



FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

WITH

INDEPENDENT AUDITORS' REPORT

**CITY OF FOREST GROVE, OREGON**  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
WITH  
INDEPENDENT AUDITORS' REPORT

Prepared by:  
Administrative Services Department

**CITY OF FOREST GROVE**

June 30, 2010

**ELECTED OFFICIALS**

Mayor	Peter Truax
Councilor	Victoria Lowe
Councilor	Ronald Thompson
Councilor	Thomas Johnston
Councilor	Elena Uhing
Councilor	Camille Miller
Councilor	Thomas BeLusko, Jr

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, 2010

## Table of Contents

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 7
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Assets	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Balance Sheet - Proprietary Funds	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	15
Statement of Cash Flows - Proprietary Funds	16 - 17
Balance Sheet - Fiduciary Funds	18
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Fiduciary Funds	19
Notes to the Financial Statements	20 - 39
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	40 - 41
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Street Fund	42
Notes to Required Supplementary Information	43
<b>Other Supplementary Information:</b>	
<b>Combining and Individual Fund Statements and Schedules:</b>	
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet	44
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	45

# CITY OF FOREST GROVE

Year ended June 30, 2010

## Table of Contents

	<u>Page</u>
<b>Nonmajor Special Revenue Funds:</b>	
Combining Balance Sheet	46
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	47
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
-Building Permits Fund	48
-Street Tree Fund	49
-911 Emergency Fund	50
-Forfeiture Sharing Fund	51
-Library Donations Fund	52
-Community Enhancement Fund	53
-Trail System Fund	54
-Transportation Services Fund	55
-Public Arts Donation Fund	56
<b>Nonmajor Capital Projects Funds:</b>	
Combining Balance Sheet	57
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
-Traffic Impact Fund	59
-Transpiration Development Tax Fund	60
-Park Acquisition and Development Fund	61
-Capital Projects Fund	62
-Fire Equipment Replacement Fund	63
-Bike and Pedestrian Pathways Fund	64
-CIP Excise Tax Fund	65
<b>Nonmajor Debt Service Funds:</b>	
Combining Balance Sheet	66
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	67
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
-General Debt Service Fund	68
-Special Public Works Debt Service Fund	69

# CITY OF FOREST GROVE

Year ended June 30, 2010

## Table of Contents

	<u>Page</u>
<b>Enterprise Funds:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Major Enterprise Fund - Budget and Actual:	
-Light Fund	70
-Sewer Fund	71
-Water Fund	72
-Surface Water Management Fund	73
Combining Balance Sheet - Nonmajor Enterprise Funds	74
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds	75
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	76
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
-Sewer System Development Charges Fund	77
-Water System Development Charges Fund	78
-Surface Water Management System Development Charges Fund	79
<b>Internal Service Funds:</b>	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenses, and Changes in Net Assets	81
Combining Statement of Cash Flows	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
-Information Systems Fund	83
-Equipment Fund	84
-City Utility Fund	85
-Risk Management Fund	86
<b>Fiduciary Fund:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
-Private Purpose Trust - Library Endowment Fund	87
<b>Agency Fund:</b>	
Statement of Changes in Assets and Liabilities - Unsegregated Tax and Interest Agency Fund	88
<b>Other Supplementary Information:</b>	
Schedule of Property Tax Transactions	89

**CITY OF FOREST GROVE**

Year ended June 30, 2010

Table of Contents

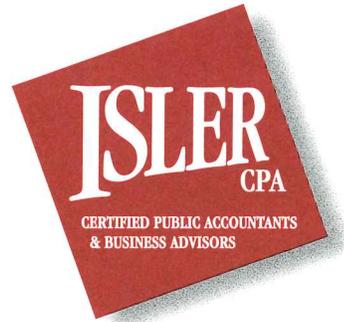
Page

**COMPLIANCE SECTION**

Independent Auditor's Report on Compliance and on Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Minimum Standards for Audits of Oregon Municipal Corporations

90

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, 2010, 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 opinions 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, 2010, 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 on pages 2 through 7 and the budgetary comparison information on pages 40 through 42 and the schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison 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.

Our audit was performed 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ISLER CPA

Gary Iskra, CPA, a member of the firm  
Eugene, Oregon  
January 20, 2011

**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, 2010. 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 \$97,112,640 at June 30, 2010.
- During the year, the City's net assets increased by \$2,234,770. The increase in Net Assets is primarily due to: 1) revenues significantly exceeding expenditures in General Fund and Light Fund; 2) construction on new sidewalks in the City; 3) purchase of de-watering equipment at the Water Treatment Plant; and 4) purchase of additional property and remodeling the office building of the Light Fund.
- The general fund reported a fund balance this year of \$4,373,810 which is an increase of \$725,053 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.

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

**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* - 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.

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

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>						
Current and other assets	\$ 16,288	\$ 15,109	\$ 23,414	\$ 24,591	\$ 39,702	\$ 39,700
Capital assets	<u>30,632</u>	<u>29,750</u>	<u>39,826</u>	<u>39,396</u>	<u>70,458</u>	<u>69,146</u>
Total assets	<u>46,920</u>	<u>44,859</u>	<u>63,240</u>	<u>63,987</u>	<u>110,160</u>	<u>108,846</u>
<b>LIABILITIES</b>						
Current and other liabilities	877	1,243	1,284	1,273	2,161	2,516
Long-term debt	<u>4,205</u>	<u>4,352</u>	<u>6,682</u>	<u>7,100</u>	<u>10,887</u>	<u>11,452</u>
Total liabilities	<u>5,082</u>	<u>5,595</u>	<u>7,966</u>	<u>8,373</u>	<u>13,048</u>	<u>13,968</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	27,756	26,544	33,405	32,555	61,161	59,099
Restricted	5,734	4,467	2,640	2,380	8,374	6,847
Unrestricted	<u>8,348</u>	<u>8,253</u>	<u>19,229</u>	<u>20,679</u>	<u>27,577</u>	<u>28,932</u>
Total net assets	<u>\$ 41,838</u>	<u>\$ 39,264</u>	<u>\$ 55,274</u>	<u>\$ 55,614</u>	<u>\$ 97,112</u>	<u>\$ 94,878</u>

**Governmental Activities**

Capital assets represent over 65% 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 66% of the total business type assets. The primary reason for the increase in Capital Assets is due to purchasing de-watering equipment at the Water Treatment Plant, and purchasing property and remodeling office space at the Light Fund Facility.

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

**CITY OF FOREST GROVE - CHANGE IN NET ASSETS**

*(In thousands of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 6,768	\$ 5,634	\$ 21,355	\$ 21,677	\$ 28,123	\$ 27,311
Operating grants	1,268	1,197	96	201	1,364	1,398
Capital grants	1,011	466	871	1,076	1,882	1,542
General revenues:						
Taxes	8,660	7,915	-	-	8,660	7,915
Other	204	321	(797)	(7)	(593)	314
Total revenues	<u>17,911</u>	<u>15,533</u>	<u>21,525</u>	<u>22,947</u>	<u>39,436</u>	<u>38,480</u>
<b>EXPENSES:</b>						
General government	6,425	7,360	-	-	6,425	7,360
Public safety	6,957	6,550	-	-	6,957	6,550
Highways and streets	2,129	1,297	-	-	2,129	1,297
Culture and recreation	694	612	-	-	694	612
Power services	-	-	12,380	11,881	12,380	11,881
Sewer services	-	-	3,997	3,908	3,997	3,908
Water services	-	-	3,430	3,708	3,430	3,708
Surface water management	-	-	1,028	865	1,028	865
Interest on long-term debt	162	181	-	-	162	181
Total expenses	<u>16,367</u>	<u>16,000</u>	<u>20,835</u>	<u>20,362</u>	<u>37,202</u>	<u>36,362</u>
<b>Change in net assets before transfers</b>	1,544	(467)	690	2,585	2,234	2,118
Transfers	<u>1,030</u>	<u>1,013</u>	<u>(1,030)</u>	<u>(1,013)</u>	<u>-</u>	<u>-</u>
Change in net assets	2,574	546	(340)	1,572	2,234	2,118
Net assets at beginning of year	<u>39,264</u>	<u>38,718</u>	<u>55,614</u>	<u>54,042</u>	<u>94,878</u>	<u>92,760</u>
Net assets at end of year	<u>\$ 41,838</u>	<u>\$ 39,264</u>	<u>\$ 55,274</u>	<u>\$ 55,614</u>	<u>\$ 97,112</u>	<u>\$ 94,878</u>

The City's total revenues were \$39,436,614. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 54% and 19% of total revenues, respectively. The total cost of all programs was \$37,201,844. Net Assets increased by \$2,234,770 indicating an increase in the City's overall financial position. The reason for the increase in Net Assets was explained previously in this letter.

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Revenues from governmental fund types totaled \$16,668,606 in 2010 compared to \$15,330,850 in 2009. The increase is primarily due to: 1) revenues such as property taxes and building-related fees increasing over the prior year; 2) unanticipated revenue from conduit bond issue fees; 3) increase in franchise revenues due to corrections of prior payments; 4) increase in gas tax revenue, and 5) grant revenue for sidewalk construction. Governmental fund balances totaled \$13,417,428 at June 30, 2010 for an increase of \$1,393,273. A summary of changes in governmental fund balances follows:

**CITY OF FOREST GROVE - CHANGE IN GOVERNMENTAL FUND BALANCES**

	Balance at June 30, 2010	Balance at June 30, 2009	Change
General Fund	\$ 4,373,810	\$ 3,648,757	\$ 725,053
Street Fund	918,126	897,392	20,734
Other Governmental Funds	8,125,492	7,478,006	647,486
Total	<u>\$ 13,417,428</u>	<u>\$ 12,024,155</u>	<u>\$ 1,393,273</u>

**CITY OF FOREST GROVE - CHANGE IN PROPRIETARY NET ASSETS**

	Balance at June 30, 2010	Balance at June 30, 2009	Change
Light Fund	\$ 20,378,739	\$ 20,316,741	\$ 61,998
Sewer Fund	8,574,925	8,373,614	201,311
Water Fund	17,214,547	17,856,859	(642,312)
Surface Water Management Fund	6,465,246	6,686,045	(220,799)
Other Proprietary Funds	2,640,605	2,380,242	260,363
Total	<u>\$ 55,274,062</u>	<u>\$ 55,613,501</u>	<u>\$ (339,439)</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The fund balance in the General Fund was increased by \$725,053. The Net Change in Fund Balance resulted from revenues being significantly in excess of expenditures due to: 1) property taxes collected in excess of amount estimated; 2) one-time revenue for conduit bond issuance fees; 3) corrections in franchise fee revenue payments; and 4) the departments not spending all of their budgeted appropriations in order to increase the carryover available for future years.

The significant variations between original and final budgets in the General Fund is due to increase in appropriations for unanticipated employment grant funds and pass-through construction excise taxes due to higher than anticipated construction activity late in FY 2009-10. The significant variation between final budget amounts and actual budget amounts is due to vacant positions being held open in the Police and Engineering Departments and other departments restricting expenditures to save money. The Police positions have been filled. The Engineering positions will be left vacant. None of these variations are expected to have a significant effect on future services or liquidity as the major variations are for short-term services which will cease when the grant funding is finished or are pass-through funds.

**CAPITAL ASSETS**

At June 30, 2010, the City had \$70,457,049 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 \$1,311,701 as previously discussed. More detailed information about the City's capital assets is presented in the notes to the financial statements.

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

**LONG TERM DEBT**

At June 30, 2010, the City had \$6,710,000 in outstanding bonds payable, and \$2,755,877 in outstanding notes and contracts payable. The City has had no change in its credit rating. In 2010, the City issued no additional debt. Subsequent to year end, the City refinanced its 1994 Fire Station bonds (\$275,000) and its 1999 improvement bonds (\$2,600,000). 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 2011 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 has been addressing this by reviewing positions as they become vacant to determine if they will be left vacant. Several positions have been left vacant and removed from the budget. The City has accumulated sufficient General Fund Balance to give the City time to develop a strategy to address this issue over time. The Budget Committee has begun meeting to discuss this issue and what long-term solutions might be available.
- New home construction has rebounded fairly quickly. Building permit and planning revenue has increased. The number of building permits issued is back to about 75% of the number of permits issued at the height of development. A concern is that the average price of the new houses being constructed is significantly lower than a few years ago which will impact the of growth of property taxes in the future since assessed value growth in Oregon is limited to 3% per year for residential property.
- Investment gains in the City's defined benefit pension plan in the past 18 months has allowed the City to stabilize the contribution rate for the retirement plan but the rate is still higher than before the start of the recession.

**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, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 15,191,785	\$ 13,098,463	\$ 28,290,248
Receivables			
Taxes	290,074	-	290,074
Assessments	159,153	-	159,153
Accounts, net	617,102	1,247,569	1,864,671
Inventories	-	550,110	550,110
Prepaid expenses	30,402	-	30,402
Noncurrent assets:			
Investment in joint ventures	-	8,518,552	8,518,552
Capital assets			
Land	6,722,053	1,176,431	7,898,484
Construction in progress	485,667	81,297	566,964
Other capital assets, net of accumulated depreciation and amortization	<u>23,423,780</u>	<u>38,567,821</u>	<u>61,991,601</u>
Total assets	<u>\$ 46,920,016</u>	<u>\$ 63,240,243</u>	<u>\$ 110,160,259</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 575,845	\$ 925,284	\$ 1,501,129
Due to CWS	-	170,094	170,094
Payroll and related accruals	284,106	104,458	388,564
Accrued interest payable	16,227	63,533	79,760
Deposits	685	21,019	21,704
Noncurrent liabilities:			
Due within one year:			
Bonds payable	335,000	245,000	580,000
Contracts payable	69,007	192,723	261,730
Due in more than one year:			
Bonds payable	2,540,000	3,590,000	6,130,000
Contracts payable	101,191	2,392,956	2,494,147
Compensated absences	770,606	261,114	1,031,720
Other postemployment benefits	<u>388,771</u>	<u>-</u>	<u>388,771</u>
Total Liabilities	<u>5,081,438</u>	<u>7,966,181</u>	<u>13,047,619</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	27,756,500	33,404,871	61,161,371
Restricted for:			
Future system development	-	2,640,605	2,640,605
Highways and streets	4,352,645	-	4,352,645
Public safety	511,987	-	511,987
Culture and recreation	556,116	-	556,116
Debt service	313,004	-	313,004
Unrestricted	<u>8,348,326</u>	<u>19,228,586</u>	<u>27,576,912</u>
Total net assets	<u>41,838,578</u>	<u>55,274,062</u>	<u>97,112,640</u>
Total liabilities and net assets	<u>\$ 46,920,016</u>	<u>\$ 63,240,243</u>	<u>\$ 110,160,259</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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Assets</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary Government							
Governmental activities:							
General government	\$ 6,424,596	\$ 2,483,149	\$ 1,095,215	\$ -	\$ (2,846,232)	\$ -	\$ (2,846,232)
Public safety	6,957,426	1,160,423	114,062	-	(5,682,941)	-	(5,682,941)
Highways and streets	2,129,301	1,476,767	-	782,423	129,889	-	129,889
Culture and recreation	694,633	1,647,433	59,187	228,455	1,240,442	-	1,240,442
Interest on long-term debt	<u>161,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(161,836)</u>	<u>-</u>	<u>(161,836)</u>
Total governmental activities	<u>\$ 16,367,792</u>	<u>\$ 6,767,772</u>	<u>\$ 1,268,464</u>	<u>\$ 1,010,878</u>	<u>(7,320,678)</u>	<u>-</u>	<u>(7,320,678)</u>
Business-type activities:							
Power services	12,380,245	13,399,905	95,809	-	-	1,115,469	1,115,469
Sewer services	3,996,738	3,838,447	-	339,731	-	181,440	181,440
Water services	3,429,512	3,416,067	-	443,129	-	429,684	429,684
Surface water management	<u>1,027,557</u>	<u>700,171</u>	<u>-</u>	<u>88,286</u>	<u>-</u>	<u>(239,100)</u>	<u>(239,100)</u>
Total business-type activities	<u>20,834,052</u>	<u>21,354,590</u>	<u>95,809</u>	<u>871,146</u>	<u>-</u>	<u>1,487,493</u>	<u>1,487,493</u>
Total primary government	<u>\$ 37,201,844</u>	<u>\$ 28,122,362</u>	<u>\$ 1,364,273</u>	<u>\$ 1,882,024</u>	<u>\$ (7,320,678)</u>	<u>\$ 1,487,493</u>	<u>\$ (5,833,185)</u>
General revenues:							
Property taxes					7,344,765	-	7,344,765
Other taxes					1,315,305	-	1,315,305
Interest income					188,045	112,086	300,131
Rental income					-	35,929	35,929
Gain (loss) on disposal of capital assets					16,343	(345,789)	(329,446)
Loss on investment in joint venture					-	(599,141)	(599,141)
Transfers					<u>1,030,429</u>	<u>(1,030,017)</u>	<u>412</u>
Total general revenues and transfers					<u>9,894,887</u>	<u>(1,826,932)</u>	<u>8,067,955</u>
Change in net assets					2,574,209	(339,439)	2,234,770
Net assets, beginning					<u>39,264,369</u>	<u>55,613,501</u>	<u>94,877,870</u>
Net assets, ending					<u>\$ 41,838,578</u>	<u>\$ 55,274,062</u>	<u>\$ 97,112,640</u>

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

**CITY OF FOREST GROVE**

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2010

	<u>General Fund</u>	<u>Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 4,737,839	\$ 825,344	\$ 8,315,960	\$ 13,879,143
Receivables:				
Taxes	268,432	-	21,642	290,074
Assessments	-	-	159,153	159,153
Accounts receivable	380,957	109,104	125,101	615,162
Prepaid expenditures	<u>30,402</u>	<u>-</u>	<u>-</u>	<u>30,402</u>
Total assets	<u>\$ 5,417,630</u>	<u>\$ 934,448</u>	<u>\$ 8,621,856</u>	<u>\$ 14,973,934</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 213,342	\$ 7,503	\$ 299,269	\$ 520,114
Accrued payroll and related expenses	262,012	8,819	8,380	279,211
Deferred revenue	568,466	-	188,030	756,496
Deposits	<u>-</u>	<u>-</u>	<u>685</u>	<u>685</u>
Total liabilities	<u>1,043,820</u>	<u>16,322</u>	<u>496,364</u>	<u>1,556,506</u>
Fund Balance:				
Reserved for:				
Highways and streets	-	918,126	3,434,519	4,352,645
Public safety	-	-	511,987	511,987
Culture and recreation	-	-	556,116	556,116
Debt service	-	-	313,004	313,004
Prepaid expenditures	30,402	-	-	30,402
Unreserved, reported in:				
General fund	4,343,408	-	-	4,343,408
Special revenue funds	<u>-</u>	<u>-</u>	<u>3,309,866</u>	<u>3,309,866</u>
Total fund balances	<u>4,373,810</u>	<u>918,126</u>	<u>8,125,492</u>	<u>13,417,428</u>
Total liabilities and fund balances	<u>\$ 5,417,630</u>	<u>\$ 934,448</u>	<u>\$ 8,621,856</u>	<u>14,973,934</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, 2010

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

Fund balances - governmental funds \$ 13,417,428

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds.

Governmental capital assets, cost	45,753,482	
Less accumulated depreciation	<u>(16,226,781)</u>	
		29,526,701

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	756,496
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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	(16,227)	
Compensated absences	(765,713)	
Bonds payable	(2,875,000)	
Contracts payable	(170,198)	
Other postemployment benefits	<u>(388,771)</u>	
		(4,215,909)

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>2,353,862</u>	
Net assets of governmental activities	<u>\$ 41,838,578</u>	

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, 2010

	<u>General Fund</u>	<u>Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>				
Property taxes	\$ 5,958,349	\$ -	\$ 481,116	\$ 6,439,465
Franchise taxes	670,657	-	-	670,657
Other taxes	223,526	-	270,334	493,860
Licenses, permits, and fees	102,466	230,582	496,551	829,599
Intergovernmental revenues	1,705,625	1,072,854	1,114,746	3,893,225
Charges for services	-	-	208,307	208,307
Internal charges	2,684,695	-	-	2,684,695
Other services	466,632	-	-	466,632
Grants and contributions	-	-	101,961	101,961
Special assessments	-	-	14,309	14,309
Fines and forfeitures	243,298	-	2,635	245,933
Investment earnings	81,891	4,106	89,897	175,894
Reimbursements	36,997	-	-	36,997
Contributions	78,150	237,935	-	316,085
Other revenue	84,009	-	6,978	90,987
Total revenues	<u>12,336,295</u>	<u>1,545,477</u>	<u>2,786,834</u>	<u>16,668,606</u>
<b>EXPENDITURES:</b>				
Current:				
General government	5,449,154	-	914,459	6,363,613
Public Safety	6,634,581	-	120,425	6,755,006
Highways and streets	-	957,611	25,781	983,392
Culture and recreation	366,440	-	47,909	414,349
Debt Service:				
Principal	-	-	395,694	395,694
Interest	-	-	165,977	165,977
Capital Outlay	42,163	567,132	629,995	1,239,290
Total expenditures	<u>12,492,338</u>	<u>1,524,743</u>	<u>2,300,240</u>	<u>16,317,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(156,043)</u>	<u>20,734</u>	<u>486,594</u>	<u>351,285</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital contributions	-	-	224,000	224,000
Transfers in	883,017	-	86,333	969,350
Transfers out	(1,921)	-	(161,004)	(162,925)
Sale of capital assets	-	-	11,563	11,563
Total other financing source (uses)	<u>881,096</u>	<u>-</u>	<u>160,892</u>	<u>1,041,988</u>
Net change in fund balances	725,053	20,734	647,486	1,393,273
Beginning of year	<u>3,648,757</u>	<u>897,392</u>	<u>7,478,006</u>	<u>12,024,155</u>
End of year	<u>\$ 4,373,810</u>	<u>\$ 918,126</u>	<u>\$ 8,125,492</u>	<u>\$ 13,417,428</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, 2010

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

Net change in fund balances - governmental funds \$ 1,393,273

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	1,664,526	
Less current year depreciation	<u>(1,382,297)</u>	282,229

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	544,488	
Net book value of assets disposed of	<u>(1,300)</u>	543,188

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		(87,906)
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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		(63,451)
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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	4,141	
Principal payments	395,694	
Accrual of other postemployment benefits	<u>(186,229)</u>	213,606

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>\$ 2,574,209</u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF FOREST GROVE**

Balance Sheet

PROPRIETARY FUNDS

June 30, 2010

	Business-type Activities - Enterprise Funds					Total	Governmental
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds		Administrative Services - Internal Service Funds
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 5,837,610	\$ 1,964,994	\$ 2,263,953	\$ 340,971	\$ 2,690,935	\$13,098,463	\$ 1,312,642
Accounts receivable, net	775,620	211,872	221,892	38,185	-	1,247,569	1,940
Inventory	<u>410,952</u>	<u>7,390</u>	<u>131,768</u>	<u>-</u>	<u>-</u>	<u>550,110</u>	<u>-</u>
Total current assets	<u>7,024,182</u>	<u>2,184,256</u>	<u>2,617,613</u>	<u>379,156</u>	<u>2,690,935</u>	<u>14,896,142</u>	<u>1,314,582</u>
Noncurrent assets:							
Investment in joint ventures	-	-	8,518,552	-	-	8,518,552	-
Capital assets, net of accumulated depreciation and amortization	<u>14,048,812</u>	<u>8,164,508</u>	<u>11,496,122</u>	<u>6,116,107</u>	<u>-</u>	<u>39,825,549</u>	<u>1,104,799</u>
Total assets	<u>\$ 21,072,994</u>	<u>\$10,348,764</u>	<u>\$22,632,287</u>	<u>\$ 6,495,263</u>	<u>\$ 2,690,935</u>	<u>\$63,240,243</u>	<u>\$ 2,419,381</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ 461,988	\$ 230,013	\$ 169,192	\$ 13,761	\$ 50,330	\$ 925,284	\$ 55,731
Due to CWS	-	161,400	-	8,694	-	170,094	-
Accrued payroll and related expenses	73,699	3,718	19,479	7,562	-	104,458	4,895
Deposits	21,019	-	-	-	-	21,019	-
Accrued interest payable	-	22,591	40,942	-	-	63,533	-
Current portion of bonds payable	-	-	245,000	-	-	245,000	-
Current portion of contracts payable	<u>-</u>	<u>162,961</u>	<u>29,762</u>	<u>-</u>	<u>-</u>	<u>192,723</u>	<u>-</u>
Total current liabilities	<u>556,706</u>	<u>580,683</u>	<u>504,375</u>	<u>30,017</u>	<u>50,330</u>	<u>1,722,111</u>	<u>60,626</u>
Noncurrent liabilities:							
Bonds payable, less current portion	-	-	3,590,000	-	-	3,590,000	-
Contracts payable, less current portion	-	1,193,156	1,199,800	-	-	2,392,956	-
Compensated absences	<u>137,549</u>	<u>-</u>	<u>123,565</u>	<u>-</u>	<u>-</u>	<u>261,114</u>	<u>4,893</u>
Total noncurrent liabilities	<u>137,549</u>	<u>1,193,156</u>	<u>4,913,365</u>	<u>-</u>	<u>-</u>	<u>6,244,070</u>	<u>4,893</u>
Total liabilities	<u>694,255</u>	<u>1,773,839</u>	<u>5,417,740</u>	<u>30,017</u>	<u>50,330</u>	<u>7,966,181</u>	<u>65,519</u>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	6,116,107	6,808,392	6,431,560	14,048,812	-	33,404,871	1,104,799
Restricted for systems development	-	-	-	-	2,640,605	2,640,605	-
Unrestricted	<u>14,262,632</u>	<u>1,766,533</u>	<u>10,782,987</u>	<u>(7,583,566)</u>	<u>-</u>	<u>19,228,586</u>	<u>1,249,063</u>
Total net assets	<u>20,378,739</u>	<u>8,574,925</u>	<u>17,214,547</u>	<u>6,465,246</u>	<u>2,640,605</u>	<u>55,274,062</u>	<u>2,353,862</u>
Total liabilities and net assets	<u>\$ 21,072,994</u>	<u>\$10,348,764</u>	<u>\$22,632,287</u>	<u>\$ 6,495,263</u>	<u>\$ 2,690,935</u>	<u>\$63,240,243</u>	<u>\$ 2,419,381</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 Fund Net Assets

PROPRIETARY FUNDS

For the Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds					Total	Governmental
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Nonmajor Enterprise Funds		Administrative Services - Internal Service Funds
Operating revenues:							
Charges for services	\$ 13,162,413	\$ 3,837,447	\$ 2,594,609	\$ 700,171	\$ -	\$ 20,294,640	\$ 1,285,357
Licenses, permits, and fees	53,841	1,000	8,931	-	-	63,772	-
Operating grants	95,809	-	-	-	-	95,809	96,390
Other revenue	183,651	-	812,527	-	-	996,178	8,511
Total operating revenues	<u>13,495,714</u>	<u>3,838,447</u>	<u>3,416,067</u>	<u>700,171</u>	<u>-</u>	<u>21,450,399</u>	<u>1,390,258</u>
Operating expenses:							
System operation and maintenance	3,660,592	2,984,368	1,225,982	554,441	252,585	8,677,968	1,170,269
Electricity and water purchases	7,211,278	-	54,096	-	-	7,265,374	-
General fund administration charges	981,173	452,399	881,488	217,649	-	2,532,709	3,348
General and administrative costs	42,344	9,360	617,281	6,390	88,207	763,582	-
Depreciation and amortization	484,858	242,255	433,267	161,304	-	1,321,684	165,606
Total operating expenses	<u>12,380,245</u>	<u>3,688,382</u>	<u>3,212,114</u>	<u>939,784</u>	<u>340,792</u>	<u>20,561,317</u>	<u>1,339,223</u>
Operating income (loss)	<u>1,115,469</u>	<u>150,065</u>	<u>203,953</u>	<u>(239,613)</u>	<u>(340,792)</u>	<u>889,082</u>	<u>51,035</u>
Nonoperating revenues (expenses):							
Investment earnings	52,479	15,857	19,282	2,715	21,753	112,086	12,151
Rental income	-	-	35,929	-	-	35,929	-
Gain (loss) on sale of capital assets	(345,789)	-	-	-	-	(345,789)	6,080
Gain (loss) on investment in joint ventures	-	-	(599,141)	-	-	(599,141)	-
Interest expense	-	(55,771)	(216,964)	-	-	(272,735)	-
Total nonoperating revenues (expenses)	<u>(293,310)</u>	<u>(39,914)</u>	<u>(760,894)</u>	<u>2,715</u>	<u>21,753</u>	<u>(1,069,650)</u>	<u>18,231</u>
Income (loss) before contributions and transfers	<u>822,159</u>	<u>110,151</u>	<u>(556,941)</u>	<u>(236,898)</u>	<u>(319,039)</u>	<u>(180,568)</u>	<u>69,266</u>
Contributions and transfers:							
Capital contributions	-	24,000	95,044	50,705	701,397	871,146	-
Transfers in	-	121,995	-	-	-	121,995	224,004
Transfers out	(760,161)	(54,835)	(180,415)	(34,606)	(121,995)	(1,152,012)	-
Total contributions and transfers	<u>(760,161)</u>	<u>91,160</u>	<u>(85,371)</u>	<u>16,099</u>	<u>579,402</u>	<u>(158,871)</u>	<u>224,004</u>
Change in net assets	61,998	201,311	(642,312)	(220,799)	260,363	(339,439)	293,270
Net Assets:							
Beginning of year	<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>
End of year	<u>\$ 20,378,739</u>	<u>\$ 8,574,925</u>	<u>\$ 17,214,547</u>	<u>\$ 6,465,246</u>	<u>\$ 2,640,605</u>	<u>\$ 55,274,062</u>	<u>\$ 2,353,862</u>

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, 2010

	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 Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$ 13,350,301	\$ 3,806,594	\$ 3,333,643	\$ 694,083	\$ -	\$ 21,184,621	\$ -
Payments for interfund services used	-	-	-	-	-	-	1,291,928
Rents received	-	-	35,929	-	-	35,929	-
Payments to suppliers and contractors	(9,121,874)	(3,185,043)	(1,822,491)	(536,248)	(330,203)	14,995,859	(1,002,455)
Payments to employees	<u>(2,836,793)</u>	<u>(239,064)</u>	<u>(887,931)</u>	<u>(218,785)</u>	<u>-</u>	<u>(4,182,573)</u>	<u>(194,035)</u>
Net cash provided (used) by operating activities	<u>1,391,634</u>	<u>382,487</u>	<u>659,150</u>	<u>(60,950)</u>	<u>(330,203)</u>	<u>2,042,118</u>	<u>95,438</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	121,995	-	-	-	121,995	224,004
Transfers out	(760,161)	(54,835)	(180,415)	(34,606)	(121,995)	(1,152,012)	-
Operating grant	-	-	-	-	-	-	96,390
Net cash provided (used) by noncapital financing activities	<u>(760,161)</u>	<u>67,160</u>	<u>(180,415)</u>	<u>(34,606)</u>	<u>(121,995)</u>	<u>(1,030,017)</u>	<u>320,394</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Capital contributions (system development charges)	-	-	-	-	701,397	701,397	-
Acquisition and construction of capital assets	(1,363,274)	(133,728)	(391,661)	(40,220)	-	(1,928,883)	(235,640)
Proceeds from sale of capital assets	1,250	-	-	-	-	1,250	19,739
Principal paid on capital debt	-	(156,630)	(263,752)	-	-	(420,382)	-
Interest paid on capital debt	-	(59,370)	(219,059)	-	-	(278,429)	-
Net cash provided (used) by capital and related financing activities	<u>(1,362,024)</u>	<u>(349,728)</u>	<u>(874,472)</u>	<u>(40,220)</u>	<u>701,397</u>	<u>(1,925,047)</u>	<u>(215,901)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest and dividends received	52,479	15,857	19,282	2,715	21,753	112,086	12,151
Net change in cash and investments	(678,072)	115,776	(376,455)	(133,061)	270,952	(800,860)	212,082
Cash and investments: Beginning 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>
End of year	<u>\$ 5,837,610</u>	<u>\$ 1,964,994</u>	<u>\$ 2,263,953</u>	<u>\$ 340,971</u>	<u>\$ 2,690,935</u>	<u>\$ 13,098,463</u>	<u>\$ 1,312,642</u>

Continued on next page

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

**CITY OF FOREST GROVE**  
Statement of Cash Flows, continued  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2010

	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 Funds
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 1,115,469	\$ 150,065	\$ 203,953	\$ (239,613)	\$ (340,792)	\$ 889,082	\$ 51,035
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation and amortization	484,858	242,255	433,267	161,304	-	1,321,684	165,606
Operating grant	-	-	-	-	-	-	(96,390)
Rental income	-	-	35,929	-	-	35,929	-
(Increase) decrease in assets:							
Accounts receivable	(98,381)	(31,853)	(82,424)	(6,088)	-	(218,746)	(1,940)
Inventory	(27,396)	(343)	22,804	-	-	(4,935)	-
Prepaid expenses	250	-	-	-	-	250	-
Increase (decrease) in liabilities:							
Accounts payable and accrued expenses	(45,095)	23,105	44,225	18,524	10,589	51,348	(21,903)
Accrued payroll	8,909	(742)	(648)	4,923	-	12,442	690
Unearned revenue	(47,032)	-	-	-	-	(47,032)	-
Compensated absences	52	-	2,044	-	-	2,096	(1,660)
Net cash provided (used) by operating activities	<u>\$ 1,391,634</u>	<u>\$ 382,487</u>	<u>\$ 659,150</u>	<u>\$ (60,950)</u>	<u>\$ (330,203)</u>	<u>\$ 2,042,118</u>	<u>\$ 95,438</u>
Noncash capital and financing activities:							
Contributions of capital assets from developers	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ 95,044</u>	<u>\$ 50,705</u>	<u>\$ -</u>	<u>\$ 169,749</u>	<u>\$ -</u>
Gain (loss) on joint ventures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (599,141)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (599,141)</u>	<u>\$ -</u>

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

**CITY OF FOREST GROVE**

Balance Sheet

FIDUCIARY FUNDS

June 30, 2010

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Library Endowment Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	<u>\$ 301,446</u>	<u>\$ 22,488,913</u>	<u>\$ 41,455</u>	<u>\$ 22,831,814</u>
<b>LIABILITIES</b>				
Amounts held in trust	<u>\$ 301,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 301,446</u>
<b>NET ASSETS</b>				
Amounts held in trust:				
Library endowment	-	-	41,455	41,455
Pension benefits	<u>-</u>	<u>22,488,913</u>	<u>-</u>	<u>22,488,913</u>
Total net assets	<u>-</u>	<u>22,488,913</u>	<u>41,455</u>	<u>22,530,368</u>
Total liabilities and net assets	<u>\$ 301,446</u>	<u>\$ 22,488,913</u>	<u>\$ 41,455</u>	<u>\$ 22,831,814</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 Fund Net Assets

FIDUCIARY FUNDS

For the Year Ended June 30, 2010

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust - Library Endowment Fund</u>	<u>Total</u>
Additions:			
Contributions	\$ 1,668,777	\$ -	\$ 1,668,777
Investment earnings	<u>2,225,672</u>	<u>368</u>	<u>2,226,040</u>
Total additions	<u>3,894,449</u>	<u>368</u>	<u>3,894,817</u>
Deductions:			
Payments to retirees	904,264	-	904,264
Administrative expenses	61,024	-	61,024
Investment expenses	<u>15,146</u>	<u>-</u>	<u>15,146</u>
Total deductions	<u>980,434</u>	<u>-</u>	<u>980,434</u>
Change in net assets before transfers	2,914,015	368	2,914,383
Transfers out	<u>-</u>	<u>(412)</u>	<u>(412)</u>
Change in net assets	2,914,015	(44)	2,913,971
Net Assets:			
Beginning of year	<u>19,574,898</u>	<u>41,499</u>	<u>19,616,397</u>
End of year	<u>\$ 22,488,913</u>	<u>\$ 41,455</u>	<u>\$ 22,530,368</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, 2010

#### **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.

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.

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note I - Summary of significant accounting policies, continued**

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

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 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.

*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.

## CITY OF FOREST GROVE

### Notes to the Financial Statements

June 30, 2010

#### **Note I - Summary of significant accounting policies, continued**

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

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.

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.

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**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. Investment in joint ventures**

The City's investment in joint ventures with other governments is reported at cost plus or minus the City's share of operating income or loss (equity method).

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note I - Summary of significant accounting policies, continued**

**E. Assets, liabilities, and net assets, continued**

**5. 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. 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.

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.

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

**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, 2010

**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, 2010.

General Fund: Nondepartmental, Materials and services, \$6,873

Building Permits Fund: Materials and services, \$4,812

**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, 2010, the City's cash and investment balances were reported as follows:

	<u>Primary Government</u>
Petty cash	\$ 1,480
Deposits with financial institutions	5,135,373
Investments	23,496,296
Pension Trust Fund	<u>22,488,913</u>
Total cash and investments	<u>\$ 51,122,062</u>
Less cash and investments in trust and agency funds	<u>(22,831,814)</u>
Cash and investment, as reported in Primary Government Statement of Net Assets	<u>\$ 28,290,248</u>

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note III - Detailed notes on all funds, continued**

**A. Cash and investments, continued**

*Deposits.* At June 30, 2010, 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.

*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, 2010, the City's deposits were fully insured.

*Investments.* As of June 30, 2010, the City held the following investments and maturities:

Investment type	Carrying Value	Weighted Average Maturity in Years	% of Investment Portfolio
U.S. treasury	\$ 3,127,595	0.143	13 %
U.S. agency securities	9,106,890	0.665	39 %
Local government investment pool	11,261,811	N/A	48 %
Total	<u>\$ 23,496,296</u>		<u>100 %</u>

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

*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:

Investment type	Maximum % of portfolio
U.S. treasury obligations	100 %
U.S. government agency and instrumentality securities	50 %
Local government investment pool	100 %
Time certificates of deposit	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 36 months and the average weighted maturity of the portfolio may not exceed 18 months. If the investment is related to a specific cash flow or particular capital project, the investment can exceed 36 months if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

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. As of June 30, 2010, 75% of the investments in LGIP mature within 93 days, 12% mature within 94 days to one year, and 13% mature within one to three years.

*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.

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note III - Detailed notes on all funds, continued**

**A. Cash and investments, continued**

At June 30, 2010, the City's investments were rated as follows:

Investment type	Highest Rating From		
	Moody's	Investors Service or Standard & Poor's Corporation	
	Total	Aaa/AAA	Not Rated
U.S. Treasury	\$ 3,127,595	\$ 3,127,595	\$ -
U.S. agency securities	9,106,890	9,106,890	-
Local government investment pool	11,261,811	-	11,261,811
<b>Total</b>	<b>\$ 23,496,296</b>	<b>\$ 12,234,485</b>	<b>\$ 11,261,811</b>

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, 2010, 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/>.

The LGIP's portfolio concentration of credit risk at June 30, 2010 included: U.S. Agency Bonds (21%), Corporate Notes (26.6%), Commercial Paper (20.9%), U.S. Agency Discount Notes (19.2%), Government Guaranteed Corporate Securities (9.5%), U.S. Treasury Bill (2.3%), and Certificates of Deposits (.5%). The credit risk associated with the investments was: AAA rating (48.7%), AA rating (15%), A rating (34.9%), BBB rating (0.5%), ratings withdrawn (0.4%), and not rated (.5%).

*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.

At June 30, 2010, U.S. agency securities was comprised of two issuers that exceeded five percent of the total investment balances: \$1,578,291 of Federal Home Loan Bank (16.36%), \$1,256,043 of Federal National Mortgage Association (13.02%), and \$858,659 of Federal Home Loan Mortgage Corporation (8.90%).

**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, 2010, the Pension Trust Fund's cash and investment balances were reported as follows:

Interest bearing cash	\$ 139,539
U.S. treasury notes	1,782,982
Mutual funds	<u>20,566,392</u>
<b>Total Pension Trust Fund cash and investments</b>	<b>\$ <u>22,488,913</u></b>

*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, 2010, 100% of the investments in U.S. treasury notes mature within two years.

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**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			
	General Fund	Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 268,432	\$ -	\$ 21,642	\$ 290,074
Assessments	-	-	159,153	159,153
Accounts	380,957	109,104	125,101	615,162
Gross receivables	649,389	109,104	305,896	1,064,389
Allowance for uncollectibles	-	-	-	-
Net receivables	<u>\$ 649,389</u>	<u>\$ 109,104</u>	<u>\$ 305,896</u>	<u>\$ 1,064,389</u>

	Enterprise Funds				
	Light Fund	Sewer Fund	Water Fund	Surface Water Management Fund	Total Enterprise Funds
Accounts	906,898	225,087	235,314	40,815	1,408,114
Allowance for uncollectibles	(131,278)	(13,215)	(13,422)	(2,630)	(160,545)
Net receivables	<u>\$ 775,620</u>	<u>\$ 211,872</u>	<u>\$ 221,892</u>	<u>\$ 38,185</u>	<u>\$ 1,247,569</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, 2010, the various components of deferred revenue in the governmental funds were as follows:

Property taxes	\$ 216,271
Assessments receivable	159,153
Other	381,072
Total	<u>\$ 756,496</u>

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note III - Detailed notes on all funds, continued**

**D. Capital assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,516,466	\$ 205,587	\$ -	\$ 6,722,053
Construction in progress	74,469	411,198	-	485,667
Total capital assets, not being depreciated	<u>6,590,935</u>	<u>616,785</u>	<u>-</u>	<u>7,207,720</u>
Capital assets, being depreciated:				
Buildings and improvements	11,531,663	-	-	11,531,663
Fixtures and equipment	6,046,939	321,112	(252,582)	6,115,469
Infrastructure	<u>21,953,198</u>	<u>1,506,760</u>	<u>-</u>	<u>23,459,958</u>
Total capital assets, being depreciated	39,531,800	1,827,872	(252,582)	41,107,090
Less accumulated depreciation	<u>(16,373,030)</u>	<u>(1,547,903)</u>	<u>237,623</u>	<u>(17,683,310)</u>
Total capital assets, being depreciated, net	<u>23,158,770</u>	<u>279,969</u>	<u>(14,959)</u>	<u>23,423,780</u>
Governmental activities capital assets, net	<u>\$ 29,749,705</u>	<u>\$ 896,754</u>	<u>\$ (14,959)</u>	<u>\$ 30,631,500</u>

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**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>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 884,378	\$ 292,053	\$ -	\$ 1,176,431
Construction in progress	160,961	1,175,599	(1,255,263)	81,297
Total capital assets, not being depreciated	<u>1,045,339</u>	<u>1,467,652</u>	<u>(1,255,263)</u>	<u>1,257,728</u>
Capital assets, being depreciated:				
Buildings and improvements	8,962,713	155,645	-	9,118,358
Fixtures and equipment	19,924,392	1,173,958	(367,714)	20,730,636
Infrastructure	37,761,154	556,640	-	38,317,794
Intangible - water rights	<u>1,707,484</u>	<u>-</u>	<u>-</u>	<u>1,707,484</u>
Total capital assets, being depreciated	68,355,743	1,886,243	(367,714)	69,874,272
Less accumulated depreciation and amortization:				
Accumulated depreciation	(29,085,760)	(1,278,907)	20,675	(30,343,992)
Accumulated amortization	<u>(919,682)</u>	<u>(42,777)</u>	<u>-</u>	<u>(962,459)</u>
Total accumulated depreciation	<u>(30,005,442)</u>	<u>(1,321,684)</u>	<u>20,675</u>	<u>(31,306,451)</u>
Total capital assets, being depreciated, net	<u>38,350,301</u>	<u>564,559</u>	<u>(347,039)</u>	<u>38,567,821</u>
Business-type activities capital assets, net	<u>\$ 39,395,640</u>	<u>\$ 2,032,211</u>	<u>\$ (1,602,302)</u>	<u>\$ 39,825,549</u>

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

Governmental activities:	
General government	\$ 258,616
Public safety	202,420
Highways and streets	758,674
Culture and recreation	<u>328,193</u>
Total depreciation expense - governmental activities	<u>\$ 1,547,903</u>
Business-type activities:	
Light	\$ 484,858
Sewer	242,255
Water	433,267
Surface water management	<u>161,304</u>
Total depreciation expense - business-type activities	<u>\$ 1,321,684</u>

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**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%	\$ 275,000
Improvement bond	4.00% to 4.85%	2,600,000
Total general obligation bonds		\$ 2,875,000

Fire station bond issued in 1994, 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, 4.5% in 2012, 4.55% in 2013, 4.6% in 2014, 4.7% in 2015, 4.85% from 2016 to 2018.

On October 14, 2010, these two general obligation bonds were refunded. See note IV F for more information. Annual debt service requirements to maturity for general obligation bonds at year end are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 335,000	\$ 136,175
2012	345,000	120,324
2013	360,000	103,742
2014	395,000	86,271
2015	335,000	69,338
2016 - 2020	350,000	53,592
2021 - 2025	370,000	36,618
2026 - 2027	385,000	18,672
Total	\$ 2,875,000	\$ 624,732

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%	\$ 3,835,000

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, 4.25% in 2013, 4.0% from 2014 to 2015, 4.2% in 2016, 4.3% in 2017, 4.4% in 2018, 4.35% 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, 2010

**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:

Year ending June 30,	Business-type Activities	
	Principal	Interest
2011	\$ 245,000	\$ 166,500
2012	255,000	156,700
2013	260,000	146,181
2014	255,000	135,131
2015	1,430,000	510,116
2016 - 2020	<u>1,390,000</u>	<u>164,798</u>
Total	<u>\$ 3,835,000</u>	<u>\$ 1,279,426</u>

Contracts outstanding at year end are as follows:

Description	Interest Rates	Amount
Governmental activities:		
Contracts:		
Contract payable to the State of Oregon Economic Development Department	6.59%	\$ 51,278
Contract payable to the State of Oregon Economic Development Department	5.47%	<u>118,920</u>
Total governmental activities		<u>170,198</u>
Business-type activities:		
Contracts:		
Contract payable to the US Department of Interior, Bureau of Reclamation	3.50%	1,229,562
Contract payable to Clean Water Services	3.77%	536,223
Contract payable to Clean Water Services	4.20%	<u>819,894</u>
Total business-type activities		<u>2,585,679</u>
Total contracts		<u>\$ 2,755,877</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, 2010

**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:

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	47,024	4,062	846,795	236,120
2016 - 2020	-	-	217,514	146,470
2021 - 2025	-	-	258,341	105,644
2026 - 2027	-	-	306,828	57,157
2028 - 2032	-	-	138,291	7,302
<b>Total</b>	<b>\$ 170,198</b>	<b>\$ 28,642</b>	<b>\$ 2,585,679</b>	<b>\$ 889,967</b>

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 that it will have sufficient funds available to make the payments on the Full Faith and Credit Bonds when due.

**Changes in long-term liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 3,205,000	\$ -	\$ (330,000)	\$ 2,875,000	\$ 335,000
Contracts payable	235,892	-	(65,694)	170,198	69,007
<b>Total bonds and contracts payable</b>	<b>3,440,892</b>	<b>-</b>	<b>(395,694)</b>	<b>3,045,198</b>	<b>404,007</b>
Compensated absences	708,815	695,995	(634,204)	770,606	-
Governmental activity long-term liabilities	<b>\$ 4,149,707</b>	<b>\$ 695,995</b>	<b>\$ (1,029,898)</b>	<b>\$ 3,815,804</b>	<b>\$ 404,007</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 4,070,000	\$ -	\$ (235,000)	\$ 3,835,000	\$ 245,000
Contracts payable	2,771,061	-	(185,382)	2,585,679	192,723
<b>Total bonds and contracts payable</b>	<b>6,841,061</b>	<b>-</b>	<b>(420,382)</b>	<b>6,420,679</b>	<b>437,723</b>
Compensated absences	259,018	331,186	(329,090)	261,114	-
Business-type activity long-term liabilities	<b>\$ 7,100,079</b>	<b>\$ 331,186</b>	<b>\$ (749,472)</b>	<b>\$ 6,681,793</b>	<b>\$ 437,723</b>

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, \$4,893 of internal service funds compensated absences are included in the governmental activities amounts. Also for governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

Interest cost incurred and expensed for governmental activities was \$161,836 and for business-type activities was \$276,335 . No amount was capitalized.

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**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.	2,060,000
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.	30,335,000
Revenue bond issued by the Pacific University on July 23, 2009 for \$35,305,000 to improve campus facilities, maturing June 30, 2039.	<u>35,305,000</u>
Total	<u>\$ 108,700,000</u>

**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	\$ -	\$ -	\$ 1,921	\$ -	\$ 1,921
Light fund	648,889	-	-	111,272	760,161
Sewer fund	54,835	-	-	-	54,835
Water fund	144,687	-	-	35,728	180,415
Nonmajor enterprise funds	-	121,995	-	-	121,995
Surface water management fund	34,606	-	-	-	34,606
Nonmajor governmental funds	-	-	84,000	77,004	161,004
Fiduciary funds	-	-	412	-	412
Total transfers in	<u>\$ 883,017</u>	<u>\$ 121,995</u>	<u>\$ 86,333</u>	<u>\$ 224,004</u>	<u>\$ 1,315,349</u>

Transfers are budgeted for and pay in-lieu of tax payments to the General Fund and to reimburse funds for payments made on behalf of another fund. The transfer from the nonmajor enterprise funds are capital assets paid for, then transferred to the Sewer Fund to be capitalized.

**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 June 30, 2010, the plan consisted of 138 active members and 95 inactive members, which consist of 68 retired members, 18 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, 2010

**Note III - Detailed notes on all funds, continued**

**H. Pension plan, continued**

Benefit Provisions

The plan provides benefits in the form of a life annuity with guaranteed payments for 60 months based on service and average monthly earnings for the eligible employee.

The financial statements of the pension plan are prepared using the accrual basis of accounting and reported in the Agency Fund. 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, 2010. 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 20 years. The amortization method is a level percentage of payroll. The assumed annual administrative expenses paid from the plan's assets were \$62,500. Significant actuarial assumptions include an investment return of 7.5% compounded annually, projected annual salary increases of 5%, post-retirement benefit increase of 2%, and an annual consumer price index inflation of 2%. Based on the July 1, 2010 actuarial valuation the annual required contribution (ARC) rates for the year ended June 30, 2010 were 13.3% and 7% for the City and the employees respectively. The actual annual contribution rates for the year ended June 30, 2010 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>
2010	1,053,856	1,063,795	101 %	(614,016)
2009	798,826	807,092	118 %	(592,725)
2008	827,154	832,428	123 %	(442,022)
2007	816,146	817,960	101 %	(248,616)
2006	736,164	734,571	121 %	(82,136)

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, 2010:

Annual required contribution	\$ 1,063,795
Interest on net pension obligation	(44,454)
Adjustment to annual required contribution	<u>34,515</u>
Annual pension cost	1,053,856
Employer contributions made	<u>1,075,147</u>
Increase (decrease) in net pension obligation (surplus)	(21,291)
Net pension obligation/(surplus) at beginning of year	<u>(592,725)</u>
Net pension obligation/(surplus) at end of year	<u>\$ (614,016)</u>

**CITY OF FOREST GROVE**

Notes to the Financial Statements

June 30, 2010

**Note III - Detailed notes on all funds, continued**

**I. Other Postemployment 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. 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, 2010, the City's implicit employer subsidy was \$96,974.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment 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, 2010, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

Annual required contribution	\$	288,386
Interest on net OPEB obligation		9,114
Adjustment to the annual required contribution		<u>(14,297)</u>
Annual OPEB cost (expense)		283,203
Implicit benefit payments		<u>(96,974)</u>
Increase in net OPEB obligation		186,229
Net OPEB obligation, beginning of year		<u>202,542</u>
Net OPEB obligation, end of year	\$	<u><u>388,771</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 2010 was as follows:

<u>Fiscal year ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Implicit subsidy</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
2010	\$ 283,203	\$ 96,974	34 %	\$ 388,771
2009	\$ 276,797	\$ 74,255	27 %	\$ 202,542

## CITY OF FOREST GROVE

### Notes to the Financial Statements

June 30, 2010

#### **Note III - Detailed notes on all funds, continued**

##### **I. Other Postemployment 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, 2010, the City has set aside \$0 to pay for future postemployment 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 fourth through fourteenth year, 5.5% for the fifteenth through twenty-ninth 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, 2010 was \$3,203,759. The amount due to and payable to CWS at June 30, 2010 is \$170,094.

## CITY OF FOREST GROVE

### Notes to the Financial Statements

June 30, 2010

#### **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, 2010 is \$7,782,075. 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, 2010 is \$736,477. 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, 2010

**Note IV - Other information, continued**

**F. Subsequent events – General Obligation Refunding Bonds, Series 2010**

On October 14, 2010, the City of Forest Grove issued general obligation refunding bonds of \$2,685,000 (par value) with interest rates ranging between 2% - 4% to refund the City's series 1994 and series 1999 outstanding general obligation bonds with interest rates ranging between 4.35% - 5.9%. The series 2010 refunding bonds were issued at a premium of \$157,844 and, after paying issuance costs of \$50,773, the net proceeds were \$2,792,071. As a result of the refunding, the City reduced its total debt service requirements by \$350,938, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$320,750.

Annual debt service requirements to maturity for general obligation bonds after the refunding bonds were issued are as follows:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 420,000	\$ 48,222
2012	400,000	63,875
2013	425,000	55,875
2014	455,000	45,250
2015	480,000	31,600
2016 - 2020	505,000	18,200
Total	<u>\$ 2,685,000</u>	<u>\$ 263,022</u>

**G. Recently issued accounting guidance**

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

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Property taxes	\$ 5,842,688	\$ 5,842,688	\$ 5,958,349	\$ 115,661
Franchise taxes	527,000	527,000	670,657	143,657
Other taxes	90,517	245,517	223,526	(21,991)
Licenses, permits, and fees	56,480	56,480	102,466	45,986
Intergovernmental revenues	1,739,005	1,773,505	1,705,625	(67,880)
Internal charges	2,726,545	2,726,545	2,684,695	(41,850)
Other services	375,092	375,092	466,632	91,540
Fines and penalties	222,455	222,455	243,298	20,843
Investment earnings	80,000	80,000	81,891	1,891
Reimbursements	26,845	26,845	36,997	10,152
Other revenue	12,700	12,700	84,009	71,309
Grants and contributions	22,545	33,795	78,150	44,355
<b>Total revenues</b>	<b>11,721,872</b>	<b>11,922,622</b>	<b>12,336,295</b>	<b>413,673</b>
<b>Expenditures:</b>				
<b>Legislative and Executive</b>				
Personal Services	\$ 421,701	\$ 428,701	\$ 415,435	\$ 13,266
Materials and Services	53,235	87,735	81,940	5,795
<b>Total Legislative and Executive</b>	<b>474,936</b>	<b>516,436</b>	<b>497,375</b>	<b>19,061</b>
<b>Administrative Services</b>				
Personal Services	1,379,796	1,379,796	1,370,147	9,649
Materials and Services	629,147	633,987	577,630	56,357
Capital Outlay	-	35,000	32,444	2,556
<b>Total Administrative Services</b>	<b>2,008,943</b>	<b>2,048,783</b>	<b>1,980,221</b>	<b>68,562</b>
<b>Library</b>				
Personal Services	754,319	776,319	758,852	17,467
Materials and Services	143,909	143,909	147,056	(3,147)
<b>Total Library</b>	<b>898,228</b>	<b>920,228</b>	<b>905,908</b>	<b>14,320</b>
<b>Planning</b>				
Personal Services	286,712	299,712	293,290	6,422
Materials and Services	68,319	83,819	73,150	10,669
<b>Total Planning</b>	<b>355,031</b>	<b>383,531</b>	<b>366,440</b>	<b>17,091</b>
<b>Fire</b>				
Personal Services	2,240,530	2,270,530	2,258,096	12,434
Materials and Services	441,886	453,136	420,292	32,844
<b>Total Fire</b>	<b>2,682,416</b>	<b>2,723,666</b>	<b>2,678,388</b>	<b>45,278</b>
<b>Engineering</b>				
Personal Services	709,111	709,111	559,557	149,554
Materials and Services	75,545	75,545	67,004	8,541
<b>Total Engineering</b>	<b>784,656</b>	<b>784,656</b>	<b>626,561</b>	<b>158,095</b>
<b>Police</b>				
Personal Services	3,538,520	3,591,520	3,494,201	97,319
Materials and Services	459,452	464,452	461,991	2,461
Capital Outlay	10,800	10,800	9,719	1,081
<b>Total Police</b>	<b>4,008,772</b>	<b>4,066,772</b>	<b>3,965,911</b>	<b>100,861</b>
<b>Aquatics</b>				
Personal Services	402,393	402,393	382,389	20,004
Materials and Services	196,052	196,052	169,574	26,478
<b>Total Aquatics</b>	<b>598,445</b>	<b>598,445</b>	<b>551,963</b>	<b>46,482</b>

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation				
Personal Services	427,164	427,164	382,323	44,841
Materials and Services	<u>125,012</u>	<u>125,012</u>	<u>121,443</u>	<u>3,569</u>
Total Parks and Recreation	<u>552,176</u>	<u>552,176</u>	<u>503,766</u>	<u>48,410</u>
Municipal Court				
Personal Services	127,545	127,545	117,754	9,791
Materials and Services	<u>70,253</u>	<u>70,253</u>	<u>66,178</u>	<u>4,075</u>
Total Municipal Court	<u>197,798</u>	<u>197,798</u>	<u>183,932</u>	<u>13,866</u>
Nondepartmental				
Materials and Services	<u>70,000</u>	<u>225,000</u>	<u>231,873</u>	<u>(6,873)</u>
Contingency	<u>1,447,436</u>	<u>1,262,096</u>	<u>-</u>	<u>1,262,096</u>
Total expenditures	<u>14,078,837</u>	<u>14,279,587</u>	<u>12,492,338</u>	<u>1,787,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,356,965)</u>	<u>(2,356,965)</u>	<u>(156,043)</u>	<u>2,200,922</u>
Other financing sources (uses):				
Transfers in	1,063,903	883,017	883,017	-
Transfers out	<u>(1,921)</u>	<u>(1,921)</u>	<u>(1,921)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,061,982</u>	<u>881,096</u>	<u>881,096</u>	<u>-</u>
Net change in fund balance	(1,294,983)	(1,475,869)	725,053	2,200,922
Fund Balance:				
Beginning of year	<u>3,497,850</u>	<u>3,497,850</u>	<u>3,648,757</u>	<u>150,907</u>
End of year	<u>\$ 2,202,867</u>	<u>\$ 2,021,981</u>	<u>\$ 4,373,810</u>	<u>\$ 2,351,829</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ -	\$ -	\$ 230,582	\$ 230,582
Intergovernmental revenues	1,017,473	1,017,473	1,072,854	55,381
Investment earnings	21,126	21,126	4,106	(17,020)
Grants and contributions	<u>233,500</u>	<u>233,500</u>	<u>237,935</u>	<u>4,435</u>
Total revenues	<u>1,272,099</u>	<u>1,272,099</u>	<u>1,545,477</u>	<u>273,378</u>
Expenditures:				
Personal services	246,037	271,037	254,025	17,012
Materials and services	771,566	771,566	703,586	67,980
Capital outlay	866,500	866,500	567,132	299,368
Contingency	<u>150,000</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total expenditures	<u>2,034,103</u>	<u>2,034,103</u>	<u>1,524,743</u>	<u>509,360</u>
Net change in fund balance	(762,004)	(762,004)	20,734	782,738
Fund Balance:				
Beginning of year	<u>1,056,286</u>	<u>1,056,286</u>	<u>897,392</u>	<u>(158,894)</u>
End of year	<u>\$ 294,282</u>	<u>\$ 294,282</u>	<u>\$ 918,126</u>	<u>\$ 623,844</u>

**CITY OF FOREST GROVE**  
Notes to Required Supplementary Information  
June 30, 2010

Note 1 - Budgeting

A - 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.

B - Excess of outlays over final appropriations - The General Fund reported expenditures over budgeted amounts for the year ended June 30, 2010. Nondepartmental materials and services expenditures exceeded budgeted amounts by \$6,873.

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	Annual Covered Payroll	Unfunded/ (Surplus) Actuarial Liability/ Payroll
2010	\$ 22,488,913	\$ 34,331,163	\$ 11,842,250	66 %	\$ 9,007,213	132 %
2009	19,562,273	32,169,518	12,607,245	61 %	8,594,171	147 %
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 %
2005	15,772,703	22,469,766	6,697,063	70 %	6,853,015	98 %

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 Employer Contributions - Defined Benefit Single Employer Retirement Plan

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$ 1,063,795	101 %
2009	807,092	118 %
2008	832,428	123 %
2007	817,960	120 %
2006	734,571	121 %
2005	790,589	91 %

Note 4 - Schedule of Funding Progress - Other Postemployment Benefits

Other Postemployment 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
8/1/2006	-	1,452,217	1,452,217	-	N/A	N/A

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

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

**CITY OF FOREST GROVE**

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2010

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 788,069	\$ 7,220,393	\$ 307,498	\$ 8,315,960
Receivables:				
Taxes	-	-	21,642	21,642
Assessments	-	-	159,153	159,153
Accounts	<u>112,360</u>	<u>12,741</u>	<u>-</u>	<u>125,101</u>
Total assets	<u>\$ 900,429</u>	<u>\$ 7,233,134</u>	<u>\$ 488,293</u>	<u>\$ 8,621,856</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 182,039	\$ 117,230	\$ -	\$ 299,269
Accrued payroll and related expenses	8,380	-	-	8,380
Deferred revenue	-	12,741	175,289	188,030
Deposits	<u>685</u>	<u>-</u>	<u>-</u>	<u>685</u>
Total liabilities	<u>191,104</u>	<u>129,971</u>	<u>175,289</u>	<u>496,364</u>
Fund Balances:				
Reserved for:				
Highways and streets	74,319	3,360,200	-	3,434,519
Public safety	45	511,942	-	511,987
Culture and recreation	181,749	374,367	-	556,116
Debt service	-	-	313,004	313,004
Unreserved	<u>453,212</u>	<u>2,856,654</u>	<u>-</u>	<u>3,309,866</u>
Total fund balances	<u>709,325</u>	<u>7,103,163</u>	<u>313,004</u>	<u>8,125,492</u>
Total liabilities and fund balances	<u>\$ 900,429</u>	<u>\$ 7,233,134</u>	<u>\$ 488,293</u>	<u>\$ 8,621,856</u>

**CITY OF FOREST GROVE**

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2010

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
<b>REVENUES:</b>				
Grants and contributions	\$ 5,455	\$ 96,506	\$ -	\$ 101,961
Property taxes	-	-	481,116	481,116
Other taxes	110,294	160,040	-	270,334
Licenses, permits, and fees	453,668	42,883	-	496,551
Intergovernmental revenues	460,002	654,744	-	1,114,746
Charges for services	-	208,307	-	208,307
Fines and forfeitures	2,635	-	-	2,635
Investment earnings	6,155	71,600	12,142	89,897
Special assessments	-	-	14,309	14,309
Other revenue	-	6,978	-	6,978
	<u>1,038,209</u>	<u>1,241,058</u>	<u>507,567</u>	<u>2,786,834</u>
Total revenues				
<b>EXPENDITURES:</b>				
Current:				
General government	906,020	8,439	-	914,459
Public safety	120,425	-	-	120,425
Highways and streets	25,781	-	-	25,781
Culture and recreation	47,909	-	-	47,909
Debt Service:				
Principal	-	-	395,694	395,694
Interest	-	-	165,977	165,977
Capital Outlay	-	629,995	-	629,995
	<u>1,100,135</u>	<u>638,434</u>	<u>561,671</u>	<u>2,300,240</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(61,926)</u>	<u>602,624</u>	<u>(54,104)</u>	<u>486,594</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital contributions	-	224,000	-	224,000
Transfers in	2,333	84,000	-	86,333
Transfers out	-	(161,004)	-	(161,004)
Sale of capital assets	-	11,563	-	11,563
	<u>2,333</u>	<u>158,559</u>	<u>-</u>	<u>160,892</u>
Total other financing sources (uses)				
Net change in fund balances	(59,593)	761,183	(54,104)	647,486
Fund Balances:				
Beginning of year	<u>768,918</u>	<u>6,341,980</u>	<u>367,108</u>	<u>7,478,006</u>
Ending of year	<u>\$ 709,325</u>	<u>\$ 7,103,163</u>	<u>\$ 313,004</u>	<u>\$ 8,125,492</u>

### **NONMAJOR 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.

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  
Nonmajor Special Revenue Funds  
June 30, 2010

	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
<b>ASSETS</b>										
Cash and investments	\$ 443,390	\$ 74,319	\$ 3,000	\$ 5,358	\$ 1,483	\$ 33,610	\$ 199,984	\$ 9,345	\$ 17,580	\$ 788,069
Accounts receivables	-	-	-	-	-	-	-	112,360	-	112,360
Total assets	<u>443,390</u>	<u>74,319</u>	<u>3,000</u>	<u>5,358</u>	<u>1,483</u>	<u>33,610</u>	<u>199,984</u>	<u>121,705</u>	<u>17,580</u>	<u>900,429</u>
<b>LIABILITIES</b>										
Accounts payable	\$ 14,408	\$ -	\$ 3,000	\$ 4,628	\$ -	\$ 1,000	\$ 37,298	\$ 121,705	\$ -	\$ 182,039
Accrued payroll and related expenses	8,380	-	-	-	-	-	-	-	-	8,380
Deposits	-	-	-	685	-	-	-	-	-	685
Total liabilities	<u>22,788</u>	<u>-</u>	<u>3,000</u>	<u>5,313</u>	<u>-</u>	<u>1,000</u>	<u>37,298</u>	<u>121,705</u>	<u>-</u>	<u>191,104</u>
<b>FUND BALANCE</b>										
Reserved for:										
Highways and streets	-	74,319	-	-	-	-	-	-	-	74,319
Public safety	-	-	-	45	-	-	-	-	-	45
Culture and recreation	-	-	-	-	1,483	-	162,686	-	17,580	181,749
Unreserved	<u>420,602</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>453,212</u>
Total fund balances	<u>420,602</u>	<u>74,319</u>	<u>-</u>	<u>45</u>	<u>1,483</u>	<u>32,610</u>	<u>162,686</u>	<u>-</u>	<u>17,580</u>	<u>709,325</u>
Total liabilities and fund balances	<u>\$ 443,390</u>	<u>\$ 74,319</u>	<u>\$ 3,000</u>	<u>\$ 5,358</u>	<u>\$ 1,483</u>	<u>\$ 33,610</u>	<u>\$ 199,984</u>	<u>\$ 121,705</u>	<u>\$ 17,580</u>	<u>\$ 900,429</u>

**CITY OF FOREST GROVE**

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2010

	<u>Building Permits Fund</u>	<u>Street Tree Fund</u>	<u>911 Emergency Fund</u>	<u>Forfeiture Sharing Fund</u>	<u>Library Donations Fund</u>	<u>Community Enhancement Fund</u>	<u>Trail System Fund</u>	<u>Transportation Services Fund</u>	<u>Public Arts Donation Fund</u>	<u>Total</u>
<b>Revenues:</b>										
Grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ -	\$ 4,455	\$ 5,455
Other taxes	-	-	110,294	-	-	-	-	-	-	110,294
Licenses, permits, and fees	434,402	19,266	-	-	-	-	-	-	-	453,668
Intergovernmental revenues	-	-	-	-	-	63,584	-	396,418	-	460,002
Fines and forfeitures	-	-	-	2,635	-	-	-	-	-	2,635
Investment earnings	3,815	771	-	-	-	9	1,534	-	26	6,155
<b>Total revenues</b>	<b>438,217</b>	<b>20,037</b>	<b>110,294</b>	<b>2,635</b>	<b>-</b>	<b>64,593</b>	<b>1,534</b>	<b>396,418</b>	<b>4,481</b>	<b>1,038,209</b>
<b>Expenditures:</b>										
General government	451,314	-	-	-	-	58,288	-	396,418	-	906,020
Public safety	-	-	110,294	10,131	-	-	-	-	-	120,425
Highways and streets	-	25,781	-	-	-	-	-	-	-	25,781
Culture and recreation	-	-	-	-	-	-	47,909	-	-	47,909
<b>Total expenditures</b>	<b>451,314</b>	<b>25,781</b>	<b>110,294</b>	<b>10,131</b>	<b>-</b>	<b>58,288</b>	<b>47,909</b>	<b>396,418</b>	<b>-</b>	<b>1,100,135</b>
Excess (deficiency) of revenues over (under) expenditures	(13,097)	(5,744)	-	(7,496)	-	6,305	(46,375)	-	4,481	(61,926)
<b>Other Financing Sources (Uses):</b>										
Transfers in	-	-	-	-	412	-	-	-	1,921	2,333
<b>Net change in fund balances</b>	<b>(13,097)</b>	<b>(5,744)</b>	<b>-</b>	<b>(7,496)</b>	<b>412</b>	<b>6,305</b>	<b>(46,375)</b>	<b>-</b>	<b>6,402</b>	<b>(59,593)</b>
<b>Fund Balances:</b>										
Beginning of year	433,699	80,063	-	7,541	1,071	26,305	209,061	-	11,178	768,918
<b>End of year</b>	<b>\$ 420,602</b>	<b>\$ 74,319</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ 1,483</b>	<b>\$ 32,610</b>	<b>\$ 162,686</b>	<b>\$ -</b>	<b>\$ 17,580</b>	<b>\$ 709,325</b>

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 179,146	\$ 179,146	\$ 434,402	\$ 255,256
Investment earnings	<u>5,622</u>	<u>5,622</u>	<u>3,815</u>	<u>(1,807)</u>
Total revenues	<u>184,768</u>	<u>184,768</u>	<u>438,217</u>	<u>253,449</u>
Expenditures:				
Personal services	313,405	325,405	312,006	13,399
Materials and services	98,287	98,287	103,099	(4,812)
Capital outlay	-	38,000	36,209	1,791
Contingency	<u>100,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	511,692	511,692	451,314	60,378
Net change in fund balance	(326,924)	(326,924)	(13,097)	313,827
Fund Balance:				
Beginning of year	<u>374,780</u>	<u>374,780</u>	<u>433,699</u>	<u>58,919</u>
End of year	<u>\$ 47,856</u>	<u>\$ 47,856</u>	<u>\$ 420,602</u>	<u>\$ 372,746</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 19,020	\$ 19,020	\$ 19,266	\$ 246
Investment earnings	<u>1,200</u>	<u>1,200</u>	<u>771</u>	<u>(429)</u>
Total revenues	<u>20,220</u>	<u>20,220</u>	<u>20,037</u>	<u>(183)</u>
Expenditures:				
Materials and services	<u>90,440</u>	<u>90,440</u>	<u>25,781</u>	<u>64,659</u>
Net change in fund balance	(70,220)	(70,220)	(5,744)	64,476
Fund Balance:				
Beginning of year	<u>70,220</u>	<u>70,220</u>	<u>80,063</u>	<u>9,843</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,319</u>	<u>\$ 74,319</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	\$ 125,000	\$ 125,000	\$ 110,294	\$ (14,706)
Expenditures:				
Materials and services	125,000	125,000	110,294	14,706
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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 2,635	\$ (2,365)
Expenditures:				
Materials and services	<u>5,533</u>	<u>12,533</u>	<u>10,131</u>	<u>2,402</u>
Net change in fund balance	(533)	(7,533)	(7,496)	37
Fund Balance:				
Beginning of year	<u>533</u>	<u>7,533</u>	<u>7,541</u>	<u>8</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</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, 2010

	<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>1,389</u>	<u>1,389</u>	<u>-</u>	<u>1,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,389)</u>	<u>(1,389)</u>	<u>-</u>	<u>1,389</u>
Other financing sources (uses):				
Transfers in	<u>412</u>	<u>412</u>	<u>412</u>	<u>-</u>
Net change in fund balance	<u>(977)</u>	<u>(977)</u>	<u>412</u>	<u>1,389</u>
Fund Balance:				
Beginning of year	<u>977</u>	<u>977</u>	<u>1,071</u>	<u>(94)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,483</u>	<u>\$ 1,295</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Intergovernmental revenues	\$ 59,380	\$ 59,380	\$ 63,584	\$ 4,204
Investment earnings	-	-	9	9
Grants and contributions	-	-	1,000	1,000
Total revenues	<u>59,380</u>	<u>59,380</u>	<u>64,593</u>	<u>5,213</u>
<b>Expenditures:</b>				
Materials and services	<u>66,063</u>	<u>66,063</u>	<u>58,288</u>	<u>7,775</u>
Net change in fund balance	(6,683)	(6,683)	6,305	12,988
<b>Fund Balance:</b>				
Beginning of year	<u>21,445</u>	<u>21,445</u>	<u>26,305</u>	<u>4,860</u>
End of year	<u>\$ 14,762</u>	<u>\$ 14,762</u>	<u>\$ 32,610</u>	<u>\$ 17,848</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 2,200	\$ 2,200	\$ 1,534	\$ (666)
Expenditures:				
Materials and services	10,000	10,000	-	10,000
Capital outlay	<u>200,556</u>	<u>200,556</u>	<u>47,909</u>	<u>152,647</u>
Total expenditures	<u>210,556</u>	<u>210,556</u>	<u>47,909</u>	<u>162,647</u>
Net change in fund balance	(208,356)	(208,356)	(46,375)	161,981
Fund Balance:				
Beginning of year	<u>208,356</u>	<u>208,356</u>	<u>209,061</u>	<u>705</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,686</u>	<u>\$ 162,686</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 360,000	\$ 430,000	\$ 396,418	\$ (33,582)
Expenditures:				
Materials and services	360,000	430,000	396,418	33,582
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**  
**PUBLIC ARTS DONATION FUND**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Grants and contributions	\$ 1,000	\$ 1,000	\$ 4,455	\$ 3,455
Investment earnings	<u>125</u>	<u>125</u>	<u>26</u>	<u>(99)</u>
Total revenues	<u>1,125</u>	<u>1,125</u>	<u>4,481</u>	<u>3,356</u>
<b>Expenditures:</b>				
Materials and services	<u>13,526</u>	<u>13,526</u>	<u>-</u>	<u>13,526</u>
Excess (deficiency) of revenues over (under) expenditures	(12,401)	(12,401)	4,481	16,882
<b>Other financing sources (uses):</b>				
Transfers in	<u>1,921</u>	<u>1,921</u>	<u>1,921</u>	<u>-</u>
Net change in fund balance	(10,480)	(10,480)	6,402	16,882
<b>Fund Balance:</b>				
Beginning of year	<u>10,480</u>	<u>10,480</u>	<u>11,178</u>	<u>698</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,580</u>	<u>\$ 17,580</u>

## **NONMAJOR 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:

Traffic Impact 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.

Transportation Development Tax Fund – accounts for the collection of fees for the purpose of improving the City's transportation network to meet the impacts of growth. New development will be required to pay the tax when a building permit or occupancy permit is issued.

Park Acquisition and 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.

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.

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.

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

Capital Improvements Program (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  
Nonmajor Capital Projects Funds  
June 30, 2010

	Traffic Impact Fund	Transportation Development Tax Fund	Park Acquisition and Development Fund	Capital Projects Fund	Fire Equipment Replacement Fund	Bike and Pedestrian Pathways Fund	CIP Excise Tax Fund	Total
<b>ASSETS</b>								
Cash and investments	\$ 3,199,813	\$ 160,387	\$ 389,367	\$ 2,863,948	\$ 409,961	\$ 76,814	\$ 120,103	\$ 7,220,393
Accounts receivable	-	-	-	-	-	-	12,741	12,741
Total assets	<u>\$ 3,199,813</u>	<u>\$ 160,387</u>	<u>\$ 389,367</u>	<u>\$ 2,863,948</u>	<u>\$ 409,961</u>	<u>\$ 76,814</u>	<u>\$ 132,844</u>	<u>\$ 7,233,134</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ 91,814	\$ 7,294	\$ 11,827	\$ -	\$ 6,295	\$ 117,230
Deferred revenue	-	-	-	-	-	-	12,741	12,741
Total liabilities	<u>-</u>	<u>-</u>	<u>91,814</u>	<u>7,294</u>	<u>11,827</u>	<u>-</u>	<u>19,036</u>	<u>129,971</u>
<b>FUND BALANCE</b>								
Reserved for:								
Highways and streets	3,199,813	160,387	-	-	-	-	-	3,360,200
Public safety	-	-	-	-	398,134	-	113,808	511,942
Culture and recreation	-	-	297,553	-	-	76,814	-	374,367
Unreserved	-	-	-	2,856,654	-	-	-	2,856,654
Total fund balances	<u>3,199,813</u>	<u>160,387</u>	<u>297,553</u>	<u>2,856,654</u>	<u>398,134</u>	<u>76,814</u>	<u>113,808</u>	<u>7,103,163</u>
Total liabilities and fund balances	<u>\$ 3,199,813</u>	<u>\$ 160,387</u>	<u>\$ 389,367</u>	<u>\$ 2,863,948</u>	<u>\$ 409,961</u>	<u>\$ 76,814</u>	<u>\$ 132,844</u>	<u>\$ 7,233,134</u>

**CITY OF FOREST GROVE**

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

Nonmajor Capital Projects Funds

For the Year Ended June 30, 2010

	Traffic Impact Fund	Transportation Development Tax Fund	Park Acquisition and Development Fund	Capital Projects Fund	Fire Equipment Replacement Fund	Bike and Pedestrian Pathways Fund	CIP Excise Tax Fund	Total
<b>REVENUES:</b>								
Grants and contributions	\$ -	\$ -	\$ -	\$ -	\$ 96,506	\$ -	\$ -	\$ 96,506
Taxes	-	160,040	-	-	-	-	-	160,040
Licenses, permits, and fees	42,850	-	-	-	-	33	-	42,883
Intergovernmental revenues	-	-	-	600,000	45,870	8,874	-	654,744
Charges for services	-	-	-	-	-	-	208,307	208,307
Investment earnings	34,745	347	1,951	28,822	4,230	508	997	71,600
Other revenue	-	-	-	-	6,978	-	-	6,978
<b>Total operating revenues</b>	<b>77,595</b>	<b>160,387</b>	<b>1,951</b>	<b>628,822</b>	<b>153,584</b>	<b>9,415</b>	<b>209,304</b>	<b>1,241,058</b>
<b>EXPENDITURES:</b>								
Materials and services	-	-	-	8,439	-	-	-	8,439
Capital outlay	-	-	333,279	32,003	185,872	-	78,841	629,995
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>333,279</b>	<b>40,442</b>	<b>185,872</b>	<b>-</b>	<b>78,841</b>	<b>638,434</b>
Excess (deficiency) of revenues over (under) expenditures	77,595	160,387	(331,328)	588,380	(32,288)	9,415	130,463	602,624
<b>OTHER FINANCING SOURCES (USES):</b>								
Capital contributions	-	-	224,000	-	-	-	-	224,000
Transfers in	-	-	-	-	84,000	-	-	84,000
Transfers out	-	-	-	-	-	-	(161,004)	(161,004)
Sale of capital assets	-	-	-	-	11,563	-	-	11,563
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>224,000</b>	<b>-</b>	<b>95,563</b>	<b>-</b>	<b>(161,004)</b>	<b>158,559</b>
<b>Net change in fund balances</b>	<b>77,595</b>	<b>160,387</b>	<b>(107,328)</b>	<b>588,380</b>	<b>63,275</b>	<b>9,415</b>	<b>(30,541)</b>	<b>761,183</b>
<b>Fund Balances</b>								
Beginning of year	3,122,218	-	404,881	2,268,274	334,859	67,399	144,349	6,341,980
End of year	\$ 3,199,813	\$ 160,387	\$ 297,553	\$ 2,856,654	\$ 398,134	\$ 76,814	\$ 113,808	\$ 7,103,163

**CITY OF FOREST GROVE**  
**TRAFFIC IMPACT FUND**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 149,969	\$ 149,969	\$ 42,850	\$ (107,119)
Investment earnings	<u>46,275</u>	<u>46,275</u>	<u>34,745</u>	<u>(11,530)</u>
Total revenues	<u>196,244</u>	<u>196,244</u>	<u>77,595</u>	<u>(118,649)</u>
Expenditures:				
Capital outlay	<u>3,281,222</u>	<u>3,281,222</u>	<u>-</u>	<u>3,281,222</u>
Net change in fund balance	(3,084,978)	(3,084,978)	77,595	3,162,573
Fund Balance:				
Beginning of year	<u>3,084,978</u>	<u>3,084,978</u>	<u>3,122,218</u>	<u>37,240</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,199,813</u>	<u>\$ 3,199,813</u>

**CITY OF FOREST GROVE**  
**TRANSPORTATION DEVELOPMENT TAX FUND**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	\$ -	\$ -	\$ 160,040	\$ 160,040
Investment earnings	-	-	347	347
Total revenues	<u>-</u>	<u>-</u>	<u>160,387</u>	<u>160,387</u>
Expenditures:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	160,387	160,387
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,387</u>	<u>\$ 160,387</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 3,500	\$ 3,500	\$ 1,951	\$ (1,549)
System development charges	<u>90,000</u>	<u>90,000</u>	<u>224,000</u>	<u>134,000</u>
Total revenues	<u>93,500</u>	<u>93,500</u>	<u>225,951</u>	<u>132,451</u>
Expenditures:				
Capital outlay	<u>351,641</u>	<u>351,641</u>	<u>333,279</u>	<u>18,362</u>
Net change in fund balance	(258,141)	(258,141)	(107,328)	150,813
Fund Balance:				
Beginning of year	<u>258,141</u>	<u>258,141</u>	<u>404,881</u>	<u>146,740</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,553</u>	<u>\$ 297,553</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Investment earnings	<u>30,000</u>	<u>30,000</u>	<u>28,822</u>	<u>(1,178)</u>
Total revenues	<u>630,000</u>	<u>630,000</u>	<u>628,822</u>	<u>(1,178)</u>
Expenditures:				
Materials and services	25,000	25,000	8,439	16,561
Capital outlay	<u>2,888,194</u>	<u>2,888,194</u>	<u>32,003</u>	<u>2,856,191</u>
Total expenditures	<u>2,913,194</u>	<u>2,913,194</u>	<u>40,442</u>	<u>2,872,752</u>
Net change in fund balance	(2,283,194)	(2,283,194)	588,380	2,871,574
Fund Balance:				
Beginning of year	<u>2,283,194</u>	<u>2,283,194</u>	<u>2,268,274</u>	<u>(14,920)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,856,654</u>	<u>\$ 2,856,654</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Grants and contributions	\$ 128,000	\$ 128,000	\$ 96,506	\$ (31,494)
Intergovernmental revenues	52,550	52,550	45,870	(6,680)
Investment earnings	5,306	5,306	4,230	(1,076)
Other revenue	<u>-</u>	<u>-</u>	<u>6,978</u>	<u>6,978</u>
Total revenues	<u>185,856</u>	<u>185,856</u>	<u>153,584</u>	<u>(32,272)</u>
<b>Expenditures:</b>				
Capital outlay	233,100	233,100	185,872	47,228
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>283,100</u>	<u>283,100</u>	<u>185,872</u>	<u>97,228</u>
Excess (deficiency) of revenues over (under) expenditures	(97,244)	(97,244)	(32,288)	64,956
<b>Other financing sources (uses):</b>				
Transfers in	84,000	84,000	84,000	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>11,563</u>	<u>11,563</u>
Total other financing sources (uses)	<u>84,000</u>	<u>84,000</u>	<u>95,563</u>	<u>11,563</u>
Net change in fund balance	(13,244)	(13,244)	63,275	76,519
<b>Fund Balance:</b>				
Beginning of year	<u>353,716</u>	<u>353,716</u>	<u>334,859</u>	<u>(18,857)</u>
End of year	<u>\$ 340,472</u>	<u>\$ 340,472</u>	<u>\$ 398,134</u>	<u>\$ 57,662</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Licenses, permits, and fees	\$ 50	\$ 50	\$ 33	\$ (17)
Intergovernmental revenues	8,253	8,253	8,874	621
Investment earnings	<u>2,017</u>	<u>2,017</u>	<u>508</u>	<u>(1,509)</u>
Total revenues	<u>10,320</u>	<u>10,320</u>	<u>9,415</u>	<u>(905)</u>
<b>Expenditures:</b>				
Capital outlay	<u>77,555</u>	<u>77,555</u>	-	<u>77,555</u>
Net change in fund balance	(67,235)	(67,235)	9,415	76,650
<b>Fund Balance:</b>				
Beginning of year	<u>67,235</u>	<u>67,235</u>	<u>67,399</u>	<u>164</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,814</u>	<u>\$ 76,814</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 209,000	\$ 209,000	\$ 208,307	\$ (693)
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>997</u>	<u>(3)</u>
Total revenues	<u>210,000</u>	<u>210,000</u>	<u>209,304</u>	<u>(696)</u>
Expenditures:				
Capital outlay	<u>190,731</u>	<u>190,731</u>	<u>78,841</u>	<u>111,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,269</u>	<u>19,269</u>	<u>130,463</u>	<u>111,194</u>
Other financing sources (uses):				
Transfers out	<u>(161,044)</u>	<u>(161,044)</u>	<u>(161,004)</u>	<u>40</u>
Net change in fund balance	(141,775)	(141,775)	(30,541)	111,234
Fund Balance:				
Beginning of year	<u>141,775</u>	<u>141,775</u>	<u>144,349</u>	<u>2,574</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,808</u>	<u>\$ 113,808</u>

### **NONMAJOR DEBT SERVICE FUND**

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

Funds included in this fund category are:

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.

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.

**CITY OF FOREST GROVE**

Combining Balance Sheet

Nonmajor Debt Service Funds

June 30, 2010

	<u>General Debt Service Fund</u>	<u>Special Public Works Debt Service Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 190,364	\$ 117,134	\$ 307,498
Taxes receivables	21,642	-	21,642
Assessments receivables	-	159,153	159,153
Total assets	<u>\$ 212,006</u>	<u>\$ 276,287</u>	<u>\$ 488,293</u>
<b>LIABILITIES</b>			
Deferred revenue	<u>\$ 16,136</u>	<u>\$ 159,153</u>	<u>\$ 175,289</u>
Total liabilities	<u>16,136</u>	<u>159,153</u>	<u>175,289</u>
<b>FUND BALANCE</b>			
Reserved for:			
Debt service	<u>195,870</u>	<u>117,134</u>	<u>313,004</u>
Total fund balances	<u>195,870</u>	<u>117,134</u>	<u>313,004</u>
Total liabilities and fund balances	<u>\$ 212,006</u>	<u>\$ 276,287</u>	<u>\$ 488,293</u>

**CITY OF FOREST GROVE**

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

Nonmajor Debt Service Funds

For the Year Ended June 30, 2010

	<u>General Debt Service Fund</u>	<u>Special Public Works Debt Service Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Property taxes	\$ 481,116	\$ -	\$ 481,116
Special assessments	-	14,309	14,309
Investment earnings	<u>2,853</u>	<u>9,289</u>	<u>12,142</u>
Total operating revenues	<u>483,969</u>	<u>23,598</u>	<u>507,567</u>
<b>EXPENDITURES:</b>			
Debt Service:			
Principal	330,000	65,694	395,694
Interest	<u>151,608</u>	<u>14,369</u>	<u>165,977</u>
Total Operating Expenses	<u>481,608</u>	<u>80,063</u>	<u>561,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,361</u>	<u>(56,465)</u>	<u>(54,104)</u>
Net change in fund balances	2,361	(56,465)	(54,104)
Fund Balances			
Beginning of year	<u>193,509</u>	<u>173,599</u>	<u>367,108</u>
End of year	<u>\$ 195,870</u>	<u>\$ 117,134</u>	<u>\$ 313,004</u>

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 481,608	\$ 481,608	\$ 481,116	\$ (492)
Investment earnings	<u>4,000</u>	<u>4,000</u>	<u>2,853</u>	<u>(1,147)</u>
Total revenues	<u>485,608</u>	<u>485,608</u>	<u>483,969</u>	<u>(1,639)</u>
Expenditures:				
Debt service	<u>481,608</u>	<u>481,608</u>	<u>481,608</u>	<u>-</u>
Net change in fund balance	4,000	4,000	2,361	(1,639)
Fund Balance:				
Beginning of year	<u>190,069</u>	<u>190,069</u>	<u>193,509</u>	<u>3,440</u>
End of year	<u>\$ 194,069</u>	<u>\$ 194,069</u>	<u>\$ 195,870</u>	<u>\$ 1,801</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 42,765	\$ 42,765	\$ 9,289	\$ (33,476)
Special assessments	<u>6,700</u>	<u>6,700</u>	<u>14,309</u>	<u>7,609</u>
Total revenues	<u>49,465</u>	<u>49,465</u>	<u>23,598</u>	<u>(25,867)</u>
Expenditures:				
Debt service	<u>80,064</u>	<u>80,064</u>	<u>80,063</u>	<u>1</u>
Net change in fund balance	(30,599)	(30,599)	(56,465)	(25,866)
Fund Balance:				
Beginning of year	<u>60,866</u>	<u>60,866</u>	<u>173,599</u>	<u>112,733</u>
End of year	<u>\$ 30,267</u>	<u>\$ 30,267</u>	<u>\$ 117,134</u>	<u>\$ 86,867</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Licenses, permits, and fees	\$ 22,000	\$ 22,000	\$ 53,841	\$ 31,841
Charges for services	13,021,739	13,021,739	13,162,413	140,674
Sale of materials	15,000	15,000	12,870	(2,130)
Investment earnings	115,000	115,000	52,479	(62,521)
Reimbursements	50,000	50,000	170,781	120,781
Grants and contributions	<u>2,000</u>	<u>2,000</u>	<u>95,809</u>	<u>93,809</u>
Total revenues	<u>13,225,739</u>	<u>13,225,739</u>	<u>13,548,193</u>	<u>322,454</u>
<b>Expenditures:</b>				
Personal services	2,846,166	2,936,166	2,845,702	90,464
Materials and services	1,139,166	10,499,804	9,780,845	718,959
Capital outlay	649,500	706,500	658,208	48,292
Contingency	<u>1,985,611</u>	<u>1,838,611</u>	<u>-</u>	<u>1,838,611</u>
Total expenditures	<u>6,620,443</u>	<u>15,981,081</u>	<u>13,284,755</u>	<u>2,696,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,605,296</u>	<u>(2,755,342)</u>	<u>263,438</u>	<u>3,018,780</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(764,889)</u>	<u>(1,404,251)</u>	<u>(760,161)</u>	<u>644,090</u>
Net change in fund balance	5,840,407	(4,159,593)	(496,723)	3,662,870
<b>Fund Balance:</b>				
Beginning of year	<u>5,367,118</u>	<u>5,367,118</u>	<u>6,553,247</u>	<u>1,186,129</u>
End of year	<u>\$ 11,207,525</u>	<u>\$ 1,207,525</u>	\$ 6,056,524	<u>\$ 4,848,999</u>
<b>Reconciliation to GAAP Basis:</b>				
Inventory			410,952	
Capital assets, net			14,048,812	
Compensated absences			<u>(137,549)</u>	
Total net assets - end of year			<u>\$ 20,378,739</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Licenses, permits, and fees	\$ -	\$ -	\$ 1,000	\$ 1,000
Charges for services	3,889,792	3,889,792	3,837,447	(52,345)
Investment earnings	<u>23,711</u>	<u>23,711</u>	<u>15,857</u>	<u>(7,854)</u>
Total revenues	<u>3,913,503</u>	<u>3,913,503</u>	<u>3,854,304</u>	<u>(59,199)</u>
<b>Expenditures:</b>				
Personal services	288,509	288,509	238,322	50,187
Materials and services	3,434,242	3,434,242	3,341,120	93,122
Capital outlay	302,250	302,250	756	301,494
Debt service	94,005	94,005	94,005	-
Contingency	<u>770,422</u>	<u>770,422</u>	<u>-</u>	<u>770,422</u>
Total expenditures	<u>4,889,428</u>	<u>4,889,428</u>	<u>3,674,203</u>	<u>1,215,225</u>
Excess (deficiency) of revenues over (under) expenditures	(975,925)	(975,925)	180,101	1,156,026
<b>Other financing sources (uses):</b>				
Transfers out	<u>(54,835)</u>	<u>(54,835)</u>	<u>(54,835)</u>	<u>-</u>
Net change in fund balance	(1,030,760)	(1,030,760)	125,266	1,156,026
<b>Fund Balance:</b>				
Beginning of year	<u>1,580,760</u>	<u>1,580,760</u>	<u>1,656,469</u>	<u>75,709</u>
End of year	<u>\$ 550,000</u>	<u>\$ 550,000</u>	\$ 1,781,735	<u>\$ 1,231,735</u>
<b>Reconciliation to GAAP Basis:</b>				
Inventory			7,390	
Capital assets, net			8,164,508	
Accrued interest			(22,591)	
Long-term debt			<u>(1,356,117)</u>	
Total net assets - end of year			<u>\$ 8,574,925</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 5,000	\$ 5,000	\$ 8,931	\$ 3,931
Charges for services	2,672,448	2,672,448	2,594,609	(77,839)
Sales of materials	1,009,749	1,009,749	811,517	(198,232)
Investment earnings	52,654	52,654	19,282	(33,372)
Reimbursements	-	-	1,010	1,010
Rental income	<u>35,928</u>	<u>35,928</u>	<u>35,929</u>	<u>1</u>
Total revenues	<u>3,775,779</u>	<u>3,775,779</u>	<u>3,471,278</u>	<u>(304,501)</u>
Expenditures:				
Personal services	940,736	940,736	885,240	55,496
Materials and services	2,339,207	2,339,207	1,992,301	346,906
Capital outlay	721,631	721,631	268,119	453,512
Debt service	482,816	482,816	482,816	-
Contingency	<u>843,250</u>	<u>833,250</u>	<u>-</u>	<u>833,250</u>
Total expenditures	<u>5,327,640</u>	<u>5,317,640</u>	<u>3,628,476</u>	<u>1,689,164</u>
Excess (deficiency) of revenues over (under) expenditures	(1,551,861)	(1,541,861)	(157,198)	1,384,663
Other financing sources (uses):				
Transfers out	<u>(175,686)</u>	<u>(185,686)</u>	<u>(180,415)</u>	<u>5,271</u>
Net change in fund balance	(1,727,547)	(1,727,547)	(337,613)	1,389,934
Fund Balance:				
Beginning of year	<u>2,632,723</u>	<u>2,632,723</u>	<u>2,634,782</u>	<u>2,059</u>
End of year	<u>\$ 905,176</u>	<u>\$ 905,176</u>	\$ 2,297,169	<u>\$ 1,391,993</u>
Reconciliation to GAAP Basis:				
Inventory			131,768	
Investment in joint venture			8,518,552	
Capital assets, net			10,751,097	
Intangibles, net			745,025	
Accrued interest			(40,942)	
Compensated absences			(123,560)	
Long-term debt			<u>(5,064,562)</u>	
Total net assets - end of year			<u>\$ 17,214,547</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 693,684	\$ 693,684	\$ 700,171	\$ 6,487
Investment earnings	<u>9,071</u>	<u>9,071</u>	<u>2,715</u>	<u>(6,356)</u>
Total revenues	<u>702,755</u>	<u>702,755</u>	<u>702,886</u>	<u>131</u>
Expenditures:				
Personal services	249,418	299,418	275,467	23,951
Materials and services	422,842	422,842	413,942	8,900
Capital outlay	176,000	176,000	129,291	46,709
Contingency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>898,260</u>	<u>898,260</u>	<u>818,700</u>	<u>79,560</u>
Excess (deficiency) of revenues over (under) expenditures	(195,505)	(195,505)	(115,814)	79,691
Other financing sources (uses):				
Transfers out	<u>(34,606)</u>	<u>(34,606)</u>	<u>(34,606)</u>	<u>-</u>
Net change in fund balance	(230,111)	(230,111)	(150,420)	79,691
Fund Balance:				
Beginning of year	<u>453,559</u>	<u>453,559</u>	<u>499,559</u>	<u>46,000</u>
End of year	<u>\$ 223,448</u>	<u>\$ 223,448</u>	<u>\$ 349,139</u>	<u>\$ 125,691</u>
Reconciliation to GAAP Basis:				
Capital assets, net			<u>6,116,107</u>	
Total net assets - end of year			<u>\$ 6,465,246</u>	

**CITY OF FOREST GROVE**

Combining Balance Sheet

Nonmajor Enterprise Funds

June 30, 2010

	<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>
<b>ASSETS</b>				
Cash and investments	<u>\$ 1,131,120</u>	<u>\$ 1,334,493</u>	<u>\$ 225,322</u>	<u>\$ 2,690,935</u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 50,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,330</u>
<b>NET ASSETS</b>				
Restricted for systems development	<u>1,080,790</u>	<u>1,334,493</u>	<u>225,322</u>	<u>2,640,605</u>
Total liabilities and net assets	<u>\$ 1,131,120</u>	<u>\$ 1,334,493</u>	<u>\$ 225,322</u>	<u>\$ 2,690,935</u>

**CITY OF FOREST GROVE**

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

Nonmajor Enterprise Funds

For the Year Ended June 30, 2010

	<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:	\$ -	\$ -	\$ -	\$ -
Operating expenses:				
System operation and maintenance	252,585	-	-	252,585
General and administrative costs	<u>-</u>	<u>434</u>	<u>87,773</u>	<u>88,207</u>
Total operating expenses	<u>252,585</u>	<u>434</u>	<u>87,773</u>	<u>340,792</u>
Operating income (loss)	<u>(252,585)</u>	<u>(434)</u>	<u>(87,773)</u>	<u>(340,792)</u>
Nonoperating revenues (expenses):				
Investment earnings	<u>9,673</u>	<u>11,563</u>	<u>517</u>	<u>21,753</u>
Income (loss) before contributions and transfers	<u>(242,912)</u>	<u>11,129</u>	<u>(87,256)</u>	<u>(319,039)</u>
Contributions and transfers:				
Capital contributions	315,731	348,085	37,581	701,397
Transfers out	<u>(121,995)</u>	<u>-</u>	<u>-</u>	<u>(121,995)</u>
Total contributions and transfers	<u>193,736</u>	<u>348,085</u>	<u>37,581</u>	<u>579,402</u>
Change in net assets	(49,176)	359,214	(49,675)	260,363
Net Assets:				
Beginning of year	<u>1,129,966</u>	<u>975,279</u>	<u>274,997</u>	<u>2,380,242</u>
End of year	<u>\$ 1,080,790</u>	<u>\$ 1,334,493</u>	<u>\$ 225,322</u>	<u>\$ 2,640,605</u>

**CITY OF FOREST GROVE**

Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2010

	<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>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to suppliers and contractors	\$ (240,996)	\$ (434)	\$ (88,773)	\$ (330,203)
Net cash provided (used) by operating activities	<u>(240,996)</u>	<u>(434)</u>	<u>(88,773)</u>	<u>(330,203)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
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>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	<u>315,731</u>	<u>348,085</u>	<u>37,581</u>	<u>701,397</u>
Net cash provided (used) by capital and related financing activities	<u>315,731</u>	<u>348,085</u>	<u>37,581</u>	<u>701,397</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends received	<u>9,673</u>	<u>11,563</u>	<u>517</u>	<u>21,753</u>
Net change in cash and investments	(37,587)	359,214	(50,675)	270,952
Cash and investments:				
Beginning of year	<u>1,168,707</u>	<u>975,279</u>	<u>275,997</u>	<u>2,419,983</u>
End of year	<u>\$ 1,131,120</u>	<u>\$ 1,334,493</u>	<u>\$ 225,322</u>	<u>\$ 2,690,935</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (252,585)	\$ (434)	\$ (87,773)	\$ (340,792)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Accounts payable	<u>11,589</u>	<u>-</u>	<u>(1,000)</u>	<u>10,589</u>
Net cash provided (used) by operating activities	<u>\$ (240,996)</u>	<u>\$ (434)</u>	<u>\$ (88,773)</u>	<u>\$ (330,203)</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses, permits, and fees	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
System development charges	108,000	268,000	315,731	47,731
Investment earnings	<u>16,682</u>	<u>16,682</u>	<u>9,673</u>	<u>(7,009)</u>
Total revenues	<u>126,682</u>	<u>286,682</u>	<u>325,404</u>	<u>38,722</u>
Expenditures:				
Materials and services	103,680	263,680	252,585	11,095
Capital outlay	4,000	4,000	-	4,000
Debt service	121,995	121,995	121,995	-
Contingency	<u>884,145</u>	<u>884,145</u>	<u>-</u>	<u>884,145</u>
Total expenditures	<u>1,113,820</u>	<u>1,273,820</u>	<u>374,580</u>	<u>899,240</u>
Net change in fund balance	(987,138)	(987,138)	(49,176)	937,962
Fund Balance:				
Beginning of year	<u>1,112,138</u>	<u>1,112,138</u>	<u>1,129,966</u>	<u>17,828</u>
End of year	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 1,080,790</u>	<u>\$ 955,790</u>

**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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
System development charges	\$ 120,000	\$ 120,000	\$ 348,085	\$ 228,085
Investment earnings	<u>13,242</u>	<u>13,242</u>	<u>11,563</u>	<u>(1,679)</u>
Total revenues	<u>133,242</u>	<u>133,242</u>	<u>359,648</u>	<u>226,406</u>
Expenditures:				
Capital outlay	390,000	390,000	434	389,566
Contingency	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>440,000</u>	<u>440,000</u>	<u>434</u>	<u>439,566</u>
Net change in fund balance	(306,758)	(306,758)	359,214	665,972
Fund Balance:				
Beginning of year	<u>882,820</u>	<u>882,820</u>	<u>975,279</u>	<u>92,459</u>
End of year	<u>\$ 576,062</u>	<u>\$ 576,062</u>	<u>\$ 1,334,493</u>	<u>\$ 758,431</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
System development charges	\$ 48,120	\$ 48,120	\$ 37,581	\$ (10,539)
Investment earnings	<u>3,921</u>	<u>3,921</u>	<u>517</u>	<u>(3,404)</u>
Total revenues	<u>52,041</u>	<u>52,041</u>	<u>38,098</u>	<u>(13,943)</u>
<b>Expenditures:</b>				
Capital outlay	226,000	226,000	87,773	138,227
Contingency	<u>87,468</u>	<u>87,468</u>	<u>-</u>	<u>87,468</u>
Total expenditures	<u>313,468</u>	<u>313,468</u>	<u>87,773</u>	<u>225,695</u>
Net change in fund balance	(261,427)	(261,427)	(49,675)	211,752
<b>Fund Balance:</b>				
Beginning of year	<u>261,427</u>	<u>261,427</u>	<u>274,997</u>	<u>13,570</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,322</u>	<u>\$ 225,322</u>

### **INTERNAL SERVICE 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 Balance Sheet

Internal Service Funds

June 30, 2010

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>City Utility Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 591,382	\$ 220,908	\$ -	\$ 500,352	\$ 1,312,642
Accounts receivables	-	-	-	1,940	1,940
Capital assets, net of accumulated depreciation	<u>-</u>	<u>1,104,799</u>	<u>-</u>	<u>-</u>	<u>1,104,799</u>
Total assets	<u>\$ 591,382</u>	<u>\$ 1,325,707</u>	<u>\$ -</u>	<u>\$ 502,292</u>	<u>\$ 2,419,381</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 13,738	\$ 26,643	\$ -	\$ 15,350	\$ 55,731
Accrued payroll and related expenses	<u>-</u>	<u>4,895</u>	<u>-</u>	<u>-</u>	<u>4,895</u>
Total current liabilities	<u>13,738</u>	<u>31,538</u>	<u>-</u>	<u>15,350</u>	<u>60,626</u>
Noncurrent liabilities:					
Compensated absences	<u>-</u>	<u>4,893</u>	<u>-</u>	<u>-</u>	<u>4,893</u>
Total liabilities	<u>13,738</u>	<u>36,431</u>	<u>-</u>	<u>15,350</u>	<u>65,519</u>
<b>NET ASSETS</b>					
Invested in capital assets	-	1,104,799	-	-	1,104,799
Unrestricted	<u>577,644</u>	<u>184,477</u>	<u>-</u>	<u>486,942</u>	<u>1,249,063</u>
Total net assets	<u>577,644</u>	<u>1,289,276</u>	<u>-</u>	<u>486,942</u>	<u>2,353,862</u>
Total liabilities and net assets	<u>\$ 591,382</u>	<u>\$ 1,325,707</u>	<u>\$ -</u>	<u>\$ 502,292</u>	<u>\$ 2,419,381</u>

**CITY OF FOREST GROVE**

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

Internal Service Funds

For the Year Ended June 30, 2010

	<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	\$ 220,000	\$ 598,149	\$ -	\$ 467,208	\$ 1,285,357
Operating grant	96,390	-	-	-	96,390
Other revenue	-	-	-	8,511	8,511
Total operating revenues	<u>316,390</u>	<u>598,149</u>	<u>-</u>	<u>475,719</u>	<u>1,390,258</u>
Operating expenses:					
Operations and maintenance	228,365	469,853	147,000	325,051	1,170,269
General fund administrative charges	-	3,348	-	-	3,348
Depreciation	-	165,606	-	-	165,606
Total operating expenses	<u>228,365</u>	<u>638,807</u>	<u>147,000</u>	<u>325,051</u>	<u>1,339,223</u>
Operating income (loss)	<u>88,025</u>	<u>(40,658)</u>	<u>(147,000)</u>	<u>150,668</u>	<u>51,035</u>
Nonoperating revenues (expenses):					
Investment earnings	5,627	1,240	-	5,284	12,151
Gain (loss) on sale of capital assets	-	6,080	-	-	6,080
Income (loss) before contributions and transfers	93,652	(33,338)	(147,000)	155,952	69,266
Contributions and transfers:					
Transfers in	-	77,004	147,000	-	224,004
Total contributions and transfers	-	77,004	147,000	-	224,004
Change in net assets	93,652	43,666	-	155,952	293,270
Net Assets:					
Beginning of year	<u>483,992</u>	<u>1,245,610</u>	<u>-</u>	<u>330,990</u>	<u>2,060,592</u>
End of year	<u>\$ 577,644</u>	<u>\$ 1,289,276</u>	<u>\$ -</u>	<u>\$ 486,942</u>	<u>\$ 2,353,862</u>

**CITY OF FOREST GROVE**

Combining Statement of Cash Flows

Internal Service Funds

For the Year Ended June 30, 2010

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>City Utility Fund</u>	<u>Risk Management Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments for interfund services provided	\$ 220,000	\$ 598,149	\$ -	\$ 473,779	\$ 1,291,928
Payments to suppliers and contractors	(234,735)	(274,119)	(147,000)	(346,601)	(1,002,455)
Payments to employees	<u>-</u>	<u>(194,035)</u>	<u>-</u>	<u>-</u>	<u>(194,035)</u>
Net cash provided (used) by operating activities	<u>(14,735)</u>	<u>129,995</u>	<u>(147,000)</u>	<u>127,178</u>	<u>95,438</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	77,004	147,000	-	224,004
Operating grants	<u>96,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,390</u>
Net cash provided (used) by noncapital financing activities	<u>96,390</u>	<u>77,004</u>	<u>147,000</u>	<u>-</u>	<u>320,394</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	-	(235,640)	-	-	(235,640)
Proceeds from sale of capital assets	<u>-</u>	<u>19,739</u>	<u>-</u>	<u>-</u>	<u>19,739</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(215,901)</u>	<u>-</u>	<u>-</u>	<u>(215,901)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest and dividends received	<u>5,627</u>	<u>1,240</u>	<u>-</u>	<u>5,284</u>	<u>12,151</u>
Net change in cash and investments	87,282	(7,662)	-	132,462	212,082
Cash and investments:					
Beginning of year	<u>504,100</u>	<u>228,570</u>	<u>-</u>	<u>367,890</u>	<u>1,100,560</u>
End of year	<u>\$ 591,382</u>	<u>\$ 220,908</u>	<u>\$ -</u>	<u>\$ 500,352</u>	<u>\$ 1,312,642</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>					
Operating income (loss)	\$ 88,025	\$ (40,658)	\$ (147,000)	\$ 150,668	\$ 51,035
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	-	165,606	-	-	165,606
Operating grant	(96,390)	-	-	-	(96,390)
(Increase) decrease in assets:					
Accounts receivable	-	-	-	(1,940)	(1,940)
Accounts payable	(6,370)	6,017	-	(21,550)	(21,903)
Accrued payroll	-	690	-	-	690
Compensated absences	<u>-</u>	<u>(1,660)</u>	<u>-</u>	<u>-</u>	<u>(1,660)</u>
Net cash provided (used) by operating activities	<u>\$ (14,735)</u>	<u>\$ 129,995</u>	<u>\$ (147,000)</u>	<u>\$ 127,178</u>	<u>\$ 95,438</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 219,998	\$ 219,998	\$ 220,000	\$ 2
Investment earnings	5,000	5,000	5,627	627
Grants and contributions	8,531	104,921	96,390	(8,531)
Other revenue	-	2,500	-	(2,500)
Total revenues	<u>233,529</u>	<u>332,419</u>	<u>322,017</u>	<u>(10,402)</u>
Expenditures:				
Materials and services	199,572	202,072	120,495	81,577
Capital outlay	111,151	207,541	107,870	99,671
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>320,723</u>	<u>419,613</u>	<u>228,365</u>	<u>191,248</u>
Net change in fund balance	(87,194)	(87,194)	93,652	180,846
Fund Balance:				
Beginning of year	<u>456,404</u>	<u>456,404</u>	<u>483,992</u>	<u>27,588</u>
End of year	<u>\$ 369,210</u>	<u>\$ 369,210</u>	<u>\$ 577,644</u>	<u>\$ 208,434</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 592,164	\$ 592,164	\$ 598,149	\$ 5,985
Investment earnings	<u>3,895</u>	<u>3,895</u>	<u>1,240</u>	<u>(2,655)</u>
Total revenues	<u>596,059</u>	<u>596,059</u>	<u>599,389</u>	<u>3,330</u>
<b>Expenditures:</b>				
Personal services	192,149	204,149	193,065	11,084
Materials and services	352,377	352,377	327,183	25,194
Capital outlay	167,000	194,500	184,179	10,321
Contingency	<u>50,000</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>
Total expenditures	<u>761,526</u>	<u>761,526</u>	<u>704,427</u>	<u>57,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(165,467)</u>	<u>(165,467)</u>	<u>(105,038)</u>	<u>60,429</u>
<b>Other financing sources (uses):</b>				
Transfers in	77,004	77,004	77,004	-
Sale of capital assets	<u>15,000</u>	<u>15,000</u>	<u>13,665</u>	<u>(1,335)</u>
Net change in fund balance	(73,463)	(73,463)	(14,369)	59,094
<b>Fund Balance:</b>				
Beginning of year	<u>194,751</u>	<u>194,751</u>	<u>203,739</u>	<u>8,988</u>
End of year	<u>\$ 121,288</u>	<u>\$ 121,288</u>	\$ 189,370	<u>\$ 68,082</u>
<b>Reconciliation to GAAP Basis:</b>				
Capital assets, net			1,104,799	
Compensated absences			<u>(4,893)</u>	
Total net assets - end of year			<u>\$ 1,289,276</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, 2010

	<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>147,000</u>	<u>147,000</u>	<u>147,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(147,000)</u>	<u>(147,000)</u>	<u>(147,000)</u>	<u>-</u>
Other financing sources (uses):				
Transfers in	<u>147,000</u>	<u>147,000</u>	<u>147,000</u>	<u>-</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 466,027	\$ 466,027	\$ 467,208	\$ 1,181
Investment earnings	4,200	4,200	5,284	1,084
Other revenue	<u>-</u>	<u>-</u>	<u>8,511</u>	<u>8,511</u>
Total revenues	<u>470,227</u>	<u>470,227</u>	<u>481,003</u>	<u>10,776</u>
<b>Expenditures:</b>				
Materials and services	470,227	470,227	325,051	145,176
Contingency	<u>70,534</u>	<u>70,534</u>	<u>-</u>	<u>70,534</u>
Total expenditures	<u>540,761</u>	<u>540,761</u>	<u>325,051</u>	<u>215,710</u>
Net change in fund balance	(70,534)	(70,534)	155,952	226,486
<b>Fund Balance:</b>				
Beginning of year	<u>338,978</u>	<u>338,978</u>	<u>330,990</u>	<u>(7,988)</u>
End of year	<u>\$ 268,444</u>	<u>\$ 268,444</u>	<u>\$ 486,942</u>	<u>\$ 218,498</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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 412	\$ 412	\$ 368	\$ (44)
Other financing sources (uses):				
Transfers out	<u>(412)</u>	<u>(412)</u>	<u>(412)</u>	<u>-</u>
Net change in fund balance	-	-	(44)	(44)
Fund Balance:				
Beginning of year	<u>41,236</u>	<u>41,236</u>	<u>41,499</u>	<u>263</u>
End of year	<u>\$ 41,236</u>	<u>\$ 41,236</u>	<u>\$ 41,455</u>	<u>\$ 219</u>

AGENCY FUND

**CITY OF FOREST GROVE**  
 Unsegregated Tax and Interest Agency Fund  
 Statement of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2010

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
Assets:				
Cash and investments	<u>\$ 212,788</u>	<u>\$ 294,062</u>	<u>\$ 205,404</u>	<u>\$ 301,446</u>
Liabilities:				
Money held for others	<u>\$ 212,788</u>	<u>\$ 294,062</u>	<u>\$ 205,404</u>	<u>\$ 301,446</u>

OTHER SUPPLEMENTARY INFORMATION

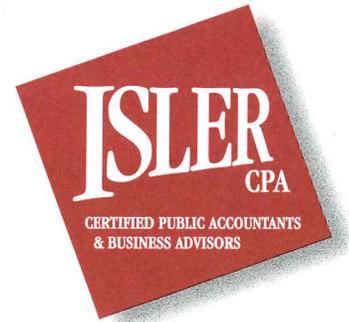
**CITY OF FOREST GROVE**

Schedule of Property Tax Transactions

Year ended June 30, 2010

	<u>Tax Year</u>	<u>Uncollected as of July 1, 2009</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected as of June 30, 2010</u>
Current year:	2010	-	6,638,681	(166,901)	(20,977)	(6,265,736)	185,067
Prior years:	2009	195,621	-	231	(10,936)	(114,528)	70,388
	2008	46,802	-	79	(4,077)	(19,157)	23,647
	2007	16,942	-	30	(1,858)	(9,104)	6,010
	2006	4,602	-	20	(693)	(2,552)	1,377
	2005	1,988	-	15	(614)	(51)	1,338
	prior	2,745	-	8	(343)	(163)	2,247
Total		<u>\$ 268,700</u>	<u>\$ 6,638,681</u>	<u>\$ (166,518)</u>	<u>\$ (39,498)</u>	<u>\$ (6,411,291)</u>	<u>\$ 290,074</u>

COMPLIANCE SECTION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS***

To the Honorable Mayor, Members of the  
City Council and the City Manager  
City of Forest Grove, Oregon

We have audited the basic financial statements of City of Forest Grove, Oregon (City) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

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 including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption and execution of the City's budget for the year ending June 30, 2011.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The requirements pertaining to the use of revenue from taxes on motor vehicle use fuel funds.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.
- Schedule of Accountability for Independently Elected Officials - The City does not have any elected officials collecting or receiving money.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Except as listed below, the results of our tests disclosed no instances of noncompliance that are required to be reported under Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State.

1. Overexpenditures as described in the Note 2 to the financial statements.
2. The June 30, 2010 annual financial report was not timely filed with the State of Oregon.

**Internal Control Over Financial Reporting**

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.

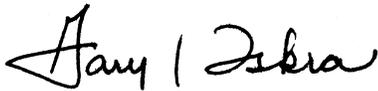
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

We have separately communicated suggestions for improvement of the City's processes in a letter to management dated January 20, 2011.

This report is intended solely for the information of the Honorable Mayor, members of the City Council, the City Manager, management for the City of Forest Grove, and the Oregon Secretary of State Audits Division and is not intended to be and should not be used by anyone other than those specified parties.

ISLER CPA

A handwritten signature in black ink that reads "Gary Iskra". The signature is written in a cursive style with a large, stylized initial "G".

By Gary Iskra, CPA, a member of the firm  
January 20, 2011