



**Forest Grove, Oregon
ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2013

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**CITY OF FOREST GROVE
OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2013**

**TERM EXPIRES
November**

MAYOR

Peter Truax 3131 Forest Gale Drive Forest Grove, OR 97116	2014
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CITY COUNCIL

Richard Kidd 3022 Watercrest Road Forest Grove, OR 97116	2016
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Thomas Johnston 2323 15 th Avenue Forest Grove, OR 97116	2014
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Camille Miller 2410 Pansy Court Forest Grove, OR 97116	2014
--	------

Victoria Lowe 3206 17 th Place Forest Grove, OR 97116	2016
--	------

Ronald Thompson 3231 Lavina Drive Forest Grove, OR 97116	2014
--	------

Elena Uhing 1633 Pacific Avenue Forest Grove, OR 97116	2016
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CITY MANAGER

Michael Sykes

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
CITY OF FOREST GROVE
Forest Grove, Oregon

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 **CITY OF FOREST GROVE**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 OF FOREST GROVE**, as of June 30, 2013, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General and Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through f be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 31, 2013, on our consideration of the CITY OF FOREST GROVE's compliance with certain provisions of laws and regulation, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 31, 2013

By:



Bradley G. Bingenheimer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This discussion and analysis presents the highlights of financial activities and financial position for the City of Forest Grove. Management discussion and analysis focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$106.3 million at June 30, 2013. Of this amount, \$29.0 million were reported as unrestricted net assets which may be used to meet the City's obligations to its citizens and creditors.
- During the year, the City's net assets increased by \$6.4 million. The reasons for the increases are discussed later in this Management Discussion and Analysis.
- The General Fund reported a fund balance this year of \$4,238,416 which is a decrease of \$525,860 from the prior fiscal year. The primary reason for the decrease in fund balance is the purchase of property in the downtown business area for \$800,000. In FY 2013-14, funds will be transferred to reimburse the General Fund for the purchase of this property.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 position and how it has changed. Net position - the difference between the City's assets and liabilities - is one way to measure financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, planning and building and safety, streets and storm drainage, solid waste, economic development, culture and recreation, and interest on long-term debt. Property taxes, franchise taxes, permits and fees, and intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following types of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Enterprise funds* - Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Internal service funds* are used to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds* - The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$ 20,033	\$ 18,241	\$ 26,162	\$ 23,861	\$ 46,195	\$ 42,102
Capital assets	<u>30,390</u>	<u>29,790</u>	<u>40,936</u>	<u>39,752</u>	<u>71,326</u>	<u>69,542</u>
Total assets	<u>50,423</u>	<u>48,031</u>	<u>67,098</u>	<u>63,613</u>	<u>117,521</u>	<u>111,644</u>
LIABILITIES						
Current and other liabilities	1,070	1,104	1,506	1,257	2,576	2,361
Long-term debt	<u>3,077</u>	<u>3,394</u>	<u>5,588</u>	<u>6,025</u>	<u>8,665</u>	<u>9,491</u>
Total liabilities	<u>4,147</u>	<u>4,498</u>	<u>7,094</u>	<u>7,282</u>	<u>11,241</u>	<u>11,852</u>
NET POSITION						
Net investment in capital assets	28,885	27,842	35,876	34,199	64,761	62,041
Restricted	8,224	6,473	4,259	3,308	12,483	9,781
Unrestricted	<u>9,167</u>	<u>9,218</u>	<u>19,868</u>	<u>18,823</u>	<u>29,035</u>	<u>28,041</u>
Total net position	<u>\$ 46,276</u>	<u>\$ 43,533</u>	<u>\$ 60,003</u>	<u>\$ 56,330</u>	<u>\$ 106,279</u>	<u>\$ 99,863</u>

Governmental Activities

Capital assets represent 62.4% of the total governmental assets. The increase in capital assets is mostly due to the purchase of property in the downtown business area and smaller construction projects, consisting mainly of new sidewalks along City streets and within City parks which were completed during the fiscal year.

The increase in total net position is primarily due to: 1) the increase in net investment in capital assets; and 2) the collection of transportation development taxes due to an unexpected surge in development.

Business-type Activities

Capital assets represent 60.0% of the total business-type assets. The reasons for the increase in capital assets, after subtracting depreciation expense, are: 1) the addition of infrastructure built by developers and dedicated to the City; 2) the remodeling of the Light and Power Office Building and the completion of street improvements related to that facility; and 3) substation and system improvements for the Light Fund. There were numerous small capital purchases of equipment in the other business-type funds but no major capital purchases in those funds.

The increase in total net position is due to: 1) the increase in net investment in capital assets; 2) a prior-period adjustment to accrue additional accounts receivable which had not been previously reported; and 3) the collection of system development charges due to an unexpected surge in development.

CITY OF FOREST GROVE - CHANGE IN NET ASSETS

(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Program revenues:						
Charges for services	\$ 7,695	\$ 7,086	\$ 19,363	\$ 22,386	\$ 27,058	\$ 29,472
Operating grants	196	476	269	347	465	823
Capital grants	3,383	2,172	1,839	1,052	5,222	3,224
General revenues:						
Taxes	8,721	8,572	-	-	8,721	8,572
Other	806	660	1,236	461	2,042	1,121
Total revenues	<u>20,801</u>	<u>18,966</u>	<u>22,707</u>	<u>24,246</u>	<u>43,508</u>	<u>43,212</u>
EXPENSES:						
General government	7,439	7,475	-	-	7,439	7,475
Public safety	7,709	7,670	-	-	7,709	7,670
Highways and streets	2,050	2,204	-	-	2,050	2,204
Culture and recreation	1,946	1,836	-	-	1,946	1,836
Power services	-	-	13,050	12,859	13,050	12,859
Sewer services	-	-	1,616	4,718	1,616	4,718
Water services	-	-	3,608	3,629	3,608	3,629
Surface water management	-	-	483	1,016	483	1,016
Interest on long-term debt	14	46	-	-	14	46
Total expenses	<u>19,158</u>	<u>19,231</u>	<u>18,757</u>	<u>22,222</u>	<u>37,915</u>	<u>41,453</u>
Change in net position before transfers	1,643	(265)	3,950	2,024	5,593	1,759
Transfers	<u>1,205</u>	<u>1,035</u>	<u>(1,205)</u>	<u>(1,035)</u>	-	-
Change in net position	2,848	770	2,745	989	5,593	1,759
Prior period adjustment	(105)	619	925	8	820	627
Net position at beginning of year	<u>43,533</u>	<u>42,144</u>	<u>56,333</u>	<u>55,336</u>	<u>99,866</u>	<u>97,480</u>
Net position at end of year	<u>\$ 46,276</u>	<u>\$ 43,533</u>	<u>\$ 60,003</u>	<u>\$ 56,333</u>	<u>\$ 106,279</u>	<u>\$ 99,866</u>

The City's total revenues were \$43.5 million. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 45% and 20% of total revenues, respectively. The total cost of all programs was \$37.9 million. Net position increased by \$6.4 million indicating an increase in the City's overall financial position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental fund balances totaled \$13,907,656 at June 30, 2013 for a decrease of \$864,443. Proprietary net assets totaled \$60,003,121 for an overall increase of \$3,669,807. A property purchase in the downtown business area accounted for most all of the decrease in the governmental fund balances. Proprietary net assets increases due to capital improvement in the Light Fund, developer-built assets being dedicated to the City, increase in system development charges due to increased development, and Water Fund income being higher than anticipated due to operating revenue increases and higher than anticipated net income from timber harvesting. A summary of changes in governmental and proprietary fund balances is as follows:

CHANGE IN GOVERNMENTAL FUND BALANCES

<u>Fund</u>	<u>Balance at June 30, 2013</u>	<u>Balance at June 30, 2012</u>	<u>Change</u>
General	\$ 4,238,416	\$ 4,764,276	\$ (525,860)
Street	492,865	614,453	(121,588)
Nonmajor Governmental	9,176,375	9,393,370	(216,995)
Total	<u>\$ 13,907,656</u>	<u>\$ 14,772,101</u>	<u>\$ (864,443)</u>

CHANGE IN PROPRIETARY NET POSITION

<u>Fund</u>	<u>Balance at June 30, 2013</u>	<u>Balance at June 30, 2012</u>	<u>Change</u>
Light	\$ 23,168,695	\$ 22,241,543	\$ 927,152
Sewer	9,001,912	8,613,603	388,309
Water	17,163,082	16,017,926	1,145,156
Surface Water Management	6,410,769	6,152,467	258,302
Nonmajor Proprietary	4,258,663	3,307,775	950,888
Total	<u>\$ 60,003,121</u>	<u>\$ 56,333,314</u>	<u>\$ 3,669,807</u>

General Fund Budgetary Highlights

The fund balance in the General Fund was decreased by \$525,860. The net change in fund balance resulted from a purchase of property in the downtown business area for \$800,000. With the exception of that purchase, revenues were in excess of expenditures due to: 1) property taxes collected and franchise fees received in excess of the amount estimated; and 2) the departments not spending all of their budgeted appropriations in order increase the carryover available for future years.

CAPITAL ASSETS

At June 30, 2013, the City had \$71,325,911 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 \$1,784,144 as previously discussed. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2013, the City had \$4,515,000 in outstanding bonds payable, and \$2,049,562 in outstanding notes and contracts payable. The City has had no change in its credit rating and the City issued no additional debt in fiscal year 2013. In July 2013, the City refunded the 2003 Full Faith and Credit Bonds to decrease the interest the City is paying on that debt. More detailed information about the City's long term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Factors considered in preparing the City's General Fund budget for the 2014 fiscal year were, but not limited to the following:

- The City recognizes that costs of providing General Fund services at the current level will increase at a faster rate than the revenue used to fund those services. The City has been able to maintain General Fund Balance due to departments spending less than appropriated mostly due to unanticipated vacancies in public safety. The City does not expect to be able to maintain the fund balance it has accumulated over the next five years without additional revenue or reduction in expenditures. In July 2013, the City increased its five-year Local Option Levy to \$1.60 per thousand dollars of assessed value after the voters approved an increased levy amount in May 2012. This was a \$0.25 increase in the \$1.35 levy which expired June 30, 2013. This increase should help the City to be able to maintain the current level of services for the next several years. The financial projections do not include increasing the level of services.
- New single-family home construction set a record in FY 2012-13 with 166 building permits issued. However, while the average home prices of new houses being built has increased over the last year, the average price is still lower than a five years ago which will impact the growth of property taxes since assessed value growth in Oregon is limited to 3% per year for existing residential property plus new construction. The City relies on residential growth to increase its property tax revenue as new industrial and commercial property development is not showing any increase.
- The City has resolved its lawsuit that was appealed to the Ninth Circuit Court of Appeals during the fiscal year. All of the damages paid by the City were covered by outside insurance coverage so no damages were paid directly from City funds.

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

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CITY OF FOREST GROVE
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 18,627,992	\$ 16,543,824	\$ 35,171,816
Receivables, net	901,582	2,119,565	3,021,147
Inventory	-	516,506	516,506
Prepaid items	35,662	698	36,360
Net pension obligation asset	467,959	175,788	643,747
Investment in joint ventures	-	6,805,446	6,805,446
Capital assets:			
Land and construction in progress	7,733,955	1,200,744	8,934,699
Other capital assets, net	22,656,258	39,734,954	62,391,212
TOTAL ASSETS	50,423,408	67,097,525	117,520,933
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	597,069	1,271,703	1,868,772
Payroll related liabilities	381,005	144,191	525,196
Accrued interest payable	9,670	47,570	57,240
Deposits	4,223	42,852	47,075
Bond premium, net	78,923	-	78,923
Long-term obligations:			
Due within one year	1,375,499	749,003	2,124,502
Due in more than one year:	1,701,044	4,839,085	6,540,129
TOTAL LIABILITIES	4,147,433	7,094,404	11,241,837
<u>NET POSITION</u>			
Net investment in capital assets	28,884,961	35,876,388	64,761,349
Restricted for:			
Highways and streets	526,047	-	526,047
Building operations	998,776	-	998,776
Community enhancement	25,462	-	25,462
Capital projects	6,445,575	4,258,663	10,704,238
Debt service	228,469	-	228,469
Other purposes	61	-	61
Unrestricted	9,166,624	19,868,070	29,034,694
TOTAL NET POSITION	\$ 46,275,975	\$ 60,003,121	\$ 106,279,096

See accompanying notes

**CITY OF FOREST GROVE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 7,439,223	\$ 6,317,843	\$ 4,405	\$ 640,718	\$ (476,257)		\$ (476,257)
Public safety	7,709,234	849,908	141,771	-	(6,717,555)		(6,717,555)
Highways and streets	2,050,571	12,545	-	2,089,327	51,301		51,301
Culture and recreation	1,946,206	514,879	50,025	652,379	(728,923)		(728,923)
Interest on long-term obligations	13,597	-	-	-	(13,597)		(13,597)
Total governmental activities	19,158,831	7,695,175	196,201	3,382,424	(7,885,031)		(7,885,031)
Business-type Activities:							
Light	13,050,266	14,125,892	269,241	-		\$ 1,344,867	1,344,867
Sewer	1,615,548	1,112,680	-	969,183		466,315	466,315
Water	3,607,580	3,385,505	-	786,769		564,694	564,694
Surface water management	483,263	738,782	-	83,203		338,722	338,722
Total business-type activities	18,756,657	19,362,859	269,241	1,839,155		2,714,598	2,714,598
Totals	\$ 37,915,488	\$ 27,058,034	\$ 465,442	\$ 5,221,579	(7,885,031)	2,714,598	(5,170,433)
General revenues:							
Property taxes, levied for:							
General purposes					6,360,509	-	6,360,509
Other					497,607	-	497,607
Franchise taxes					564,597	-	564,597
Transient room tax					52,733	-	52,733
Grants and contributions not restricted to specific programs					564,968	-	564,968
Fuel taxes					1,245,950	-	1,245,950
Unrestricted investment earnings					116,034	81,332	197,366
Rents					-	35,928	35,928
Miscellaneous					122,346	1,565,131	1,687,477
Gain (loss) on sale of capital assets					2,895	(236,160)	(233,265)
(Loss) on investment in joint ventures					-	(210,753)	(210,753)
Transfers					1,205,451	(1,205,451)	-
Total general revenues and transfers					10,733,090	30,027	10,763,117
Change in net position					2,848,059	2,744,625	5,592,684
Net position - beginning					43,532,969	56,333,314	99,866,283
Prior period adjustment					(105,053)	925,182	820,129
Net position - ending					\$ 46,275,975	\$ 60,003,121	\$ 106,279,096

See accompanying notes

CITY OF FOREST GROVE

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	General	Street	Total Nonmajor Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash and investments	\$ 4,672,338	\$ 503,488	\$ 9,141,602	\$ 14,317,428
Receivables, net	442,772	141	458,669	901,582
Prepaid items	<u>35,662</u>	<u>-</u>	<u>-</u>	<u>35,662</u>
TOTAL ASSETS	<u>\$ 5,150,772</u>	<u>\$ 503,629</u>	<u>\$ 9,600,271</u>	<u>\$ 15,254,672</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 310,791	\$ 3,156	\$ 231,230	\$ 545,177
Payroll related liabilities	354,011	7,608	13,105	374,724
Deposits	<u>-</u>	<u>-</u>	<u>4,223</u>	<u>4,223</u>
TOTAL LIABILITIES	<u>664,802</u>	<u>10,764</u>	<u>248,558</u>	<u>924,124</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	<u>247,554</u>	<u>-</u>	<u>175,338</u>	<u>422,892</u>
<u>FUND BALANCE</u>				
Nonspendable	35,662	-	41,186	76,848
Restricted	-	492,865	7,579,656	8,072,521
Committed	-	-	722,013	722,013
Assigned	-	-	833,520	833,520
Unassigned	<u>4,202,754</u>	<u>-</u>	<u>-</u>	<u>4,202,754</u>
TOTAL FUND BALANCE	<u>4,238,416</u>	<u>492,865</u>	<u>9,176,375</u>	<u>13,907,656</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,150,772</u>	<u>\$ 503,629</u>	<u>\$ 9,600,271</u>	
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				30,390,213
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds				422,892
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position			\$ 5,395,062	
Plus: Compensated absences of the internal service fund included below			4,058	
Less: Capital assets of the internal service fund included above			<u>(1,146,729)</u>	4,252,391
The bond premium is reported in the statement of net position but is not reported in the funds				(78,923)
The net pension obligation asset is reported in the statement of net position but is not reported in the funds				467,959
The net post-employment benefits obligation is reported in the statement of net position but is not reported in the funds				(669,020)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(2,417,193)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES				<u>\$ 46,275,975</u>

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	General	Street	Total Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 6,382,388	\$ -	\$ 497,107	\$ 6,879,495
Other taxes	425,375	-	1,400,394	1,825,769
Licenses and permits	148,900	35,608	874,644	1,059,152
Intergovernmental	1,804,140	1,234,281	725,710	3,764,131
Fees and fines	315,714	-	549,000	864,714
Franchise fees	564,597	-	-	564,597
Interest	39,094	19,673	56,293	115,060
Grants	178,648	45,000	191,470	415,118
Charges for services	3,246,189	8,659	235,077	3,489,925
Miscellaneous	265,740	14,302	79,089	359,131
TOTAL REVENUES	<u>13,370,785</u>	<u>1,357,523</u>	<u>4,608,784</u>	<u>19,337,092</u>
EXPENDITURES				
General government	4,750,574	-	539,032	5,289,606
Public safety	7,445,801	-	51,918	7,497,719
Highways and streets	-	1,107,548	574,556	1,682,104
Culture and recreation	1,618,893	-	250	1,619,143
Capital outlay	844,418	371,563	873,457	2,089,438
Debt service	-	-	503,719	503,719
TOTAL EXPENDITURES	<u>14,659,686</u>	<u>1,479,111</u>	<u>2,542,932</u>	<u>18,681,729</u>
Excess (deficiency) of revenues over expenditures	<u>(1,288,901)</u>	<u>(121,588)</u>	<u>2,065,852</u>	<u>655,363</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	10,589	10,589
Transfers in	1,033,041	-	368,522	1,401,563
Transfers out	<u>(270,000)</u>	<u>-</u>	<u>(2,638,572)</u>	<u>(2,908,572)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>763,041</u>	<u>-</u>	<u>(2,259,461)</u>	<u>(1,496,420)</u>
Net change in fund balances	(525,860)	(121,588)	(193,609)	(841,057)
Fund balances at beginning of year	4,764,276	614,453	9,393,370	14,772,099
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(23,386)</u>	<u>(23,386)</u>
Fund balances at end of year	<u>\$ 4,238,416</u>	<u>\$ 492,865</u>	<u>\$ 9,176,375</u>	<u>\$ 13,907,656</u>

See accompanying notes

CITY OF FOREST GROVE

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

TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	(841,057)
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:

Capitalized expenditures	\$ 2,059,364		
Depreciation	<u>(1,451,354)</u>		608,010

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

Property taxes	(21,379)		
Assessments	(20,929)		
Other	<u>3,177</u>		(39,131)

In the Statement of Activities, the change in net pension obligation is reported as additional expenses for increases and a reduction of expenses for decreases		14,412
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The change in other post-employment benefits are reported as additional expenses in the Statement of Activities		(121,895)
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position,

Amortization of bond premium	26,307		
Accrued interest	2,367		
Principal payments	<u>443,053</u>		471,727

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 governmental funds.

Compensated absences		(5,827)
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Net income of internal service funds after eliminating transfers and income reported above		<u>2,761,820</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>2,848,059</u>
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See accompanying notes

CITY OF FOREST GROVE

**GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 6,349,517	\$ 6,349,517	\$ 6,382,388	\$ 32,871
Transient room tax	50,000	50,000	52,733	2,733
Licenses and permits	87,974	87,974	148,900	60,926
Intergovernmental	1,637,764	1,637,764	1,804,140	166,376
Construction excise tax	187,000	187,000	372,642	185,642
Fees and fines	254,900	254,900	315,714	60,814
Franchise fees	535,302	535,302	564,597	29,295
Interest	52,000	52,000	39,094	(12,906)
Grants	372,602	372,602	178,648	(193,954)
Charges for services	3,214,586	3,214,586	3,246,189	31,603
Miscellaneous	<u>237,794</u>	<u>237,794</u>	<u>265,740</u>	<u>27,946</u>
TOTAL REVENUES	<u>12,979,439</u>	<u>12,979,439</u>	<u>13,370,785</u>	<u>391,346</u>
EXPENDITURES				
Legislative and executive				
Personal services	411,725	416,725	410,462	6,263
Materials and services	<u>60,519</u>	<u>60,519</u>	<u>54,862</u>	<u>5,657</u>
Total legislative and executive	<u>472,244</u>	<u>477,244</u>	<u>465,324</u>	<u>11,920</u>
Administrative services				
Personal services	1,515,217	1,515,217	1,526,728	(11,511)
Materials and services	640,541	640,541	560,279	80,262
Capital outlay	<u>-</u>	<u>830,000</u>	<u>824,751</u>	<u>5,249</u>
Total administrative services	<u>2,155,758</u>	<u>2,985,758</u>	<u>2,911,758</u>	<u>74,000</u>
Library				
Personal services	810,692	818,192	812,094	6,098
Materials and services	<u>144,360</u>	<u>144,360</u>	<u>143,716</u>	<u>644</u>
Total library	<u>955,052</u>	<u>962,552</u>	<u>955,810</u>	<u>6,742</u>

Continued on next page

GENERAL FUND (Continued)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Planning				
Personal services	\$ 319,141	\$ 319,141	\$ 313,568	\$ 5,573
Materials and services	<u>210,234</u>	<u>210,234</u>	<u>191,732</u>	<u>18,502</u>
Total planning	<u>529,375</u>	<u>529,375</u>	<u>505,300</u>	<u>24,075</u>
Fire				
Personal services	2,630,273	2,630,273	2,557,337	72,936
Materials and services	523,253	523,253	531,820	(8,567)
Capital outlay	<u>40,800</u>	<u>40,800</u>	<u>40,720</u>	<u>80</u>
Total fire	<u>3,194,326</u>	<u>3,194,326</u>	<u>3,129,877</u>	<u>64,449</u>
Engineering				
Personal services	538,057	544,057	535,350	8,707
Materials and services	<u>66,218</u>	<u>66,218</u>	<u>58,789</u>	<u>7,429</u>
Total engineering	<u>604,275</u>	<u>610,275</u>	<u>594,139</u>	<u>16,136</u>
Police				
Personal services	3,828,616	3,843,616	3,747,933	95,683
Materials and services	566,057	566,057	567,991	(1,934)
Capital outlay	<u>33,464</u>	<u>33,464</u>	<u>19,667</u>	<u>13,797</u>
Total police	<u>4,428,137</u>	<u>4,443,137</u>	<u>4,335,591</u>	<u>107,546</u>
Aquatics				
Personal services	425,066	425,066	393,927	31,139
Materials and services	<u>192,964</u>	<u>192,964</u>	<u>142,198</u>	<u>50,766</u>
Total aquatics	<u>618,030</u>	<u>618,030</u>	<u>536,125</u>	<u>81,905</u>
Parks and recreation				
Personal services	452,692	452,692	426,671	26,021
Materials and services	<u>156,357</u>	<u>156,357</u>	<u>150,797</u>	<u>5,560</u>
Total parks and recreation	<u>609,049</u>	<u>609,049</u>	<u>577,468</u>	<u>31,581</u>

Continued on next page

GENERAL FUND (Continued)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Municipal court				
Personal services	\$ 141,839	\$ 141,839	\$ 130,423	\$ 11,416
Materials and services	<u>81,668</u>	<u>81,668</u>	<u>108,054</u>	<u>(26,386)</u>
Total municipal court	<u>223,507</u>	<u>223,507</u>	<u>238,477</u>	<u>(14,970)</u>
Nondepartmental				
Materials and services	<u>222,270</u>	<u>272,270</u>	<u>409,817</u>	<u>(137,547)</u>
Operating contingency	<u>1,240,795</u>	<u>327,295</u>	<u>-</u>	<u>327,295</u>
TOTAL EXPENDITURES	<u>15,252,818</u>	<u>15,252,818</u>	<u>14,659,686</u>	<u>593,132</u>
Excess (deficiency) of revenues over expenditures	<u>(2,273,379)</u>	<u>(2,273,379)</u>	<u>(1,288,901)</u>	<u>984,478</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,032,584	1,032,584	1,033,041	457
Transfers out	<u>(350,000)</u>	<u>(350,000)</u>	<u>(270,000)</u>	<u>80,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>682,584</u>	<u>682,584</u>	<u>763,041</u>	<u>80,457</u>
Net change in fund balance	(1,590,795)	(1,590,795)	(525,860)	1,064,935
Fund balance at beginning of year	<u>4,590,795</u>	<u>4,590,795</u>	<u>4,764,276</u>	<u>173,481</u>
Fund balance at end of year	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 4,238,416</u>	<u>\$ 1,238,416</u>

See accompanying notes

CITY OF FOREST GROVE

**STREET
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Grants	\$ -	\$ -	\$ 45,000	\$ 45,000
Licenses and permits	-	-	45,947	45,947
Intergovernmental	1,269,682	1,269,682	1,234,281	(35,401)
Interest	3,300	3,300	19,673	16,373
Miscellaneous	100,000	100,000	12,622	(87,378)
TOTAL REVENUES	<u>1,372,982</u>	<u>1,372,982</u>	<u>1,357,523</u>	<u>(15,459)</u>
EXPENDITURES				
Personal services	309,363	344,363	323,996	20,367
Materials and services	805,561	815,561	783,552	32,009
Capital outlay	415,000	415,000	371,563	43,437
Contingency	150,000	105,000	-	105,000
TOTAL EXPENDITURES	<u>1,679,924</u>	<u>1,679,924</u>	<u>1,479,111</u>	<u>200,813</u>
Net change in fund balance	(306,942)	(306,942)	(121,588)	185,354
Fund balance at beginning of year	<u>659,812</u>	<u>659,812</u>	<u>614,453</u>	<u>(45,359)</u>
Fund balance at end of year	<u>\$ 352,870</u>	<u>\$ 352,870</u>	<u>\$ 492,865</u>	<u>\$ 139,995</u>

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current assets							
Cash and investments	\$ 6,294,941	\$ 2,256,928	\$ 3,377,460	\$ 269,996	\$ 4,344,499	\$ 16,543,824	\$ 4,310,564
Receivables, net	1,251,145	266,741	513,795	87,884	-	2,119,565	-
Inventory	387,282	8,116	121,108	-	-	516,506	-
Prepaid expense	698	-	-	-	-	698	-
Total current assets	7,934,066	2,531,785	4,012,363	357,880	4,344,499	19,180,593	4,310,564
Net pension obligation asset	118,731	9,568	33,617	13,872	-	175,788	-
Investment in joint ventures	-	-	6,805,446	-	-	6,805,446	-
Capital assets							
Land	721,723	81,022	373,686	-	-	1,176,431	-
Construction in progress	24,313	-	-	-	-	24,313	-
Other capital assets, net	15,368,630	7,708,543	10,553,359	6,104,422	-	39,734,954	1,146,729
Total capital assets, net	16,114,666	7,789,565	10,927,045	6,104,422	-	40,935,698	1,146,729
TOTAL ASSETS	24,167,463	10,330,918	21,778,471	6,476,174	4,344,499	67,097,525	5,457,293
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	547,170	447,511	158,954	32,232	85,836	1,271,703	51,892
Payroll related liabilities	95,667	6,279	28,904	13,341	-	144,191	6,281
Accrued interest payable	-	14,341	33,229	-	-	47,570	-
Customer deposits	42,852	-	-	-	-	42,852	-
Total current liabilities	685,689	468,131	221,087	45,573	85,836	1,506,316	58,173
Long-term obligations							
Due within one year	143,335	183,543	422,125	-	-	749,003	4,058
Due in more than one year							
Bonds and loans	-	663,653	3,924,116	-	-	4,587,769	-
Net other post-employment benefits	169,744	13,679	48,061	19,832	-	251,316	-
Total long-term liabilities	313,079	860,875	4,394,302	19,832	-	5,588,088	4,058
TOTAL LIABILITIES	998,768	1,329,006	4,615,389	65,405	85,836	7,094,404	62,231
NET POSITION							
Net investment in capital assets	16,114,666	6,942,369	6,714,931	6,104,422	-	35,876,388	1,146,729
Restricted for:							
Capital projects	-	-	-	-	4,258,663	4,258,663	-
Unrestricted	7,054,029	2,059,543	10,448,151	306,347	-	19,868,070	4,248,333
TOTAL NET POSITION	\$ 23,168,695	\$ 9,001,912	\$ 17,163,082	\$ 6,410,769	\$ 4,258,663	\$ 60,003,121	\$ 5,395,062

See accompanying notes

CITY OF FOREST GROVE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 14,067,470	\$ 1,116,478	\$ 3,381,465	\$ 738,782	\$ -	\$ 19,304,195	\$ 1,478,428
Licenses, permits, and fees	21,004	-	6,991	-	-	27,995	-
TOTAL OPERATING REVENUES	\$ 14,088,474	\$ 1,116,478	\$ 3,388,456	\$ 738,782	\$ -	\$ 19,332,190	\$ 1,478,428
OPERATING EXPENSES							
System operation and maintenance	3,498,365	54,485	1,404,466	153,388	770,504	5,881,208	1,291,931
Electricity and water purchases	7,870,198	-	-	-	-	7,870,198	-
General fund administration charges	1,065,864	517,973	867,789	150,377	-	2,602,003	-
General and administrative costs	30,537	7,466	736,324	5,265	13,100	792,692	-
Depreciation and amortization	585,302	228,459	414,622	161,097	-	1,389,480	169,993
TOTAL OPERATING EXPENSES	13,050,266	808,383	3,423,201	470,127	783,604	18,535,581	1,461,924
OPERATING INCOME (LOSS)	1,038,208	308,095	(34,745)	268,655	(783,604)	796,609	16,504
NONOPERATING REVENUES (EXPENSES)							
Interest earned	32,352	11,553	15,705	542	21,696	81,848	19,369
Interest	-	(10,847)	(184,379)	-	(25,850)	(221,076)	-
(Loss) on sale of capital assets	(236,160)	-	-	-	-	(236,160)	2,895
(Loss) on investment in joint ventures	-	-	(210,753)	-	-	(210,753)	-
Rents	-	-	35,928	-	-	35,928	-
Grants	-	-	-	-	-	-	-
Miscellaneous	306,659	51	1,562,180	-	2,250	1,871,140	10,592
TOTAL NONOPERATING REVENUES (EXPENSES)	102,851	757	1,218,681	542	(1,904)	1,320,927	32,856
Income (loss) before capital contributions and transfers	1,141,059	308,852	1,183,936	269,197	(785,508)	2,117,536	49,360
Capital contributions	-	-	-	-	1,832,540	1,832,540	-
Transfers in	-	96,144	-	-	-	96,144	2,712,460
Transfers out	(895,377)	(55,833)	(207,405)	(46,836)	(96,144)	(1,301,595)	-
Change in net position	245,682	349,163	976,531	222,361	950,888	2,744,625	2,761,820
Net position at beginning of year	22,241,543	8,613,603	16,017,926	6,152,467	3,307,775	56,333,314	2,633,242
Prior period adjustment	681,470	39,146	168,625	35,941	-	925,182	-
Net position at end of year	\$ 23,168,695	\$ 9,001,912	\$ 17,163,082	\$ 6,410,769	\$ 4,258,663	\$ 60,003,121	\$ 5,395,062

See accompanying notes

CITY OF FOREST GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface	Total	Total	Internal
				Water Management	Nonmajor Funds	Enterprise Funds	Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 14,323,799	\$ 1,093,064	\$ 3,215,620	\$ 727,407	\$ -	\$ 19,359,890	\$ 1,478,428
Cash paid to employees	(2,864,852)	(277,735)	(892,568)	(144,521)	-	(4,179,676)	(206,139)
Cash paid to suppliers	(9,503,187)	(246,843)	(2,053,716)	(147,089)	(732,193)	(12,683,028)	(1,120,983)
Net cash provided by (used in) operating activities	1,955,760	568,486	269,336	435,797	(732,193)	2,497,186	151,306
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	-	-	2,712,460
Transfers out	(895,377)	(55,833)	(207,405)	(46,836)	-	(1,205,451)	-
Net cash provided by (used in) non-capital financing activities	(895,377)	(55,833)	(207,405)	(46,836)	-	(1,205,451)	2,712,460
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(1,739,964)	(322,697)	(378,681)	(388,062)	-	(2,829,404)	(191,450)
Sale of equipment	19,582	-	-	-	-	19,582	32,402
System development charges received	-	-	-	-	1,832,540	1,832,540	-
Other	306,659	51	1,598,108	-	2,250	1,907,068	10,592
Principal paid on long-term obligations	-	(80,264)	(291,883)	-	(96,144)	(468,291)	-
Interest paid on long-term obligations	-	(13,741)	(187,095)	-	(25,850)	(226,686)	-
Net cash provided by (used in) capital and related financing activities	(1,413,723)	(416,651)	740,449	(388,062)	1,712,796	234,809	(148,456)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	32,352	11,553	15,705	542	21,696	81,848	19,369
Net increase (decrease) in cash and cash equivalents	(320,988)	107,555	818,085	1,441	1,002,299	1,608,392	2,734,679
Cash and cash equivalents at beginning of year	6,615,929	2,149,373	2,559,375	268,555	3,342,200	14,935,432	1,575,885
Cash and cash equivalent at end of year	\$ 6,294,941	\$ 2,256,928	\$ 3,377,460	\$ 269,996	\$ 4,344,499	\$ 16,543,824	\$ 4,310,564
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 1,038,208	\$ 308,095	\$ (34,745)	\$ 268,655	\$ (783,604)	\$ 796,609	\$ 16,504
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	585,302	228,459	414,622	161,097	-	1,389,480	169,993
Net pension asset	(400)	(377)	(62)	(1,835)	-	(2,674)	-
Net other post-employment benefits	26,999	2,592	7,583	5,311	-	42,485	-
Decrease (increase) in assets							
Receivables, net	230,499	(23,414)	(172,836)	(11,375)	-	22,874	-
Inventory	(9,900)	(1,204)	13,266	-	-	2,162	-
Prepaid expense	(698)	-	385	-	-	(313)	-
Increase (decrease) in liabilities							
Accounts payable and accrued expenses	90,738	204,274	34,832	17,918	51,411	399,173	(33,130)
Payroll related liabilities	7,014	(3,118)	619	5,391	-	9,906	(2,061)
Customer deposits	4,826	-	-	-	-	4,826	-
Due to Clean Water Services	-	(146,821)	-	(9,365)	-	(156,186)	-
Compensated absences payable	(16,828)	-	5,672	-	-	(11,156)	-
Net cash provided by (used in) operating activities	\$ 1,955,760	\$ 568,486	\$ 269,336	\$ 435,797	\$ (732,193)	\$ 2,497,186	\$ 151,306
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS							
Transfers in	\$ -	\$ 96,144	\$ -	\$ -	\$ -	\$ 96,144	\$ -
Transfers out	-	-	-	-	(96,144)	(96,144)	-
Total noncash transactions	\$ -	\$ 96,144	\$ -	\$ -	\$ (96,144)	\$ -	\$ -

See accompanying notes

CITY OF FOREST GROVE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Agency	Pension Trust	Totals
<u>ASSETS</u>			
Cash and investments	<u>\$ 178,290</u>	\$ 29,554,983	<u>\$ 29,733,273</u>
<u>LIABILITIES</u>			
Amounts held in trust	<u>\$ 178,290</u>	-	<u>178,290</u>
<u>NET POSITION</u>			
Pension benefits		<u>\$ 29,554,983</u>	<u>\$ 29,554,983</u>

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND**

For the Year Ended June 30, 2013

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 1,761,910
Investment earnings	<u>2,073,252</u>
Total additions	<u>3,835,162</u>
DEDUCTIONS	
Benefits	1,390,072
Administrative	<u>100,478</u>
Total deductions	<u>1,490,550</u>
Change in net position	2,344,612
Net position - beginning of year	<u>27,210,371</u>
Net position - end of year	<u>\$ 29,554,983</u>

See accompanying notes

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF FOREST GROVE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

1. Summary of Significant Accounting Policies

A. Organization (reporting entity)

The City was incorporated in 1872. The City provides basic services to the citizens within the city limits.

The City Council, comprised of the Mayor and six council members, comprises the legislative branch of the government. Individual departments are under the direction and authority of the City Manager, who is appointed by the City Council.

The accompanying financial statements present all activities and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

B. Government-wide financial statements and financial statement presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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 fund 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 imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 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.

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 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.

In the government-wide and proprietary fund financial statements when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the governmental fund financial statements when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless provided otherwise in commitment or assignment actions.

The City reports the following major governmental funds:

General - accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state shared revenues. Expenditures are primarily for general government operations and planning and community development.

Street - 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.

The City reports the following major proprietary funds:

Light - accounts for the revenues and expenditures of the City's electric utility operations.

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

Water - accounts for the operations of the City's water utility which is financed primarily through fees.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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

The City also includes the following fund types as nonmajor governmental funds and nonmajor enterprise funds:

Special revenue - accounts for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

Debt service - accounts for the payment of principal and interest on long-term obligations.

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

Permanent – accounts for resources contributed to the City for specific purposes the corpus of which cannot be expended.

Enterprise - accounts for the operations of predominately self-supporting activities. Enterprise funds account for services rendered to the public on a user charge basis.

Internal Service – accounts for the cost of providing services to other funds of the County which are charged a fee on a cost reimbursement basis for those services.

D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The cash basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year end.

The City begins its budgeting process by appointing Budget Committee members in January or February each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Disbursement appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which disbursements cannot legally exceed appropriations. The City established the levels of budgetary control for the General Fund at the department level along with transfers and contingencies, while all other funds are appropriated at the personal services, materials and services, capital outlay, operating contingencies, interfund transactions, debt service, and all other requirement levels.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The city council must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

E. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any highly liquid debt instruments purchased with a maturity of three months or less.

F. User charges and fines receivable

User charges are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are not expected to be collected.

The City has uncollected municipal court fines and fees, however due to the uncertainty of collection these amounts are not reported in the financial statements. The City maintains a listing of receivables they believe are collectible as of June 30, 2013.

G. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

H. Capital assets

Government-wide statements

Capital assets are recorded at amounts estimated by the City and adjusted by estimated amounts for accumulated depreciation in the statement of net position and depreciation expense in the statement of activities.

Fund financial statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

H. Capital assets (continued)

Capital assets are depreciated using the straight line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Equipment	3 - 15
Building	10 - 40
Infrastructure	40 - 50

I. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over that life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and the excess of bond amounts issued to refund previously issued debt over the refunded debt are reported as deferred charges and amortized over the term of the related debt.

J. Compensated absences

1. Vacation

The City has a policy which permits employees to earn vacation. Any amounts not used or forfeited will be paid upon the employee's termination of employment.

2. Sick leave

The City has a policy which permits employees to earn sick leave. The City does not compensate the employees for unused accumulations upon termination of employment.

K. Equity classification

Government-wide and proprietary fund financial statements

Equity is classified as net position and displayed in three components:

- a. *Net investment in capital assets*** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted*** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

K. Equity classification (continued)

Governmental Fund Type Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires governmental type fund balance amounts to be reported within one of the fund balance categories list below:

- a. Non-spendable* — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted* — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed* — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
- d. Assigned* — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Manager or Director of Administrative Services has authority to assign fund balance amounts.
- e. Unassigned* — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

L. Use of estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments

The City maintains a pool of cash and investments that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Additionally, several funds hold separate cash and investment accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments (including amounts held in pooled cash and investments) are carried at amortized cost which approximates fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who's by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares. The LGIP financial statements are available at <http://www.ost.oregon.gov/About/OSTF/>.

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts, and any highly liquid debt instruments purchased with a maturity of three months or less.

Investments: As of June 30, 2013, the City held the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity in Months</u>	<u>% of investment Portfolio</u>
U.S. Treasuries	\$ 3,005,176	24.20	9%
LGIP	29,107,521	7.14	90%
Certificates of deposit	252,166	24	1%
Total	<u>\$ 32,364,863</u>		<u>100%</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Interest Rate Risk: The City has a formal investment policy to limit exposure to losses arising from rising interest rates. Investment types are limited to a maximum % of the portfolio (see table below) and also must not directly invest in securities maturing in more than 36 months (unless matched to a specific cash flow) and the average weighted maturity of the portfolio may not exceed 18 months.

<u>Investment Type</u>	<u>Max % of Portfolio</u>
U.S. Treasuries	100%
U.S. government agency	50%
LGIP	100%
Certificates of deposit	10%
Banker's acceptances	10%
Repurchase agreement	15%

Concentration of Credit Risk: The City's policy for investing in individual issuers varies depending on the type of investments. The total portfolio has restrictions on the total amount that may be invested with a single issuer: 33% for U.S. agency securities, 10% for bankers' acceptances, 5% for commercial paper or corporate bonds, 25% for repurchase agreements, 10% for the states of Oregon, California, Idaho and Washington.

Credit Risk – Investments: Oregon statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Rating from Moody's or S&P Corporation</u>
U.S. Treasuries	\$ 3,005,176	AAA
LGIP	29,107,521	Aa2/AA
Certificates of deposit	252,166	Not Rated
Total	<u>\$ 32,364,863</u>	

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

Cash and Investments – Pension Trust Fund: The City of Forest Grove Retirement Plan Trust's assets are invested with Wells Fargo. As of June 30, 2013, the Pension Trust Fund's cash and investment balances were reported as follows:

<u>Investment Type</u>	<u>Market Value</u>
Interest bearing cash	\$ 157,310
Mutual Funds (unrated)	29,397,673
Total	<u>\$ 29,554,983</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2013, \$2,353,568 of the City's bank balances was exposed to custodial risk.

A. The City's deposits and investments at June 30, 2013 are as follows:

Investments	\$ 61,919,846
Deposits with financial institutions	2,983,888
Cash on hand	<u>1,355</u>
Total deposits and investments	<u>\$ 64,905,089</u>

B. Cash and investments by fund:

Governmental activities/funds	
General	\$ 4,672,338
Street	503,488
Nonmajor governmental funds	<u>9,141,602</u>
Total governmental funds	14,317,428
Internal service funds	<u>4,310,564</u>
Total governmental activities	<u>18,627,992</u>
Business-type activities/Enterprise funds	
Light	6,294,941
Sewer	2,256,928
Water	3,377,460
Surface water management	269,996
Other enterprise funds	<u>4,344,499</u>
Total business-type activities/enterprise funds	<u>16,543,824</u>
Fiduciary funds	
Pension trust	29,554,983
Agency	<u>178,290</u>
Total fiduciary funds	<u>29,733,273</u>
Total cash and investments	<u>\$ 64,905,089</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The City's receivables at June 30, 2013 are shown below:

	Governmental Activities/Funds				Business-type Activities/Enterprise Funds				
	General	Street	Nonmajor Governmental	Totals	Light	Sewer	Water	Surface Water Management	Totals
Property taxes	\$ 298,023	\$ -	\$ 23,204	\$ 321,227	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	144,749	141	292,271	437,161	100,025	-	148,430	-	248,455
Assessments	-	-	120,819	120,819	-	-	-	-	-
User charges	-	-	-	-	1,290,174	281,369	386,868	92,096	2,050,507
Interest	-	-	22,375	22,375	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	(139,054)	(14,628)	(21,503)	(4,212)	(179,397)
	<u>\$ 442,772</u>	<u>\$ 141</u>	<u>\$ 458,669</u>	<u>\$ 901,582</u>	<u>\$ 1,251,145</u>	<u>\$ 266,741</u>	<u>\$ 513,795</u>	<u>\$ 87,884</u>	<u>\$ 2,119,565</u>

B. Property taxes

i. Collection procedures

Taxes are levied on July 1 and are payable in three installments due November 15, February 15 and May 15. Washington County bills and collects property taxes for the City.

ii. Transactions

	Balances July 1, 2012	Current Levy	Adjust- ments	Net Interest (Dis- counts)	Collec- tions	Balances June 30, 2013
2012-13		\$ 7,090,652	\$ 9,929	\$ (182,513)	\$ 6,769,892	\$ 148,176
2011-12	171,041	-	(54,811)	6,078	47,552	74,756
2010-11	97,051	-	(25,246)	5,529	21,567	55,767
2009-10	55,597	-	(744)	6,651	27,786	33,718
2008-09	9,669	-	(295)	2,319	8,256	3,437
2007-08	2,521	-	(185)	476	1,246	1,566
Prior	4,709	-	(275)	655	1,282	3,807
	<u>\$ 340,588</u>	<u>\$ 7,090,652</u>	<u>\$ (71,627)</u>	<u>\$ (160,805)</u>	6,877,581	<u>\$ 321,227</u>
			Less prior year accrual		(59,916)	
			Plus current year accrual		61,830	
					<u>\$ 6,879,495</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes (continued)

iii. Ensuing year's levy

The permanent tax rate is \$3.9554 per \$1,000 of assessed value. Also, a local option operating tax levy of \$1.3500 per \$1,000 of assessed value, approved by voters, will also be levied.

The tax rate limit of \$10.00 per thousand of real market value imposed by the Oregon Constitution is not expected to affect these levies.

In addition, the City will levy \$515,124 for payment of long-term debt principal and interest due in 2013-14.

4. Capital Assets

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
A. <i>Governmental activities</i>				
Capital assets not being depreciated				
Land and land improvements	\$ 7,109,673	\$ 624,282	\$ -	\$ 7,733,955
Capital assets being depreciated				
Buildings and improvements	11,965,469	562,508	-	12,527,977
Machinery and equipment	6,727,754	268,155	(229,070)	6,766,839
Infrastructure	24,265,829	795,870	-	25,061,699
Total capital assets being depreciated	42,959,052	1,626,533	(229,070)	44,356,515
Less accumulated depreciation				
Buildings and improvements	6,230,656	323,593	-	6,554,249
Machinery and equipment	3,728,871	428,868	(199,563)	3,958,176
Infrastructure	10,318,946	868,886	-	11,187,832
Total accumulated depreciation	20,278,473	1,621,347	(199,563)	21,700,257
Total capital assets being depreciated, net	22,680,579	5,186	(29,507)	22,656,258
Governmental activities capital assets, net	\$ 29,790,252	\$ 629,468	\$ (29,507)	\$ 30,390,213

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital Assets (continued)

	Balances July 1, 2012	Additions	Deletions	Balances June 30, 2013
<i>B. Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 1,176,431	\$ -	\$ -	\$ 1,176,431
Construction in progress	103,250	1,735,587	(1,814,524)	24,313
Total capital assets not being depreciated	<u>1,279,681</u>	<u>1,735,587</u>	<u>(1,814,524)</u>	<u>1,200,744</u>
Capital assets, being depreciated				
Buildings and improvements	9,529,755	318,019	-	9,847,774
Machinery and equipment	22,634,092	1,352,081	(360,372)	23,625,801
Infrastructure	38,461,690	1,238,242	-	39,699,932
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated	<u>72,333,021</u>	<u>2,908,342</u>	<u>(360,372)</u>	<u>74,880,991</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	4,763,349	170,371	-	4,933,720
Machinery and equipment	10,273,330	532,288	(104,630)	10,700,988
Infrastructure	17,776,495	644,044	-	18,420,539
Intangible-water rights	1,048,013	42,777	-	1,090,790
Total accumulated depreciation	<u>33,861,187</u>	<u>1,389,480</u>	<u>(104,630)</u>	<u>35,146,037</u>
Total capital assets, being depreciated, net	<u>38,471,834</u>	<u>1,518,862</u>	<u>(255,742)</u>	<u>39,734,954</u>
Business-type activities capital assets, net	<u>\$ 39,751,515</u>	<u>\$ 3,254,449</u>	<u>\$ (2,070,266)</u>	<u>\$ 40,935,698</u>
<i>C. Depreciation expense was charged to functions / programs as follows:</i>				
Governmental activities:				
General government		\$ 302,982		
Public safety		196,000		
Highways and streets		802,684		
Culture and recreation		319,681		
Total governmental activities		<u>\$ 1,621,347</u>		
Business-type activities:				
Light		\$ 585,302		
Sewer		228,459		
Water		414,622		
Surface water management		161,097		
Total business-type activities		<u>\$ 1,389,480</u>		

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Unavailable Revenue

Resources in the governmental funds owned by the City, which are measurable but not available, consist of the following:

	<u>Governmental Activities/Funds</u>		
	<u>General</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Property taxes	\$ 240,659	\$ 18,738	\$ 259,397
Accounts	6,895	14,338	21,233
Interest	-	21,326	21,326
Assessments	-	120,936	120,936
	<u>\$ 247,554</u>	<u>\$ 175,338</u>	<u>\$ 422,892</u>

6. Long-Term Obligations

A. *Transactions for governmental activities for the year ended June 30, 2013 were as follows:*

	<u>Balances July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2013</u>	<u>Balances Due Within One Year</u>
<u>Bonded Debt</u>					
2010 General Obligation – Refunding Bonds - original issue \$2,265,000, 6 years interest from 3.0 to 4.0 percent					
Principal	\$ 1,865,000	\$ -	\$ 425,000	\$ 1,440,000	\$ 455,000
Interest	9,262	54,113	55,875	7,500	
	<u>1,874,262</u>	<u>54,113</u>	<u>480,875</u>	<u>1,447,500</u>	
<u>Loans</u>					
Oregon Economic Development Department (OEDD) - annual installments of \$21,000 including interest at 5.47 percent					
Principal	83,305	-	18,053	65,252	18,228
Interest	2,775	4,186	4,791	2,170	
	<u>86,080</u>	<u>4,186</u>	<u>22,844</u>	<u>67,422</u>	
Compensated absences	898,823	902,271	898,823	902,271	902,271
Net other post-employment benefits	547,125	121,895	-	669,020	
Total long-term obligations	3,406,290	1,082,465	1,402,542	3,086,213	\$ <u>1,375,499</u>
Interest	12,037	58,299	60,666	9,670	
Principal	<u>\$ 3,394,253</u>	<u>\$ 1,024,166</u>	<u>\$ 1,341,876</u>	<u>\$ 3,076,543</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

B. Transactions for business-type activities for the year ended June 30, 2013 were as follows:

	Balances July 1, 2012	Additions	Reductions	Balances June 30, 2013	Balances Due Within One Year
<u>Bonded Debt</u>					
2003 Full Faith and Credit					
Bonds – original					
issue \$5,285,000, 15 years,					
interest from 2 to 4.685					
percent					
Principal	\$ 3,335,000	\$ -	\$ 260,000	\$ 3,075,000	\$ 255,000
Interest	38,946	140,464	146,181	33,229	
	<u>3,373,946</u>	<u>140,464</u>	<u>406,181</u>	<u>3,108,229</u>	
<u>Loans</u>					
US Department of Interior					
Scoggins Reservoir Contract,					
installments of \$72,797 through 2035,					
including interest at 3.5 percent					
Principal	1,168,996	-	31,882	1,137,114	32,998
Interest	-	40,915	40,915	-	
	<u>1,168,996</u>	<u>40,915</u>	<u>72,797</u>	<u>1,137,114</u>	
Clean Water Services					
Fores Grove Rehabilitation Project,					
annual installments of					
\$94,004 through 2016, including					
interest at 3.77 percent					
Principal	384,415	-	80,264	304,151	83,318
Interest	4,884	12,710	13,740	3,854	
	<u>389,299</u>	<u>12,710</u>	<u>94,004</u>	<u>308,005</u>	
Clean Water Services					
Fores Grove Sunset Sewer Project,					
annual installments of					
\$121,995 through 2018, including					
interest at 3.77 percent					
Principal	639,189	-	96,144	543,045	100,225
Interest	12,350	23,987	25,850	10,487	
	<u>651,539</u>	<u>23,987</u>	<u>121,994</u>	<u>553,532</u>	
Compensated absences	<u>288,618</u>	<u>277,462</u>	<u>288,618</u>	<u>277,462</u>	<u>277,462</u>
Net other post-employment benefits	<u>208,831</u>	<u>42,485</u>	<u>-</u>	<u>251,316</u>	
Total long-term obligations	6,081,229	538,023	983,594	5,635,658	<u>\$ 749,003</u>
Interest	<u>56,180</u>	<u>218,076</u>	<u>226,686</u>	<u>47,570</u>	
Principal	<u>\$ 6,025,049</u>	<u>\$ 319,947</u>	<u>\$ 756,908</u>	<u>\$ 5,588,088</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

C. *The future maturities as of June 30, 2013 for governmental activities are as follows:*

Fiscal Year	2010 Refunding		OEDD		Compensated	Totals	
	Principal	Interest	Principal	Interest	Absences	Principal	Interest
2014	\$ 455,000	\$ 45,250	\$ 18,228	\$ 3,753	\$ 902,271	\$ 1,375,499	\$ 49,003
2015	480,000	31,600	23,414	2,704	-	503,414	34,304
2016	505,000	18,200	23,610	1,358	-	528,610	19,558
	<u>\$ 1,440,000</u>	<u>\$ 95,050</u>	<u>\$ 65,252</u>	<u>\$ 7,815</u>	<u>\$ 902,271</u>	<u>\$ 2,407,523</u>	<u>\$ 2,510,388</u>

D. *The future maturities as of June 30, 2013 for business-type activities are as follows:*

Fiscal Year	2003 Full Faith and Credit		US Dept. of Interior Scoggins Dam		Clean Water Servie Rehabilitation	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 255,000	\$ 135,131	\$ 32,998	\$ 39,799	\$ 83,318	\$ 10,686
2015	265,000	124,931	34,152	38,645	86,489	7,515
2016	275,000	114,331	35,348	37,449	89,780	4,224
2017	285,000	102,781	36,585	36,212	44,564	838
2018	295,000	90,526	37,865	34,931		
2019-2023	1,700,000	242,344	210,159	153,825	-	-
2024-2028			249,604	114,381	-	-
2029-2033	-	-	296,452	67,533	-	-
2034-2038	-	-	203,951	14,440	-	-
	<u>\$ 3,075,000</u>	<u>\$ 810,044</u>	<u>\$ 1,137,114</u>	<u>\$ 537,215</u>	<u>\$ 304,151</u>	<u>\$ 23,263</u>

Fiscal Year	Clean Water Servie Sewer Project		Compensated	Totals	
	Principal	Interest	Absences	Principal	Interest
2014	\$ 100,225	\$ 21,770	\$ 277,462	\$ 749,003	\$ 207,386
2015	104,478	17,516	-	490,119	188,607
2016	108,912	13,082	-	509,040	169,086
2017	113,535	8,460	-	479,684	148,291
2018	115,895	3,641	-	448,760	129,098
2019-2023			-	1,910,159	396,169
2024-2028	-	-	-	249,604	114,381
2029-2033	-	-	-	296,452	67,533
2034-2038	-	-	-	203,951	14,440
	<u>\$ 543,045</u>	<u>\$ 64,469</u>	<u>\$ 277,462</u>	<u>\$ 5,336,772</u>	<u>\$ 1,434,991</u>

E. The City has pledged revenue from timber sales and available water revenues for repayment of the 2003 Full Faith and Credit Bonds.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Conduit Debt

The City has issued limited obligation ("conduit") revenue bonds for the express purpose of providing capital financing for specific third-party borrowers. 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.

- A. On September 1, 2005, the City issued \$41,000,000 in revenue bonds to improve campus facilities. The revenue bonds were assigned to Pacific University. At June 30, 2013, \$39,170,000 was outstanding. The bonds mature May 1, 2036.
- B. On June 29, 2007, the City issued \$30,460,000 in revenue bonds to construct student housing for Pacific University. The revenue bonds were assigned to the Oak Tree Foundation, Inc., a nonprofit corporation. At June 30, 2013, \$29,465,000 was outstanding. The bonds mature March 1, 2037.
- C. On July 23, 2009, the City issued \$35,530,000 in revenue bonds to improve campus facilities. The revenue bonds were assigned to Pacific University. At June 30, 2013, \$35,410,000 was outstanding. The bonds mature June 30, 2039.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan

Plan Description

Substantially all employees are participants in either the defined benefit retirement plan of City of Forest Grove (the Plan), a single employer defined benefit public employment or a new defined contribution plan for certain new employees that was effective as of July 1, 2011. Footnote 9 describes the new defined contribution plan.

All full-time employees hired before July 1, 2011, are eligible to participate in the Plan after six months of employment. After July 1, 2011, full-time employees belonging to the Forest Grove Police Association, the Firefighter's Association (IFFA), and the International Brotherhood of Electrical Workers (IBEW) hired on or after July 1, 2011, are also eligible to participate in the Plan after six months of employment. All other full-time employees hired on or after July 1, 2011, are eligible for the defined contribution plan after six months of employment.

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.

Retirement benefits are calculated using a formula based on salary and length of service and are payable in a lump sum or monthly. The Plan also provides death and disability benefits. These benefit provisions, contributions and other requirements are established by state statutes.

The total Plan membership at June 30, 2012, of 236 includes 129 active employees, 32 terminated employees entitled to benefits and 75 retired employees with deferred benefits. Of the 129 active employees covered by the Plan, 26 were non-vested and 103 were vested. Of the 32 terminated members, 9 were entitled to their account balances only and 23 were members with vested accrued benefits.

The City does not issue a financial report available to the public for this plan.

Funding Policy

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of seven percent of covered salaries in addition to the remaining amount necessary to fund the Plan. Costs of administering the Plan are paid by the Plan.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

Annual Pension Cost

The Plan's funding policy provides for actuarially determined periodic contributions that are sufficient to pay benefits when due. The actuarial costing method used to determine the contribution required for formula benefits in excess of employee and employer account balances was the "individual entry age method." The actuarial values of the Plan assets are determined by the fair value of the mutual fund investments of the Plan as of the actuarial valuation date. The June 30, 2012 actuarial assumptions included:

- Future investment earnings of the assets of the plan will accrue at a net annual rate of 7.25%.
- Interest on member contributions will accrue at a net annual rate of 7.25%.
- Projected salary increases of 4.5 percent per annum (includes both merit and cost of living increases).
- Post-retirement benefit increases of 2 percent per year.

The unfunded actuarial accrued liability is being amortized over a closed 30-year period.

The following table presents a schedule of the City's required annual contributions:

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2013	\$ 1,761,910	\$ 1,761,910	100%
2012	1,730,977	1,730,977	100%
2011	1,144,710	1,148,360	100%
2010	1,063,795	1,075,147	101%
2009	807,092	957,795	118%
2008	832,428	1,025,834	123%
2007	817,960	984,440	120%
2006	734,571	883,831	121%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

The following table presents a schedule of funding progress for the City:

Actuarial Valuation as of June 30,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll
2012	\$ 27,210,371	\$ 39,895,631	\$ 12,685,260	68%	\$ 8,788,081	144%
2011	26,247,291	37,232,568	10,985,277	71%	8,754,047	126%
2010	22,488,915	34,331,163	11,842,248	66%	9,007,213	132%
2009	19,562,273	37,449,276	2,633,573	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%

The following table presents the annual pension cost and change in net pension obligation for the City estimated as of June 30, 2012 and 2011.

	2012	2011
Annual Required Contribution (ARC)	\$ 1,131,224	\$ 1,144,710
Interest on Net Pension Obligation	(47,000)	(46,050)
Adjustment to Annual Required Contribution	<u>39,283</u>	<u>37,055</u>
Annual Pension Cost	1,123,507	1,135,715
Contributions made	<u>(1,140,591)</u>	<u>(1,148,360)</u>
Change in Net Pension Obligation	(17,086)	(12,645)
Net Pension Obligation (Asset) - beginning of year	<u>(626,661)</u>	<u>(614,016)</u>
Net Pension Obligation (Asset) - end of year	<u>\$ (643,747)</u>	<u>\$ (626,661)</u>

The June 30, 2013 actuarial valuation information was not available. Therefore the June 30, 2012 negative net pension obligation has been reported.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

Three-year trend information

	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$ 1,761,910	\$ 1,761,910	100.00%	\$ (643,747)
June 30, 2012	1,730,977	1,730,977	100.00%	(643,747)
June 30, 2011	1,135,715	1,148,360	100.32%	(626,661)

9. Defined Contribution Plan

The City of Forest Grove established a single-employer defined contribution plan to be known as the City of Forest Grove Defined Contribution Plan (the DC Plan). The DC Plan is administered through an ICMA Retirement Corporation Governmental Profit Sharing Plan and Trust. ICMA Retirement Corporation acts as the Plan Administrator. The City Council has authority for establishing or amending plan provisions related to contributions and compensation.

The DC Plan was effective as of July 1, 2011 although the first participant did not become eligible for the plan until March 2012. All full-time non-represented employees and all full-time members of the AFSCME union hired on or after July 1, 2011, are eligible to participate in the DC Plan.

Retirement benefits are based on the value of the individual employee's accumulated contributions and investment earnings at the time of retirement.

Contributions for employees are made by City as required by the DC Plan. Contributions to the DC Plan by individual employees or others are not permitted. The City contributes 10% of an employee's base salary to DC Plan plus an additional 2% to DC Plan if the individual employee contributes at least 2% of base salary to an eligible deferred compensation plan. The employee can invest the contributions in investments allowed by ICMA Retirement Corporation within the DC Plan. Contributions and earnings are immediately 100% vested to the employee.

Contributions to the plan for the years ended June 30, 2013 and 2012 were \$37,172 and \$9,230, respectively.

10. Other Post-Employment Benefits

Plan description and benefits provided

The City provides *other post-employment benefits* (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The plan does not issue a separate stand-alone financial report.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

Membership

The City's membership in the plan at August 1, 2012 (the date of the latest actuarial valuation) consisted of the following:

Active employees	147
Retirees, spouses or dependents	<u>12</u>
Total	<u>159</u>

Funding policy and contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the City are as follows:

For retirees	\$ 593
For spouses of retirees	711

The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

Annual OPEB cost and net OPEB Obligation

The City had its first actuarial valuation performed as of August 1, 2008 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 150,171
Amortization of UAAL	<u>140,821</u>
Annual required contribution	<u>\$ 290,992</u>

The net OPEB obligation as of June 30, 2013 was calculated as follows:

Annual required contribution	\$ 290,992
Interest on prior year Net OPEB	30,238
Adjustment to ARC	(51,374)
Contributions made	<u>(105,476)</u>
Increase in net OPEB obligation	164,380
Net OPEB obligation at beginning of year	<u>755,956</u>
Net OPEB obligation at end of year	<u>\$ 920,336</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

Three-year trend information

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2013, 2012 and 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 269,856	39%	\$ 920,336
June 30, 2012	257,340	39%	755,956
June 30, 2011	297,300	29%	598,557

Actuarial methods and assumptions

Actuarial valuations will be performed every two years for the City's other post-employment benefit plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the City and plan members, and include the types of benefits provided at the time of the valuation and historical patterns of sharing of benefit costs between the City and the plan members 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.

In the August 1, 2012 actuarial valuation, the projected unit credit cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a payroll growth of 3.75 percent per year, annual premium rate increases from 7.25 percent initially to 5.5 percent in 2053, and participation rate of 55 percent of future retirees hired after July 1, 2003 electing coverage under the plan. The unfunded actuarial liability is being amortized using the level percentage of payroll over an open period of 15 years.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Other Post-Employment Benefits (continued)

Funded status and funding progress

The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

Actuarial Valuation as of <u>August 1,</u>	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Accrued Liability as a Percent of Covered Payroll
2012	\$ --	\$ 1,768,430	\$ 1,768,430	0%	\$ 8,788,081	20%
2010	--	1,809,723	1,809,723	0%	9,007,213	20%
2008	--	1,685,541	1,685,541	0%	7,652,811	22%
2006	--	1,452,217	1,452,217	0%	7,263,639	20%

11. Joint Ventures and Intergovernmental Agreements

A. 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, 2013 is \$6,125,428. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Joint Ventures and Intergovernmental Agreements (continued)

- B. 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, 2013 is \$680,018. The Barney Reservoir Joint Commission issues a publicly available financial report which may be obtained by writing the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.
- C. 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, 2013 was \$3,522,174. The amount due to and payable to CWS at June 30, 2013 is \$181,420.

12. Contingency - Sick Leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2013, employees of the City had accumulated 9,956 days of sick leave.

13. Risk Management

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. Segment Information

The City has issued Full Faith and Credit bonds to finance major water system improvements. The sewer utility and the water utility are each accounted for in two separate funds.

Summary financial information for sewer and water for the year ended June 30, 2013 is as follows:

Condensed statement of net position	<u>Sewer</u>	<u>Water</u>
<u>Assets</u>		
Current assets	\$ 3,745,589	\$ 6,791,214
Net pension obligation asset	9,568	33,617
Investment in joint venture	-	6,805,446
Capital assets, net	<u>7,789,565</u>	<u>10,927,045</u>
Total assets	<u>11,544,722</u>	<u>24,557,322</u>
<u>Liabilities</u>		
Current liabilities	553,967	221,087
Noncurrent liabilities	<u>860,875</u>	<u>4,394,302</u>
Total liabilities	<u>1,414,842</u>	<u>4,615,389</u>
<u>Net position</u>		
Net investment in capital assets	6,942,369	6,709,259
Restricted	1,127,968	2,778,851
Unrestricted	<u>2,059,543</u>	<u>10,453,823</u>
Total net position	<u>\$ 10,129,880</u>	<u>\$ 19,941,933</u>
Condensed statement of revenues, expenses and changes in net position		
Operating revenue	\$ 1,116,478	\$ 3,388,456
Depreciation expense	228,459	414,622
Other operating expenses	<u>1,350,391</u>	<u>3,008,579</u>
Operating (loss)	(462,372)	(34,745)
Non operating revenues (expenses)	<u>(16,465)</u>	<u>1,232,384</u>
Income (loss) before capital contributions and transfers	(478,837)	1,197,639
Capital contributions	963,084	786,253
Transfers	<u>(55,833)</u>	<u>(207,405)</u>
Change in net position	428,414	1,776,487
Net position - beginning	9,662,320	17,996,821
Prior period adjustment	39,146	168,625
Net position - ending	<u>\$ 10,129,880</u>	<u>\$ 19,941,933</u>
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	(150,570)	26,785
Non-capital financing activities	(55,833)	(177,844)
Capital and related financing	426,688	397,192
Investing activities	<u>17,932</u>	<u>19,586</u>
Net increase in cash	238,217	265,719
Cash and cash equivalents - beginning of year	<u>3,232,515</u>	<u>3,598,446</u>
Cash and cash equivalents - end of year	<u>\$ 3,470,732</u>	<u>\$ 3,864,165</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

15. Net Assets Restricted Through Enabling Legislation

Net assets which are restricted through enabling legislation are as follows:

Oregon laws restrict the use of state gas tax for road improvements and repairs	\$ 526,047
Transportation Impact Fees and Transportation Development Tax are restricted for transportation infrastructure expansion	5,450,078
System Development Charges (SDC) are restricted for the purposes as specified in the implementing ordinances:	
Park acquisition and development	995,497
Sewer system improvement and expansion	1,127,968
Water system improvement and expansion	2,778,851
Surface water management system improvement and expansion	351,844

16. Governmental Fund Balances

Fund balance amounts for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned and unassigned. The specific purposes for these amounts are as follows:

Fund balances:	General	Street	Total Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Library endowment	\$ -	\$ -	\$ 41,186	\$ 41,186
Prepays	35,662	-	-	35,662
Restricted for:				
Building operations	-	-	998,776	998,776
Street services	-	492,865	33,182	526,047
Community enhancement	-	-	25,462	25,462
Capital projects	-	-	6,445,575	6,445,575
Debt service	-	-	76,600	76,600
Other purposes	-	-	61	61
Committed for:				
Street services	-	-	137,803	137,803
Capital projects	-	-	47,225	47,225
Capital needs	-	-	536,985	536,985
Assigned for:				
Facilities	-	-	674,377	674,377
Capital projects	-	-	159,143	159,143
Unassigned:	4,202,754	-	-	4,202,754
Total fund balances	<u>\$ 4,238,416</u>	<u>\$ 492,865</u>	<u>\$ 9,176,375</u>	<u>\$ 13,907,656</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

17. Interfund Transfers

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$ 1,033,041	\$ 270,000
Nonmajor governmental	368,522	2,638,572
Light	-	895,377
Sewer	-	55,833
Sewer - non-cash	96,144	-
Water	-	207,405
Surface water management	-	46,836
Nonmajor enterprise funds - non-cash	-	96,144
Internal service funds	<u>2,712,460</u>	<u>-</u>
	<u>\$ 4,210,167</u>	<u>\$ 4,210,167</u>

As part of the budget process, the City plans to make interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

18. Prior Period Adjustment

A. Business-type activities

The beginning fund balances of the Light, Sewer, Water and Surface Water Management Funds have been adjusted to accrue additional accounts receivables which previously were not reported. Beginning net position was increased in the Light, Sewer, Water and Surface Water Management Funds by \$681,470, \$39,146, \$168,625 and \$35,941, respectively. Due to this, the beginning net position of the business-type activities was also increased by \$925,182.

B. Governmental funds

The beginning fund balance of the Special Public Works Debt Service Fund was decreased by \$23,386 for additional revenues which should have been shown as unavailable in the fund.

C. Governmental activities

The beginning net position of the governmental activities was decreased \$105,053 due to the implementation of GASB 63 and GASB 65 which changed how bond issuance costs are reported.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

19. Expenditures in excess of appropriations

Oregon law prohibits expenditures or expenses of a fund in excess of board-approved appropriations.

Expenditures in excess of appropriations occurred as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Municipal court	\$ 223,507	\$ 238,477	\$ (14,970)
Non-departmental	272,270	409,817	(137,547)

20. Subsequent Events

On July 10, 2013, the City issued notes in the amount of \$3,160,000 for the purpose of a current refunding of the 2003 Full Faith and Credit Bonds with a principal balance outstanding of \$3,075,000. The 2003 bonds were fully called for early redemption on August 9, 2013. By doing this, the City was able to decrease the interest rate on this bond from a variable rate of 2 to 4.685 percent to a fixed 2.74 percent. As a result, the future maturities schedule for the business-type activities will change.

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue	Debt Service	Capital Projects	Permanent Library Endowment	Totals
<u>ASSETS</u>					
Cash and investments	\$ 1,233,865	\$ 72,134	\$ 7,794,356	\$ 41,247	\$ 9,141,602
Receivables, net	<u>216,815</u>	<u>156,335</u>	<u>85,519</u>	<u>-</u>	<u>458,669</u>
TOTAL ASSETS	<u>\$ 1,450,680</u>	<u>\$ 228,469</u>	<u>\$ 7,879,875</u>	<u>\$ 41,247</u>	<u>\$ 9,600,271</u>
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 214,955	\$ -	\$ 16,275	\$ -	\$ 231,230
Payroll related liabilities	13,105	-	-	-	13,105
Deposits	<u>4,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,223</u>
TOTAL LIABILITIES	<u>232,283</u>	<u>-</u>	<u>16,275</u>	<u>-</u>	<u>248,558</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	<u>9,131</u>	<u>151,869</u>	<u>14,338</u>	<u>-</u>	<u>175,338</u>
<u>FUND BALANCE</u>					
Nonspendable	-	-	-	41,186	41,186
Restricted	1,024,238	76,600	6,478,757	61	7,579,656
Committed	185,028	-	536,985	-	722,013
Assigned	<u>-</u>	<u>-</u>	<u>833,520</u>	<u>-</u>	<u>833,520</u>
TOTAL FUND BALANCE	<u>1,209,266</u>	<u>76,600</u>	<u>7,849,262</u>	<u>41,247</u>	<u>9,176,375</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,450,680</u>	<u>\$ 228,469</u>	<u>\$ 7,879,875</u>	<u>\$ 41,247</u>	<u>\$ 9,600,271</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	Special Revenue	Debt Service	Capital Projects	Permanent Library Endowment	Totals
REVENUES					
Property taxes	\$ -	\$ 497,107	\$ -	\$ -	\$ 497,107
Other taxes	-	-	1,400,394	-	1,400,394
Licenses and permits	874,619	-	25	-	874,644
Intergovernmental	645,605	-	80,105	-	725,710
System development charges	-	-	549,000	-	549,000
Interest	4,787	9,339	41,943	224	56,293
Grants	3,465	-	188,005	-	191,470
Charges for services	-	16,794	218,283	-	235,077
Miscellaneous	-	-	79,089	-	79,089
TOTAL REVENUES	<u>1,528,476</u>	<u>523,240</u>	<u>2,556,844</u>	<u>224</u>	<u>4,608,784</u>
EXPENDITURES					
General government	539,032	-	-	-	539,032
Public safety	51,918	-	-	-	51,918
Highways and streets	574,556	-	-	-	574,556
Culture and recreation	250	-	-	-	250
Capital outlay	-	-	873,457	-	873,457
Debt service	-	503,719	-	-	503,719
TOTAL EXPENDITURES	<u>1,165,756</u>	<u>503,719</u>	<u>873,457</u>	<u>-</u>	<u>2,542,932</u>
Excess (deficiency) of revenues over expenditures	<u>362,720</u>	<u>19,521</u>	<u>1,683,387</u>	<u>224</u>	<u>2,065,852</u>
OTHER FINANCING SOURCES (USES)					
Sale of equipment	-	-	10,589	-	10,589
Transfers in	672	-	367,850	-	368,522
Transfers out	-	-	(2,637,900)	(672)	(2,638,572)
TOTAL OTHER FINANCING SOURCES (USES)	<u>672</u>	<u>-</u>	<u>(2,259,461)</u>	<u>(672)</u>	<u>(2,259,461)</u>
Net change in fund balance	363,392	19,521	(576,074)	(448)	(193,609)
Fund balance at beginning of year	845,874	80,465	8,425,336	41,695	9,393,370
Prior period adjustment	-	(23,386)	-	-	(23,386)
Fund balance at end of year	<u>\$ 1,209,266</u>	<u>\$ 76,600</u>	<u>\$ 7,849,262</u>	<u>\$ 41,247</u>	<u>\$ 9,176,375</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2013

	<u>Building Permits</u>	<u>Street Tree</u>	<u>Forfeiture Sharing</u>
<u>ASSETS</u>			
Cash and investments	\$ 1,019,151	\$ 137,803	\$ 4,223
Receivables, net	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,019,151</u>	<u>\$ 137,803</u>	<u>\$ 4,223</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 7,270	\$ -	\$ -
Payroll related liabilities	13,105	-	-
Deposits	<u>-</u>	<u>-</u>	<u>4,223</u>
TOTAL LIABILITIES	<u>20,375</u>	<u>-</u>	<u>4,223</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>			
Restricted	998,776	-	-
Committed	<u>-</u>	<u>137,803</u>	<u>-</u>
TOTAL FUND BALANCE	<u>998,776</u>	<u>137,803</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 1,019,151</u>	<u>\$ 137,803</u>	<u>\$ 4,223</u>

Community Enhancement	Trail System	Transportation Services	Public Arts Donation	Assessment	Totals
\$ 14,373	\$ 47,225	\$ 1	\$ 11,089	\$ -	\$ 1,233,865
-	-	207,684	-	9,131	216,815
<u>\$ 14,373</u>	<u>\$ 47,225</u>	<u>\$ 207,685</u>	<u>\$ 11,089</u>	<u>\$ 9,131</u>	<u>\$ 1,450,680</u>
\$ -	\$ -	\$ 207,685	\$ -	\$ -	\$ 214,955
-	-	-	-	-	13,105
-	-	-	-	-	4,223
-	-	207,685	-	-	232,283
-	-	-	-	9,131	9,131
14,373	-	-	11,089	-	1,024,238
-	47,225	-	-	-	185,028
<u>14,373</u>	<u>47,225</u>	<u>-</u>	<u>11,089</u>	<u>-</u>	<u>1,209,266</u>
<u>\$ 14,373</u>	<u>\$ 47,225</u>	<u>\$ 207,685</u>	<u>\$ 11,089</u>	<u>\$ 9,131</u>	<u>\$ 1,450,680</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013**

	<u>Building Permits</u>	<u>Street</u>	<u>Tree</u>	<u>911 Emergency</u>	<u>Library Donations</u>
REVENUES					
Licenses and permits	\$ 807,562	\$ 67,057		\$ -	\$ -
Intergovernmental	-	-		51,918	-
Interest	4,089	446		-	-
Grants	-	-		-	-
TOTAL REVENUES	<u>811,651</u>	<u>67,503</u>		<u>51,918</u>	<u>-</u>
EXPENDITURES					
General government	483,115	-	-	-	2,355
Public safety	-	-		51,918	-
Highways and streets	-	34,357		-	-
Culture and recreation	-	-		-	-
TOTAL EXPENDITURES	<u>483,115</u>	<u>34,357</u>		<u>51,918</u>	<u>2,355</u>
Excess (deficiency) of revenues over expenditures	328,536	33,146		-	(2,355)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-		-	672
Net change in fund balance	328,536	33,146		-	(1,683)
Fund balance at beginning of year	<u>670,240</u>	<u>104,657</u>		<u>-</u>	<u>1,683</u>
Fund balance at end of year	<u>\$ 998,776</u>	<u>\$ 137,803</u>		<u>\$ -</u>	<u>\$ -</u>

<u>Community Enhancement</u>	<u>Trail System</u>	<u>Transportation Services</u>	<u>Public Arts Donation</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 874,619
53,488	-	540,199	-	645,605
-	210	-	42	4,787
-	-	-	3,465	3,465
<u>53,488</u>	<u>210</u>	<u>540,199</u>	<u>3,507</u>	<u>1,528,476</u>
53,562	-	-	-	539,032
-	-	-	-	51,918
-	-	540,199	-	574,556
-	-	-	250	250
<u>53,562</u>	<u>-</u>	<u>540,199</u>	<u>250</u>	<u>1,165,756</u>
(74)	210	-	3,257	362,720
-	-	-	-	672
(74)	210	-	3,257	363,392
<u>14,447</u>	<u>47,015</u>	<u>-</u>	<u>7,832</u>	<u>845,874</u>
<u>\$ 14,373</u>	<u>\$ 47,225</u>	<u>\$ -</u>	<u>\$ 11,089</u>	<u>\$ 1,209,266</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
June 30, 2013

	<u>General Debt</u>	<u>Special Public</u> <u>Works Debt</u>	<u>Totals</u>
	<u>Service</u>	<u>Service</u>	
<u>ASSETS</u>			
Cash and investments	\$ 41,951	\$ 30,183	\$ 72,134
Receivables, net	<u>23,204</u>	<u>133,131</u>	<u>156,335</u>
 TOTAL ASSETS	 <u>\$ 65,155</u>	 <u>\$ 163,314</u>	 <u>\$ 228,469</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	\$ 18,738	\$ 133,131	\$ 151,869
 <u>FUND BALANCE</u>			
Restricted	<u>46,417</u>	<u>30,183</u>	<u>76,600</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 65,155</u>	 <u>\$ 163,314</u>	 <u>\$ 228,469</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
For the Year Ended June 30, 2013**

	General Debt Service	Special Public Works Debt Service	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 497,107	\$ -	\$ 497,107
Interest	1,499	7,840	9,339
Charges for services	<u>-</u>	<u>16,794</u>	<u>16,794</u>
 TOTAL REVENUES	 498,606	 24,634	 523,240
 EXPENDITURES			
Debt service	<u>480,875</u>	<u>22,844</u>	<u>503,719</u>
 Net change in fund balance	 17,731	 1,790	 19,521
Fund balance at beginning of year	28,686	51,779	80,465
Prior period adjustment	<u>-</u>	<u>(23,386)</u>	<u>(23,386)</u>
 Fund balance at end of year	 <u>\$ 46,417</u>	 <u>\$ 30,183</u>	 <u>\$ 76,600</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2013

	Traffic Impact	Transportation Development Tax	Park Acquisition and Development
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and investments	\$ 2,953,238	\$ 2,426,178	\$ 995,494
Receivables, net	<u>70,662</u>	<u>-</u>	<u>3</u>
TOTAL ASSETS	<u>\$ 3,023,900</u>	<u>\$ 2,426,178</u>	<u>\$ 995,497</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>			
Restricted	3,023,900	2,426,178	995,497
Committed	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>3,023,900</u>	<u>2,426,178</u>	<u>995,497</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 3,023,900</u>	<u>\$ 2,426,178</u>	<u>\$ 995,497</u>

Capital Projects	Fire Equipment Replacement	Bike and Pedestrian Pathways	CIP Excise	Facility Major Maintenance	Totals
\$ 161,438	\$ 481,268	\$ 33,182	\$ 69,181	\$ 674,377	\$ 7,794,356
<u>1,448</u>	<u>-</u>	<u>-</u>	<u>13,406</u>	<u>-</u>	<u>85,519</u>
<u>\$ 162,886</u>	<u>\$ 481,268</u>	<u>\$ 33,182</u>	<u>\$ 82,587</u>	<u>\$ 674,377</u>	<u>\$ 7,879,875</u>
<u>\$ 2,811</u>	<u>\$ 6,123</u>	<u>\$ -</u>	<u>\$ 7,341</u>	<u>\$ -</u>	<u>\$ 16,275</u>
<u>932</u>	<u>-</u>	<u>-</u>	<u>13,406</u>	<u>-</u>	<u>14,338</u>
-	-	33,182	-	-	6,478,757
-	475,145	-	61,840	-	536,985
<u>159,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>674,377</u>	<u>833,520</u>
<u>159,143</u>	<u>475,145</u>	<u>33,182</u>	<u>61,840</u>	<u>674,377</u>	<u>7,849,262</u>
<u>\$ 162,886</u>	<u>\$ 481,268</u>	<u>\$ 33,182</u>	<u>\$ 82,587</u>	<u>\$ 674,377</u>	<u>\$ 7,879,875</u>

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2013**

	Traffic Impact	Transportation Development Tax	Park Acquisition and Development
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Other taxes	\$ -	\$ 1,400,394	\$ -
Licenses and permits	-	-	-
System development charges	-	-	549,000
Intergovernmental	-	-	-
Interest	18,845	9,150	4,695
Grants	-	-	-
Charges for services	-	-	-
Miscellaneous	<u>70,662</u>	<u>2,155</u>	<u>-</u>
 TOTAL REVENUES	 89,507	 1,411,699	 553,695
EXPENDITURES			
Capital outlay	<u>262,593</u>	<u>-</u>	<u>344,480</u>
 Excess (deficiency) of revenues over expenditures	 <u>(173,086)</u>	 <u>1,411,699</u>	 <u>209,215</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of equipment	-	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net change in fund balance	 (173,086)	 1,411,699	 209,215
Fund balance at beginning of year	<u>3,196,986</u>	<u>1,014,479</u>	<u>786,282</u>
 Fund balance at end of year	 <u>\$ 3,023,900</u>	 <u>\$ 2,426,178</u>	 <u>\$ 995,497</u>

<u>Capital Projects</u>	<u>Fire Equipment Replacement</u>	<u>Bike and Pedestrian Pathways</u>	<u>CIP Excise</u>	<u>Facility Major Maintenance</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,400,394
-	-	25	-	-	25
-	-	-	-	-	549,000
-	68,436	11,669	-	-	80,105
4,099	1,859	223	180	2,892	41,943
170,760	17,245	-	-	-	188,005
-	-	-	218,283	-	218,283
1,272	-	5,000	-	-	79,089
<u>176,131</u>	<u>87,540</u>	<u>16,917</u>	<u>218,463</u>	<u>2,892</u>	<u>2,556,844</u>
<u>79,518</u>	<u>41,767</u>	<u>69,653</u>	<u>50,330</u>	<u>25,116</u>	<u>873,457</u>
<u>96,613</u>	<u>45,773</u>	<u>(52,736)</u>	<u>168,133</u>	<u>(22,224)</u>	<u>1,683,387</u>
-	10,589	-	-	-	10,589
-	97,850	-	-	270,000	367,850
<u>(2,450,000)</u>	<u>-</u>	<u>-</u>	<u>(187,900)</u>	<u>-</u>	<u>(2,637,900)</u>
<u>(2,450,000)</u>	<u>108,439</u>	<u>-</u>	<u>(187,900)</u>	<u>270,000</u>	<u>(2,259,461)</u>
<u>(2,353,387)</u>	<u>154,212</u>	<u>(52,736)</u>	<u>(19,767)</u>	<u>247,776</u>	<u>(576,074)</u>
<u>2,512,530</u>	<u>320,933</u>	<u>85,918</u>	<u>81,607</u>	<u>426,601</u>	<u>8,425,336</u>
<u>\$ 159,143</u>	<u>\$ 475,145</u>	<u>\$ 33,182</u>	<u>\$ 61,840</u>	<u>\$ 674,377</u>	<u>\$ 7,849,262</u>

CITY OF FOREST GROVE

**BUILDING PERMITS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 320,178	\$ 807,562	\$ 487,384
Interest	<u>-</u>	<u>4,089</u>	<u>4,089</u>
TOTAL REVENUES	<u>320,178</u>	<u>811,651</u>	<u>491,473</u>
EXPENDITURES			
Personal services	366,241	352,635	13,606
Materials and services	140,334	130,480	9,854
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
TOTAL EXPENDITURES	<u>556,575</u>	<u>483,115</u>	<u>73,460</u>
Net change in fund balance	(236,397)	328,536	564,933
Fund balance at beginning of year	<u>548,646</u>	<u>670,240</u>	<u>121,594</u>
Fund balance at end of year	<u>\$ 312,249</u>	<u>\$ 998,776</u>	<u>\$ 686,527</u>

CITY OF FOREST GROVE

**STREET TREE - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 47,600	\$ 67,057	\$ 19,457
Interest	<u>250</u>	<u>446</u>	<u>196</u>
TOTAL REVENUES	47,850	67,503	19,653
EXPENDITURES			
Materials and services	<u>145,000</u>	<u>34,357</u>	<u>110,643</u>
Net change in fund balance	(97,150)	33,146	130,296
Fund balance at beginning of year	<u>97,150</u>	<u>104,657</u>	<u>7,507</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 137,803</u>	<u>\$ 137,803</u>

CITY OF FOREST GROVE

**911 EMERGENCY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 125,000	\$ 51,918	\$ (73,082)
EXPENDITURES			
Materials and services	<u>125,000</u>	<u>51,918</u>	<u>73,082</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**FORFEITURE SHARING - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fees and fines	\$ 5,000	\$ -	\$ (5,000)
EXPENDITURES			
Materials and services	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FOREST GROVE

**LIBRARY DONATIONS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Materials and services	\$ 2,487	\$ 2,355	\$ 132
Excess (deficiency) of revenues over expenditures	(2,487)	(2,355)	132
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>803</u>	<u>672</u>	<u>(131)</u>
Net change in fund balance	(1,684)	(1,683)	1
Fund balance at beginning of year	<u>1,684</u>	<u>1,683</u>	<u>(1)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**COMMUNITY ENHANCEMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 54,870	\$ 53,488	\$ (1,382)
EXPENDITURES			
Materials and services	<u>57,000</u>	<u>53,562</u>	<u>3,438</u>
Net change in fund balance	(2,130)	(74)	2,056
Fund balance at beginning of year	<u>8,521</u>	<u>14,447</u>	<u>5,926</u>
Fund balance at end of year	<u>\$ 6,391</u>	<u>\$ 14,373</u>	<u>\$ 7,982</u>

CITY OF FOREST GROVE

**TRAIL SYSTEM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 500</u>	<u>\$ 210</u>	<u>\$ (290)</u>
EXPENDITURES			
Materials and services	10,000	-	10,000
Capital outlay	<u>39,945</u>	<u>-</u>	<u>39,945</u>
TOTAL EXPENDITURES	<u>49,945</u>	<u>-</u>	<u>49,945</u>
Net change in fund balance	(49,445)	210	49,655
Fund balance at beginning of year	<u>49,445</u>	<u>47,015</u>	<u>(2,430)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 47,225</u>	<u>\$ 47,225</u>

CITY OF FOREST GROVE

**TRANSPORTATION SERVICES - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 570,000	\$ 540,199	\$ (29,801)
EXPENDITURES			
Materials and services	<u>570,000</u>	<u>540,199</u>	<u>29,801</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**PUBLIC ARTS DONATION - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ -	\$ 3,465	\$ 3,465
Interest	<u>50</u>	<u>42</u>	<u>(8)</u>
 TOTAL REVENUES	 50	 3,507	 3,457
 EXPENDITURES			
Materials and services	<u>8,483</u>	<u>250</u>	<u>8,233</u>
 Net change in fund balance	 (8,433)	 3,257	 11,690
Fund balance at beginning of year	<u>8,433</u>	<u>7,832</u>	<u>(601)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 11,089</u>	 <u>\$ 11,089</u>

CITY OF FOREST GROVE

**GENERAL DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 491,557	\$ 497,107	\$ 5,550
Interest	<u>1,000</u>	<u>1,499</u>	<u>499</u>
TOTAL REVENUES	492,557	498,606	6,049
EXPENDITURES			
Debt service	<u>480,875</u>	<u>480,875</u>	<u>-</u>
Net change in fund balance	11,682	17,731	6,049
Fund balance at beginning of year	<u>28,291</u>	<u>28,686</u>	<u>395</u>
Fund balance at end of year	<u>\$ 39,973</u>	<u>\$ 46,417</u>	<u>\$ 6,444</u>

CITY OF FOREST GROVE

**SPECIAL PUBLIC WORKS DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 4,885	\$ 16,794	\$ 11,909
Interest	<u>2,131</u>	<u>7,840</u>	<u>5,709</u>
TOTAL REVENUES	7,016	24,634	17,618
EXPENDITURES			
Debt service	<u>22,844</u>	<u>22,844</u>	<u>-</u>
Net change in fund balance	(15,828)	1,790	17,618
Fund balance at beginning of year	28,393	51,779	23,386
Prior period adjustment	<u>-</u>	<u>(23,386)</u>	<u>(23,386)</u>
Fund balance at end of year	<u>\$ 12,565</u>	<u>\$ 30,183</u>	<u>\$ 17,618</u>

CITY OF FOREST GROVE

**TRAFFIC IMPACT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 32,350	\$ 18,845	\$ (13,505)
Miscellaneous	<u>-</u>	<u>70,662</u>	<u>70,662</u>
TOTAL REVENUES	32,350	89,507	57,157
EXPENDITURES			
Capital outlay	<u>3,267,360</u>	<u>262,593</u>	<u>3,004,767</u>
Net change in fund balance	(3,235,010)	(173,086)	3,061,924
Fund balance at beginning of year	<u>3,235,010</u>	<u>3,196,986</u>	<u>(38,024)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,023,900</u>	<u>\$ 3,023,900</u>

CITY OF FOREST GROVE

**TRANSPORTATION DEVELOPMENT TAX - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Other taxes	\$ 333,250	\$ 1,400,394	\$ 1,067,144
Interest	3,768	9,150	5,382
Miscellaneous	<u>250,000</u>	<u>2,155</u>	<u>(247,845)</u>
 TOTAL REVENUES	 587,018	 1,411,699	 824,681
 EXPENDITURES			
Capital outlay	<u>1,340,657</u>	<u>-</u>	<u>1,340,657</u>
 Net change in fund balance	 (753,639)	 1,411,699	 2,165,338
Fund balance at beginning of year	<u>753,639</u>	<u>1,014,479</u>	<u>260,840</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 2,426,178</u>	 <u>\$ 2,426,178</u>

CITY OF FOREST GROVE

**PARK ACQUISITION AND DEVELOPMENT - CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 210,000	\$ 549,000	\$ 339,000
Interest	<u>2,500</u>	<u>4,695</u>	<u>2,195</u>
TOTAL REVENUES	<u>212,500</u>	<u>553,695</u>	<u>341,195</u>
EXPENDITURES			
Materials and services	85,000	-	85,000
Capital outlay	<u>928,543</u>	<u>344,480</u>	<u>584,063</u>
TOTAL EXPENDITURES	<u>1,013,543</u>	<u>344,480</u>	<u>669,063</u>
Net change in fund balance	(801,043)	209,215	1,010,258
Fund balance at beginning of year	<u>801,043</u>	<u>786,282</u>	<u>(14,761)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 995,497</u>	<u>\$ 995,497</u>

CITY OF FOREST GROVE

**CAPITAL PROJECTS - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ 67,381	\$ 170,760	\$ 103,379
Interest	500	4,099	3,599
Miscellaneous	<u>-</u>	<u>1,272</u>	<u>1,272</u>
 TOTAL REVENUES	 67,881	 176,131	 108,250
EXPENDITURES			
Capital outlay	<u>82,438</u>	<u>79,518</u>	<u>2,920</u>
 Excess (deficiency) of revenues over expenditures	 (14,557)	 96,613	 111,170
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(2,634,000)</u>	<u>(2,450,000)</u>	<u>184,000</u>
 Net change in fund balance	 (2,648,557)	 (2,353,387)	 295,170
Fund balance at beginning of year	<u>2,648,557</u>	<u>2,512,530</u>	<u>(136,027)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 159,143</u>	 <u>\$ 159,143</u>

CITY OF FOREST GROVE

**FIRE EQUIPMENT REPLACEMENT - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ 17,245	\$ 17,245	\$ -
Intergovernmental	149,775	68,436	(81,339)
Interest	<u>5,000</u>	<u>1,859</u>	<u>(3,141)</u>
 TOTAL REVENUES	 <u>172,020</u>	 <u>87,540</u>	 <u>(84,480)</u>
 EXPENDITURES			
Capital outlay	317,100	41,767	275,333
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
 TOTAL EXPENDITURES	 <u>367,100</u>	 <u>41,767</u>	 <u>325,333</u>
 Excess (deficiency) of revenues over expenditures	 <u>(195,080)</u>	 <u>45,773</u>	 <u>240,853</u>
 OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	10,589	10,589
Transfers in	<u>97,850</u>	<u>97,850</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>97,850</u>	 <u>108,439</u>	 <u>10,589</u>
 Net change in fund balance	 (97,230)	 154,212	 251,442
Fund balance at beginning of year	<u>339,538</u>	<u>320,933</u>	<u>(18,605)</u>
 Fund balance at end of year	 <u>\$ 242,308</u>	 <u>\$ 475,145</u>	 <u>\$ 232,837</u>

CITY OF FOREST GROVE

**BIKE AND PEDESTRIAN PATHWAYS - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 50	\$ 25	\$ (25)
Intergovernmental	11,978	11,669	(309)
Interest	384	223	(161)
Miscellaneous	<u>-</u>	<u>5,000</u>	<u>5,000</u>
 TOTAL REVENUES	 12,412	 16,917	 4,505
 EXPENDITURES			
Capital outlay	<u>97,700</u>	<u>69,653</u>	<u>28,047</u>
 Net change in fund balance	 (85,288)	 (52,736)	 32,552
Fund balance at beginning of year	<u>85,288</u>	<u>85,918</u>	<u>630</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 33,182</u>	 <u>\$ 33,182</u>

CITY OF FOREST GROVE

**CIP EXCISE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 206,000	\$ 218,283	\$ 12,283
Interest	<u>200</u>	<u>180</u>	<u>(20)</u>
 TOTAL REVENUES	 206,200	 218,463	 12,263
 EXPENDITURES			
Capital outlay	<u>89,415</u>	<u>50,330</u>	<u>39,085</u>
 Excess of revenues over expenditures	 116,785	 168,133	 51,348
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(187,900)</u>	<u>(187,900)</u>	<u>-</u>
 Net change in fund balance	 (71,115)	 (19,767)	 51,348
Fund balance at beginning of year	<u>71,115</u>	<u>81,607</u>	<u>10,492</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 61,840</u>	 <u>\$ 61,840</u>

CITY OF FOREST GROVE

**FACILITY MAJOR MAINTENANCE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 2,500	\$ 2,892	\$ 392
EXPENDITURES			
Capital outlay	<u>250,000</u>	<u>25,116</u>	<u>224,884</u>
Excess (deficiency) of revenues over expenditures	(247,500)	(22,224)	225,276
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>350,000</u>	<u>270,000</u>	<u>(80,000)</u>
Net change in fund balance	102,500	247,776	145,276
Fund balance at beginning of year	<u>426,105</u>	<u>426,601</u>	<u>496</u>
Fund balance at end of year	<u>\$ 528,605</u>	<u>\$ 674,377</u>	<u>\$ 145,772</u>

CITY OF FOREST GROVE

**LIBRARY ENDOWMENT - PERMANENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 300	\$ 224	\$ (76)
Excess of revenues over expenditures	300	224	(76)
OTHER FINANCING SOURCES (USES)			
Transfers out	(803)	(672)	131
Net change in fund balance	(503)	(448)	55
Fund balance at beginning of year	41,690	41,695	5
Fund balance at end of year	\$ 41,187	\$ 41,247	\$ 60

CITY OF FOREST GROVE

**LIGHT - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 14,633,456	\$ 14,067,470	\$ (565,986)
Intergovernmental	-	60,200	60,200
Grants	4,500	-	(4,500)
Licenses and permits	-	21,004	21,004
Sale of materials	17,500	26,416	8,916
Interest	30,917	32,352	1,435
Miscellaneous	<u>150,000</u>	<u>220,043</u>	<u>70,043</u>
TOTAL REVENUES	<u>14,836,373</u>	<u>14,427,485</u>	<u>(408,888)</u>
EXPENDITURES			
Personal services	3,009,909	2,871,866	138,043
Materials and services	11,276,152	10,501,632	774,520
Capital outlay	2,182,700	831,559	1,351,141
Contingency	<u>1,418,319</u>	<u>-</u>	<u>1,418,319</u>
TOTAL EXPENDITURES	<u>17,887,080</u>	<u>14,205,057</u>	<u>3,682,023</u>
Excess (deficiency) of revenues over expenditures	<u>(3,050,707)</u>	<u>222,428</u>	<u>3,273,135</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	3,000	19,582	16,582
Transfers out	<u>(895,377)</u>	<u>(895,377)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(892,377)</u>	<u>(875,795)</u>	<u>16,582</u>
Net change in fund balance	(3,943,084)	(653,367)	3,289,717
Fund balance at beginning of year	6,183,447	6,832,992	649,545
Prior period adjustment	<u>-</u>	<u>681,470</u>	<u>681,470</u>
Fund balance at end of year	<u>\$ 2,240,363</u>	6,861,095	<u>\$ 4,620,732</u>

Reconciliation to generally accepted accounting principles

Inventory	387,282
Capital assets, net	16,114,666
Net pension obligation asset	118,731
Compensated absences payable	(143,335)
Net other post-employment benefits	<u>(169,744)</u>
Net position - ending	<u>\$ 23,168,695</u>

CITY OF FOREST GROVE

**SEWER - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 4,341,824	\$ 4,433,880	\$ 92,056
Interest	9,277	11,553	2,276
Licenses and permits	<u>800</u>	<u>-</u>	<u>(800)</u>
TOTAL REVENUES	<u>4,351,901</u>	<u>4,445,433</u>	<u>93,532</u>
EXPENDITURES			
Personal services	341,481	274,616	66,865
Materials and services	3,987,707	3,890,741	96,966
Capital outlay	237,375	53,605	183,770
Debt service	94,004	94,004	-
Contingency	<u>600,000</u>	<u>-</u>	<u>600,000</u>
TOTAL EXPENDITURES	<u>5,260,567</u>	<u>4,312,966</u>	<u>947,601</u>
Excess (deficiency) of revenues over expenditures	(908,666)	132,467	1,041,133
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(55,833)</u>	<u>(55,833)</u>	<u>-</u>
Net change in fund balance	(964,499)	76,634	1,041,133
Fund balance at beginning of year	1,855,490	1,954,099	98,609
Prior period adjustment	<u>-</u>	<u>39,146</u>	<u>39,146</u>
Fund balance at end of year	<u>\$ 890,991</u>	2,069,879	<u>\$ 1,178,888</u>

Reconciliation to generally accepted accounting principles

Inventory	8,116
Capital assets, net	7,789,565
Net pension obligation asset	9,568
Accrued interest payable	(14,341)
Net other post-employment benefits	(13,679)
Long-term obligations	<u>(847,196)</u>
Net position-ending	<u>\$ 9,001,912</u>

CITY OF FOREST GROVE

**WATER - ENTERPRISE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 5,000	\$ 6,991	\$ 1,991
Charges for services	3,016,832	3,381,465	364,633
Sales of materials	700,000	1,562,180	862,180
Rents	35,928	35,928	-
Interest	<u>11,685</u>	<u>15,705</u>	<u>4,020</u>
TOTAL REVENUES	<u>3,769,445</u>	<u>5,002,269</u>	<u>1,232,824</u>
EXPENDITURES			
Personal services	924,430	893,187	31,243
Materials and services	2,815,779	2,223,046	592,733
Capital outlay	350,560	244,568	105,992
Debt service	478,978	478,978	-
Contingency	<u>234,250</u>	<u>-</u>	<u>234,250</u>
TOTAL EXPENDITURES	<u>4,803,997</u>	<u>3,839,779</u>	<u>964,218</u>
Excess (deficiency) of revenues over expenditures	(1,034,552)	1,162,490	2,197,042
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(207,405)</u>	<u>(207,405)</u>	<u>-</u>
Net change in fund balance	(1,241,957)	955,085	2,197,042
Fund balance at beginning of year	2,337,049	2,579,687	242,638
Prior period adjustment	<u>-</u>	<u>168,625</u>	<u>168,625</u>
Fund balance at end of year	<u>\$ 1,095,092</u>	<u>3,703,397</u>	<u>\$ 2,608,305</u>

Reconciliation to generally accepted accounting principles

Inventory	121,108
Investment in joint ventures	6,805,446
Capital assets, net	10,267,573
Intangibles, net	659,472
Net pension obligation asset	33,617
Accrued interest payable	(33,229)
Net other post-employment benefits	(48,061)
Long-term obligations	<u>(4,346,241)</u>
Net position - ending	<u>\$ 17,163,082</u>

CITY OF FOREST GROVE

**SURFACE WATER MANAGEMENT - ENTERPRISE FUND (MAJOR FUND)
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
 For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 930,960	\$ 943,605	\$ 12,645
Interest	<u>1,221</u>	<u>542</u>	<u>(679)</u>
TOTAL REVENUES	<u>932,181</u>	<u>944,147</u>	<u>11,966</u>
EXPENDITURES			
Personal services	383,441	369,832	13,609
Materials and services	539,984	528,607	11,377
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>
TOTAL EXPENDITURES	<u>933,425</u>	<u>898,439</u>	<u>34,986</u>
Excess (deficiency) of revenues over expenditures	(1,244)	45,708	46,952
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(46,836)</u>	<u>(46,836)</u>	<u>-</u>
Net change in fund balance	(48,080)	(1,128)	46,952
Fund balance at beginning of year	243,920	277,494	33,574
Prior period adjustment	<u>-</u>	<u>35,941</u>	<u>35,941</u>
Fund balance at end of year	<u>\$ 195,840</u>	312,307	<u>\$ 116,467</u>

Reconciliation to generally accepted accounting principles

Capital assets, net	6,104,422
Net pension obligation asset	13,872
Net other post-employment benefits	<u>(19,832)</u>
Net position - ending	<u>\$ 6,410,769</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,213,804	\$ 2,778,851	\$ 351,844	\$ 4,344,499
LIABILITIES				
CURRENT LIABILITES				
Accounts payable	<u>85,836</u>	<u>-</u>	<u>-</u>	<u>85,836</u>
NET POSITION				
Restricted for capital projects	<u>\$ 1,127,968</u>	<u>\$ 2,778,851</u>	<u>\$ 351,844</u>	<u>\$ 4,258,663</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
OPERATING EXPENSES				
System operation and maintenance	\$ 770,468	\$ -	\$ 36	\$ 770,504
General and administrative costs	<u>-</u>	<u>-</u>	<u>13,100</u>	<u>13,100</u>
TOTAL OPERATING EXPENSES	<u>770,468</u>	<u>-</u>	<u>13,136</u>	<u>783,604</u>
Operating (loss)	<u>(770,468)</u>	<u>-</u>	<u>(13,136)</u>	<u>(783,604)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	6,379	13,703	1,614	21,696
Interest	(25,850)	-	-	(25,850)
Miscellaneous	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>2,250</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(17,221)</u>	<u>13,703</u>	<u>1,614</u>	<u>(1,904)</u>
Income (loss) before capital contributions and transfers	(787,689)	13,703	(11,522)	(785,508)
Capital contributions	963,084	786,253	83,203	1,832,540
Transfers out	<u>(96,144)</u>	<u>-</u>	<u>-</u>	<u>(96,144)</u>
Change in net position	79,251	799,956	71,681	950,888
Net position at beginning of year	<u>1,048,717</u>	<u>1,978,895</u>	<u>280,163</u>	<u>3,307,775</u>
Net position at end of year	<u>\$ 1,127,968</u>	<u>\$ 2,778,851</u>	<u>\$ 351,844</u>	<u>\$ 4,258,663</u>

CITY OF FOREST GROVE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid to suppliers	\$ (719,057)	\$ -	\$ (13,136)	\$ (732,193)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Other	2,250			2,250
Capital contributions	963,084	786,253	83,203	1,832,540
Principal paid on long-term obligations	(96,144)	-	-	(96,144)
Interest paid on long-term obligations	(25,850)	-	-	(25,850)
Net cash provided by capital and related financing activities	<u>843,340</u>	<u>786,253</u>	<u>83,203</u>	<u>1,712,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	<u>6,379</u>	<u>13,703</u>	<u>1,614</u>	<u>21,696</u>
Net increase in cash and cash equivalents	130,662	799,956	71,681	1,002,299
Cash and cash equivalents at beginning of year	<u>1,083,142</u>	<u>1,978,895</u>	<u>280,163</u>	<u>3,342,200</u>
Cash and cash equivalent at end of year	<u>\$ 1,213,804</u>	<u>\$ 2,778,851</u>	<u>\$ 351,844</u>	<u>\$ 4,344,499</u>
Reconciliation of operating (loss) to net cash (used in) operating activities				
Operating (loss)	\$ (770,468)	\$ -	\$ (13,136)	\$ (783,604)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Increase (decrease) in liabilities				
Accounts payable	<u>51,411</u>	<u>-</u>	<u>-</u>	<u>51,411</u>
Net cash (used in) operating activities	<u>\$ (719,057)</u>	<u>\$ -</u>	<u>\$ (13,136)</u>	<u>\$ (732,193)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Transfers out	<u>\$ (96,144)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (96,144)</u>

CITY OF FOREST GROVE

**SEWER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fees and fines	\$ 1,000	\$ 2,250	\$ 1,250
System development charges	935,340	963,084	27,744
Interest	<u>2,475</u>	<u>6,379</u>	<u>3,904</u>
TOTAL REVENUES	<u>938,815</u>	<u>971,713</u>	<u>32,898</u>
EXPENDITURES			
Materials and services	848,272	770,468	77,804
Capital outlay	50,000	-	50,000
Debt service	121,995	121,994	1
Contingency	<u>680,149</u>	<u>-</u>	<u>680,149</u>
TOTAL EXPENDITURES	<u>1,700,416</u>	<u>892,462</u>	<u>807,954</u>
Net change in fund balance	(761,601)	79,251	840,852
Fund balance at beginning of year	<u>990,197</u>	<u>1,048,717</u>	<u>58,520</u>
Fund balance at end of year	<u>\$ 228,596</u>	<u>\$ 1,127,968</u>	<u>\$ 899,372</u>

CITY OF FOREST GROVE

**WATER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS)- BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 211,081	\$ 786,253	\$ 575,172
Interest	<u>10,024</u>	<u>13,703</u>	<u>3,679</u>
 TOTAL REVENUES	 <u>221,105</u>	 <u>799,956</u>	 <u>578,851</u>
 EXPENDITURES			
Capital outlay	120,000	-	120,000
Contingency	<u>75,000</u>	<u>-</u>	<u>75,000</u>
 TOTAL EXPENDITURES	 <u>195,000</u>	 <u>-</u>	 <u>195,000</u>
 Net change in fund balance	 26,105	 799,956	 773,851
Fund balance at beginning of year	<u>1,901,653</u>	<u>1,978,895</u>	<u>77,242</u>
 Fund balance at end of year	 <u>\$ 1,927,758</u>	 <u>\$ 2,778,851</u>	 <u>\$ 851,093</u>

CITY OF FOREST GROVE

**SURFACE WATER MANAGEMENT SYSTEM DEVELOPMENT
CHARGES - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 35,000	\$ 83,203	\$ 48,203
Interest	<u>1,525</u>	<u>1,614</u>	<u>89</u>
TOTAL REVENUES	<u>36,525</u>	<u>84,817</u>	<u>48,292</u>
EXPENDITURES			
Capital outlay	20,000	13,136	6,864
Contingency	<u>321,451</u>	<u>-</u>	<u>321,451</u>
TOTAL EXPENDITURES	<u>341,451</u>	<u>13,136</u>	<u>328,315</u>
Net change in fund balance	(304,926)	71,681	376,607
Fund balance at beginning of year	<u>304,926</u>	<u>280,163</u>	<u>(24,763)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 351,844</u>	<u>\$ 351,844</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013**

	Information Systems	Equipment	Risk Management	Totals
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	\$ 654,188	\$ 815,880	\$ 2,840,496	\$ 4,310,564
Capital assets				
Other capital assets, net	-	1,146,729	-	1,146,729
TOTAL ASSETS	654,188	1,962,609	2,840,496	5,457,293
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable	22,564	15,939	13,389	51,892
Accrued payroll liabilities	-	6,281	-	6,281
Long-term obligations				
Due within one year	-	4,058	-	4,058
TOTAL LIABILITIES	22,564	26,278	13,389	62,231
<u>NET POSITION</u>				
Net investment in capital assets	-	1,146,729	-	1,146,729
Restricted for capital projects	631,624	789,602	2,827,107	4,248,333
TOTAL NET POSITION	\$ 631,624	\$ 1,936,331	\$ 2,827,107	\$ 5,395,062

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013**

	Information Systems	Equipment	City Utility	Risk Management	Totals
OPERATING REVENUES					
Charges for services	\$ 199,820	\$ 916,658	\$ -	\$ 361,950	\$ 1,478,428
OPERATING EXPENSES					
Systems operation and maintenance	172,213	537,106	172,410	410,202	1,291,931
Depreciation	-	169,993	-	-	169,993
Total operating expenses	<u>172,213</u>	<u>707,099</u>	<u>172,410</u>	<u>410,202</u>	<u>1,461,924</u>
Operating income (loss)	<u>27,607</u>	<u>209,559</u>	<u>(172,410)</u>	<u>(48,252)</u>	<u>16,504</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earned	3,725	3,118	-	12,526	19,369
Gain on sale of capital asset	-	2,895	-	-	2,895
Miscellaneous	-	780	-	9,812	10,592
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,725</u>	<u>6,793</u>	<u>-</u>	<u>22,338</u>	<u>32,856</u>
Income (loss) before transfers	31,332	216,352	(172,410)	(25,914)	49,360
Transfers in	-	90,050	172,410	2,450,000	2,712,460
Change in net position	31,332	306,402	-	2,424,086	2,761,820
Net position at beginning of year	<u>600,292</u>	<u>1,629,929</u>	<u>-</u>	<u>403,021</u>	<u>2,633,242</u>
Net position at end of year	<u>\$ 631,624</u>	<u>\$ 1,936,331</u>	<u>\$ -</u>	<u>\$ 2,827,107</u>	<u>\$ 5,395,062</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013**

	Information		City	Risk	
	Systems	Equipment	Utility	Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 199,820	\$ 916,658	\$ -	\$ 361,950	\$ 1,478,428
Cash paid to employees	-	(206,139)	-	-	(206,139)
Cash paid to suppliers	<u>(151,173)</u>	<u>(343,042)</u>	<u>(172,410)</u>	<u>(454,358)</u>	<u>(1,120,983)</u>
Net cash provided by (used in) operating activities	<u>48,647</u>	<u>367,477</u>	<u>(172,410)</u>	<u>(92,408)</u>	<u>151,306</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	<u>-</u>	<u>90,050</u>	<u>172,410</u>	<u>2,450,000</u>	<u>2,712,460</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	(191,450)	-	-	(191,450)
Sale of equipment	-	32,402	-	-	32,402
Other	<u>-</u>	<u>780</u>	<u>-</u>	<u>9,812</u>	<u>10,592</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(158,268)</u>	<u>-</u>	<u>9,812</u>	<u>(148,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	<u>3,725</u>	<u>3,118</u>	<u>-</u>	<u>12,526</u>	<u>19,369</u>
Net increase in cash and cash equivalents	52,372	302,377	-	2,379,930	2,734,679
Cash and cash equivalents at beginning of year	<u>601,816</u>	<u>513,503</u>	<u>-</u>	<u>460,566</u>	<u>1,575,885</u>
Cash and cash equivalent at end of year	<u>\$ 654,188</u>	<u>\$ 815,880</u>	<u>\$ -</u>	<u>\$ 2,840,496</u>	<u>\$ 4,310,564</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 27,607	\$ 209,559	\$ (172,410)	\$ (48,252)	\$ 16,504
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	169,993	-	-	169,993
Increase in liabilities					
Accounts payable and accrued expenses	21,040	(10,014)	-	(44,156)	(33,130)
Payroll related liabilities	<u>-</u>	<u>(2,061)</u>	<u>-</u>	<u>-</u>	<u>(2,061)</u>
Net cash provided by (used in) operating activities	<u>\$ 48,647</u>	<u>\$ 367,477</u>	<u>\$ (172,410)</u>	<u>\$ (92,408)</u>	<u>\$ 151,306</u>

CITY OF FOREST GROVE

**INFORMATION SYSTEMS - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 199,809	\$ 199,820	\$ 11
Interest	<u>1,850</u>	<u>3,725</u>	<u>1,875</u>
TOTAL REVENUES	<u>201,659</u>	<u>203,545</u>	<u>1,886</u>
EXPENDITURES			
Materials and services	273,415	157,851	115,564
Capital outlay	<u>147,544</u>	<u>14,362</u>	<u>133,182</u>
TOTAL EXPENDITURES	<u>420,959</u>	<u>172,213</u>	<u>248,746</u>
Net change in fund balance	(219,300)	31,332	250,632
Fund balance at beginning of year	<u>620,548</u>	<u>600,292</u>	<u>(20,256)</u>
Fund balance at end of year	<u><u>\$ 401,248</u></u>	<u><u>\$ 631,624</u></u>	<u><u>\$ 230,376</u></u>

CITY OF FOREST GROVE

**EQUIPMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 858,283	\$ 916,658	\$ 58,375
Interest	1,798	3,118	1,320
Miscellaneous	<u>-</u>	<u>780</u>	<u>780</u>
TOTAL REVENUES	<u>860,081</u>	<u>920,556</u>	<u>60,475</u>
EXPENDITURES			
Personal services	212,328	204,078	8,250
Materials and services	411,629	367,049	44,580
Capital outlay	<u>162,000</u>	<u>159,809</u>	<u>2,191</u>
TOTAL EXPENDITURES	<u>785,957</u>	<u>730,936</u>	<u>55,021</u>
Excess (deficiency) of revenues over expenditures	<u>74,124</u>	<u>189,620</u>	<u>115,496</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	10,000	32,402	22,402
Transfers in	<u>90,050</u>	<u>90,050</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,050</u>	<u>122,452</u>	<u>22,402</u>
Net change in fund balance	174,174	312,072	137,898
Fund balance at beginning of year	<u>359,526</u>	<u>481,588</u>	<u>122,062</u>
Fund balance at end of year	<u>\$ 533,700</u>	793,660	<u>\$ 259,960</u>
 <i>Reconciliation to generally accepted accounting principles</i>			
Capital assets, net		1,146,729	
Long-term obligations		<u>(4,058)</u>	
Net position-ending		<u>\$ 1,936,331</u>	

CITY OF FOREST GROVE

**CITY UTILITY - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Materials and services	\$ 172,410	\$ 172,410	\$ -
Excess (deficiency) of revenues over expenditures	(172,410)	(172,410)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	172,410	172,410	-
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**RISK MANAGEMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 361,795	\$ 361,950	\$ 155
Interest	18,200	12,526	(5,674)
Miscellaneous	-	9,812	9,812
TOTAL REVENUES	379,995	384,288	4,293
EXPENDITURES			
Materials and services	488,504	410,202	78,302
Contingency	2,699,000	-	2,699,000
TOTAL EXPENDITURES	3,187,504	410,202	2,777,302
Excess (deficiency) of revenues over expenditures	(2,807,509)	(25,914)	2,781,595
OTHER FINANCING SOURCES (USES)			
Transfers in	2,634,000	2,450,000	(184,000)
Net change in fund balance	(173,509)	2,424,086	2,597,595
Fund balance at beginning of year	461,967	403,021	(58,946)
Fund balance at end of year	\$ 288,458	\$ 2,827,107	\$ 2,538,649

CITY OF FOREST GROVE

**UNSEGREGATED TAX AND INTEREST AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2013**

	<u>Balances</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2013</u>
Assets				
Cash and investments	<u>\$ 155,731</u>	<u>\$ 364,824</u>	<u>\$ 342,265</u>	<u>\$ 178,290</u>
Liabilities				
Amounts held in trust	<u>\$ 155,731</u>	<u>\$ 364,824</u>	<u>\$ 342,265</u>	<u>\$ 178,290</u>

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**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS

Honorable Mayor and Members
of the City Council
CITY OF FOREST GROVE
Forest Grove, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF FOREST GROVE** as of and for the year ended June 30, 2013, and have issued our report thereon dated December 31, 2013.

Compliance

As part of obtaining reasonable assurance about whether the City of Forest Grove's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

**INDEPENDENT AUDITOR’S REPORT REQUIRED BY THE
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS (Continued)**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

Budgets legally required (ORS Chapter 294)

The 2009-10 and 2010-11 actual historical information presented in the 2012-13 detail budget document contained errors such that the 2009-10 resources less the 2009-10 expenditures did not equal the 2010-11 beginning fund balance resource.

The 2010-11 and 2011-12 actual historical information presented in the 2013-14 detail budget document contained errors such that the 2010-11 resources less the 2010-11 expenditures did not equal the 2011-12 beginning fund balance resource.

Expenditures in excess of appropriations (which is prohibited by ORS 294.435) occurred as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Municipal court	\$ 223,507	\$ 238,477	\$ (14,970)
Non-departmental	272,270	409,817	(137,547)

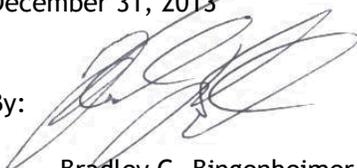
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information and use of the City Council and management of the **CITY OF FOREST GROVE** and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
 Certified Public Accountants
 Salem, Oregon
 December 31, 2013

By: 
 Bradley G. Bingenheimer