors	<u>(166,359)</u>	<u>(61,444)</u>	<u>(101,385)</u>	<u>(329,188)</u>
Net cash provided (used) by operating activities	<u>(161,859)</u>	<u>(61,444)</u>	<u>(101,385)</u>	<u>(324,688)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	<u>(121,995)</u>	<u>-</u>	<u>-</u>	<u>(121,995)</u>
Net cash provided (used) by noncapital financing activities	<u>(121,995)</u>	<u>-</u>	<u>-</u>	<u>(121,995)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	<u>202,825</u>	<u>217,314</u>	<u>18,347</u>	<u>438,486</u>
Net cash provided (used) by capital and related financing activities	<u>202,825</u>	<u>217,314</u>	<u>18,347</u>	<u>438,486</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	<u>28,606</u>	<u>20,232</u>	<u>7,487</u>	<u>56,325</u>
Net change in cash and investments	<u>(52,423)</u>	<u>176,102</u>	<u>(75,551)</u>	<u>48,128</u>
Cash and investments:				
Beginning of year	<u>1,221,130</u>	<u>799,177</u>	<u>351,548</u>	<u>2,371,855</u>
End of year	<u>\$ 1,168,707</u>	<u>\$ 975,279</u>	<u>\$ 275,997</u>	<u>\$ 2,419,983</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (157,760)	\$ (59,259)	\$ (41,850)	\$ (258,869)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Increase (decrease) in liabilities:				
Accounts payable	<u>(4,099)</u>	<u>(2,185)</u>	<u>(59,535)</u>	<u>(65,819)</u>
Net cash provided (used) by operating activities	<u>\$ (161,859)</u>	<u>\$ (61,444)</u>	<u>\$ (101,385)</u>	<u>\$ (324,688)</u>

CITY OF FOREST GROVE
SEWER SYSTEM DEVELOPMENT CHARGES FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 4,000	\$ 4,000	\$ 4,500	\$ 500
System development charges	417,200	417,200	202,825	(214,375)
Investment earnings	<u>32,736</u>	<u>32,736</u>	<u>28,606</u>	<u>(4,130)</u>
Total revenues	<u>453,936</u>	<u>453,936</u>	<u>235,931</u>	<u>(218,005)</u>
Expenditures:				
Materials and services	335,760	335,760	162,260	173,500
Capital outlay	50,000	50,000	-	50,000
Debt service	120,960	122,460	121,995	465
Contingency	<u>188,404</u>	<u>186,904</u>	<u>-</u>	<u>186,904</u>
Total expenditures	<u>695,124</u>	<u>695,124</u>	<u>284,255</u>	<u>410,869</u>
Net change in fund balance	(241,188)	(241,188)	(48,324)	192,864
Fund Balance:				
Beginning of year	<u>1,091,188</u>	<u>1,091,188</u>	<u>1,178,290</u>	<u>87,102</u>
End of year	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 1,129,966</u>	<u>\$ 279,966</u>

Note: Debt service expenditures are reclassified as a transfer out to the Sewer Fund for GAAP reporting purposes.

CITY OF FOREST GROVE
WATER SYSTEM DEVELOPMENT CHARGES FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
System development charges	\$ 596,000	\$ 596,000	\$ 217,314	\$ (378,686)
Investment earnings	<u>21,024</u>	<u>21,024</u>	<u>20,232</u>	<u>(792)</u>
Total revenues	<u>617,024</u>	<u>617,024</u>	<u>237,546</u>	<u>(379,478)</u>
Expenditures:				
Capital outlay	442,000	442,000	59,259	382,741
Contingency	<u>50,838</u>	<u>50,838</u>	<u>-</u>	<u>50,838</u>
Total expenditures	<u>492,838</u>	<u>492,838</u>	<u>59,259</u>	<u>433,579</u>
Net change in fund balance	124,186	124,186	178,287	54,101
Fund Balance:				
Beginning of year	<u>700,814</u>	<u>700,814</u>	<u>796,992</u>	<u>96,178</u>
End of year	<u>\$ 825,000</u>	<u>\$ 825,000</u>	<u>\$ 975,279</u>	<u>\$ 150,279</u>

CITY OF FOREST GROVE
SURFACE WATER MANAGEMENT SYSTEM DEVELOPMENT CHARGES FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
System development charges	\$ 70,746	\$ 70,746	\$ 18,347	\$ (52,399)
Investment earnings	<u>10,459</u>	<u>10,459</u>	<u>7,487</u>	<u>(2,972)</u>
Total revenues	<u>81,205</u>	<u>81,205</u>	<u>25,834</u>	<u>(55,371)</u>
Expenditures:				
Capital outlay	113,000	113,000	41,850	71,150
Contingency	<u>316,844</u>	<u>316,844</u>	-	<u>316,844</u>
Total expenditures	<u>429,844</u>	<u>429,844</u>	<u>41,850</u>	<u>387,994</u>
Net change in fund balance	(348,639)	(348,639)	(16,016)	332,623
Fund Balance:				
Beginning of year	<u>348,639</u>	<u>348,639</u>	<u>291,013</u>	<u>(57,626)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,997</u>	<u>\$ 274,997</u>

INTERNAL SERVICES FUNDS

Information Systems Fund – established to maintain City information systems to provide all employees with the needed computer technology to effectively perform their duties.

Equipment Fund – established to provide effective and economical equipment services for other City departments by maintaining vehicles and equipment and keeping a comprehensive parts and supply inventory.

City Utility Fund – accounts for the electric and water usage of departments funded out of the General Fund. As a budget saving strategy, usage is tracked and billed in this fund and in turn the expenditures are paid back to the respective funds based on each department's usage.

Risk Management Fund – accounts for the payment of worker's compensation and property and liability premiums and claims for the City.

CITY OF FOREST GROVE

Combining Statement of Net Assets

Internal Service Funds

June 30, 2009

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>City Utility Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and investments	\$ 504,100	\$ 228,570	\$ -	\$ 367,890	\$ 1,100,560
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,048,424</u>	<u>-</u>	<u>-</u>	<u>1,048,424</u>
Total assets	<u>\$ 504,100</u>	<u>\$ 1,276,994</u>	<u>\$ -</u>	<u>\$ 367,890</u>	<u>\$ 2,148,984</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 20,108	\$ 20,626	\$ -	\$ 36,900	\$ 77,634
Accrued payroll and related expenses	<u>-</u>	<u>4,205</u>	<u>-</u>	<u>-</u>	<u>4,205</u>
Total current liabilities	<u>20,108</u>	<u>24,831</u>	<u>-</u>	<u>36,900</u>	<u>81,839</u>
Noncurrent liabilities:					
Compensated absences	<u>-</u>	<u>6,553</u>	<u>-</u>	<u>-</u>	<u>6,553</u>
Total liabilities	<u>20,108</u>	<u>31,384</u>	<u>-</u>	<u>36,900</u>	<u>88,392</u>
NET ASSETS					
Invested in capital assets	<u>-</u>	<u>1,048,424</u>	<u>-</u>	<u>-</u>	<u>1,048,424</u>
Unrestricted	<u>483,992</u>	<u>197,186</u>	<u>-</u>	<u>330,990</u>	<u>1,012,168</u>
Total net assets	<u>483,992</u>	<u>1,245,610</u>	<u>-</u>	<u>330,990</u>	<u>2,060,592</u>
Total liabilities and net assets	<u>\$ 504,100</u>	<u>\$ 1,276,994</u>	<u>\$ -</u>	<u>\$ 367,890</u>	<u>\$ 2,148,984</u>

CITY OF FOREST GROVE

Combining Statement of Revenues, Expenses, and Changes in Net Assets

Internal Service Funds

For the Year Ended June 30, 2009

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>City Utility Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 238,849	\$ 557,017	\$ -	\$ 456,178	\$ 1,252,044
Operating grant	9,750	-	-	-	9,750
Other revenue	-	2,426	-	9,504	11,930
Total operating revenues	<u>248,599</u>	<u>559,443</u>	<u>-</u>	<u>465,682</u>	<u>1,273,724</u>
Operating expenses:					
Operations and maintenance	197,142	389,509	137,432	352,089	1,076,172
General fund administrative charges	-	3,710	-	-	3,710
Depreciation	-	167,251	-	-	167,251
Total operating expenses	<u>197,142</u>	<u>560,470</u>	<u>137,432</u>	<u>352,089</u>	<u>1,247,133</u>
Operating income (loss)	<u>51,457</u>	<u>(1,027)</u>	<u>(137,432)</u>	<u>113,593</u>	<u>26,591</u>
Nonoperating revenues (expenses):					
Investment earnings	11,313	3,376	-	9,115	23,804
Sale of capital assets	-	(50,936)	-	-	(50,936)
Income (loss) before contributions and transfers	62,770	(48,587)	(137,432)	122,708	(541)
Transfers in	-	106,200	137,432	-	243,632
Change in net assets	62,770	57,613	-	122,708	243,091
Net Assets:					
Beginning of year	<u>421,222</u>	<u>1,187,997</u>	<u>-</u>	<u>208,282</u>	<u>1,817,501</u>
End of year	<u>\$ 483,992</u>	<u>\$ 1,245,610</u>	<u>\$ -</u>	<u>\$ 330,990</u>	<u>\$ 2,060,592</u>

CITY OF FOREST GROVE

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2009

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>City Utility Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments for interfund services provided	\$ 238,849	\$ 559,443	\$ -	\$ 465,682	\$ 1,263,974
Payments to suppliers and contractors	(205,952)	(197,770)	(137,432)	(360,525)	(901,679)
Payments to employees	-	(181,326)	-	-	(181,326)
Net cash provided (used) by operating activities	<u>32,897</u>	<u>180,347</u>	<u>(137,432)</u>	<u>105,157</u>	<u>180,969</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	106,200	137,432	-	243,632
Operating grants	<u>9,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,750</u>
Net cash provided (used) by noncapital financing activities	<u>9,750</u>	<u>106,200</u>	<u>137,432</u>	<u>-</u>	<u>253,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	-	(202,047)	-	-	(202,047)
Proceeds from sale of capital assets	<u>-</u>	<u>12,272</u>	<u>-</u>	<u>-</u>	<u>12,272</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(189,775)</u>	<u>-</u>	<u>-</u>	<u>(189,775)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	<u>11,313</u>	<u>3,376</u>	<u>-</u>	<u>9,115</u>	<u>23,804</u>
Net change in cash and investments	53,960	100,148	-	114,272	268,380
Cash and investments:					
Beginning of year	<u>450,140</u>	<u>128,422</u>	<u>-</u>	<u>253,618</u>	<u>832,180</u>
End of year	<u>\$ 504,100</u>	<u>\$ 228,570</u>	<u>\$ -</u>	<u>\$ 367,890</u>	<u>\$ 1,100,560</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 51,457	\$ (1,027)	\$ (137,432)	\$ 113,593	\$ 26,591
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	167,251	-	-	167,251
Operating grant	(9,750)	-	-	-	(9,750)
Increase (decrease) in liabilities:					
Accounts payable	(8,810)	13,413	-	(8,436)	(3,833)
Accrued payroll	-	474	-	-	474
Compensated absences	-	236	-	-	236
Net cash provided (used) by operating activities	<u>\$ 32,897</u>	<u>\$ 180,347</u>	<u>\$ (137,432)</u>	<u>\$ 105,157</u>	<u>\$ 180,969</u>

CITY OF FOREST GROVE
INFORMATION SYSTEMS FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 238,851	\$ 238,851	\$ 238,849	\$ (2)
Investment earnings	8,000	8,000	11,313	3,313
Grants and contributions	<u>9,750</u>	<u>9,750</u>	<u>9,750</u>	<u>-</u>
Total revenues	<u>256,601</u>	<u>256,601</u>	<u>259,912</u>	<u>3,311</u>
Expenditures:				
Materials and services	205,289	205,289	139,202	66,087
Capital outlay	139,865	139,865	57,940	81,925
Contingency	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	355,154	355,154	197,142	158,012
Net change in fund balance	(98,553)	(98,553)	62,770	161,323
Fund Balance:				
Beginning of year	<u>411,045</u>	<u>411,045</u>	<u>421,222</u>	<u>10,177</u>
End of year	<u>\$ 312,492</u>	<u>\$ 312,492</u>	<u>\$ 483,992</u>	<u>\$ 171,500</u>

CITY OF FOREST GROVE

EQUIPMENT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 625,144	\$ 625,144	\$ 557,017	\$ (68,127)
Investment earnings	5,120	5,120	3,376	(1,744)
Sale of materials	<u>15,000</u>	<u>15,000</u>	<u>14,698</u>	<u>(302)</u>
Total revenues	<u>645,264</u>	<u>645,264</u>	<u>575,091</u>	<u>(70,173)</u>
Expenditures:				
Personal services	184,551	184,551	182,036	2,515
Materials and services	346,834	346,834	302,916	43,918
Capital outlay	186,000	186,000	110,078	75,922
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>767,385</u>	<u>767,385</u>	<u>595,030</u>	<u>172,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,121)</u>	<u>(122,121)</u>	<u>(19,939)</u>	<u>102,182</u>
Other financing sources (uses):				
Transfers in	<u>106,200</u>	<u>106,200</u>	<u>106,200</u>	<u>-</u>
Net change in fund balance	(15,921)	(15,921)	86,261	102,182
Fund Balance:				
Beginning of year	<u>170,651</u>	<u>170,651</u>	<u>117,478</u>	<u>(53,173)</u>
End of year	<u>\$ 154,730</u>	<u>\$ 154,730</u>	\$ 203,739	<u>\$ 49,009</u>
Reconciliation to GAAP Basis:				
Capital assets, net			1,048,424	
Compensated absences			<u>(6,553)</u>	
Total net assets - end of year			<u>\$ 1,245,610</u>	

CITY OF FOREST GROVE
CITY UTILITY FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Materials and services	<u>143,330</u>	<u>143,330</u>	<u>137,432</u>	<u>5,898</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,330)</u>	<u>(143,330)</u>	<u>(137,432)</u>	<u>5,898</u>
Other financing sources (uses):				
Transfers in	<u>143,330</u>	<u>143,330</u>	<u>137,432</u>	<u>(5,898)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE
RISK MANAGEMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 455,204	\$ 455,204	\$ 456,178	\$ 974
Investment earnings	4,200	4,200	9,115	4,915
Other revenue	-	-	9,504	9,504
Total revenues	<u>459,404</u>	<u>459,404</u>	<u>474,797</u>	<u>15,393</u>
Expenditures:				
Materials and services	459,404	459,404	352,089	107,315
Contingency	<u>68,910</u>	<u>68,910</u>	-	<u>68,910</u>
Total expenditures	<u>528,314</u>	<u>528,314</u>	<u>352,089</u>	<u>176,225</u>
Net change in fund balance	(68,910)	(68,910)	122,708	191,618
Fund Balance:				
Beginning of year	<u>215,146</u>	<u>215,146</u>	<u>208,282</u>	<u>(6,864)</u>
End of year	<u>\$ 146,236</u>	<u>\$ 146,236</u>	<u>\$ 330,990</u>	<u>\$ 184,754</u>

FIDUCIARY FUNDS

CITY OF FOREST GROVE
PRIVATE PURPOSE TRUST - LIBRARY ENDOWMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 900	\$ 900	\$ 962	\$ 62
Other financing sources (uses):				
Transfers out	<u>(1,056)</u>	<u>(1,056)</u>	<u>(776)</u>	<u>280</u>
Net change in fund balance	(156)	(156)	186	342
Fund Balance:				
Beginning of year	<u>41,343</u>	<u>41,343</u>	<u>41,313</u>	<u>(30)</u>
End of year	<u>\$ 41,187</u>	<u>\$ 41,187</u>	<u>\$ 41,499</u>	<u>\$ 312</u>

AGENCY FUND

CITY OF FOREST GROVE
Agency Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Assets:				
Cash and investments	<u>\$ 318,011</u>	<u>\$ 140,641</u>	<u>\$ 245,864</u>	<u>\$ 212,788</u>
Liabilities:				
Money held for others	<u>\$ 318,011</u>	<u>\$ 140,641</u>	<u>\$ 245,864</u>	<u>\$ 212,788</u>

OTHER SUPPLEMENTARY INFORMATION

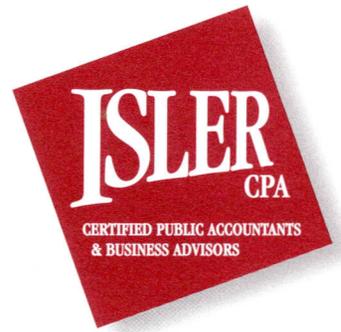
CITY OF FOREST GROVE

Schedule of Property Tax Transactions

Year ended June 30, 2009

	<u>Tax Year</u>	<u>Uncollected as of July 1, 2008</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected as of June 30, 2009</u>
Current year:	2009	-	6,401,039	(159,902)	(9,992)	(6,035,524)	195,621
Prior years	2008	138,618	-	212	(4,248)	(87,780)	46,802
	2007	33,984	-	48	585	(17,675)	16,942
	2006	12,383	-	33	825	(8,639)	4,602
	2005	5,073	-	8	598	(3,691)	1,988
	2004	1,387	-	2	4	(347)	1,046
	prior	2,572	-	1	(134)	(740)	1,699
Total		<u>\$ 194,017</u>	<u>\$ 6,401,039</u>	<u>\$ (159,598)</u>	<u>\$ (12,362)</u>	<u>\$(6,154,396)</u>	<u>\$ 268,700</u>

COMPLIANCE SECTION



**COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITORS
REQUIRED BY STATE STATUTE**

Honorable Mayor and City Council
City of Forest Grove

Oregon Administrative Rules 162-10-0230 through 162-10-0310 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the 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 ACCOUNTING AND INTERNAL CONTROL STRUCTURE

We have audited the financial statements of the City of Forest Grove, Oregon ("City") as of and for the year ended June 30, 2009, and have issued our report thereon dated January 8, 2010. 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 financial statements are free of material misstatement.

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE

Compliance with laws, regulations, contracts and grants applicable to the City is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-0230 through 162-10-0310, included but were not limited to the following:

Financial Reporting Requirements - Whether financial reports and related data filed with other governmental agencies in conjunction with programs funded wholly or partially by such agencies were in agreement with or supported by the accounting records.

Compliance with Legal or Other Requirements

Collateral - The entity has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Indebtedness - We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's long-term debt, and no breach of the debt agreements at June 30, 2009, including restrictions on the use of monies available to retire indebtedness.

Budget - The City appears to have complied in all material respects with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, of the current year and the preparation and adoption of its budget for the year ending June 30 of the subsequent year.

Insurance - We have reviewed the entity's legally required insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

Taxes on Motor Vehicle Use and Fuel and the use of a Road Fund - Pertaining to (as contained in Article IX, Section 3a of the Oregon constitution) the use of revenue from taxes on motor vehicle use and fuel and the use of a road fund (as contained in ORS 294 and 373). The City's procedures for the aforementioned funds were reviewed and found to be in accordance with ORS Chapter 294.

Investments - Public funds appear to be invested in compliance with ORS 295.

Public Contracts and Purchasing - The entity's procedures for awarding public contracts were reviewed and found to be in accordance with ORS 279.

Schedule of Accountability for Independently Elected Officials - There are no elected officials collecting or receiving money.

The results of our tests indicate that with respect to the items tested, the City complied, in all material respects with the provision referred to above except for the following:

1. Over-expended appropriation as reported in note II. of the City's financial statements.

We noted certain matters that we reported to management of the City, in a separate letter dated January 8, 2010.

This report is intended for the information of the City Council, and the Secretary of State, Division of Audits of the State of Oregon. However, this report is a matter of public record and its distribution is not limited.

Isler CPA



By: Paul Nielson, CPA, a member of the firm
Eugene, Oregon
January 8, 2010