



**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2012**

**CITY OF FOREST GROVE**  
**For the Year Ended June 30, 2012**

**TERM EXPIRES**  
**November**

**MAYOR**

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

Thomas BeLusko Jr 2240 A Street Forest Grove, OR 97116	2012
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Thomas Johnston 2323 15 <sup>th</sup> Avenue Forest Grove, OR 97116	2014
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Camille Miller 2410 Pansy Court Forest Grove, OR 97116	2014
--	------

Victoria Lowe 3206 17 <sup>th</sup> Place Forest Grove, OR 97116	2012
--	------

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

Elena Uhing 1633 Pacific Avenue Forest Grove, OR 97116	2012
--	------

**CITY MANAGER**

Michael Sykes  
1924 Council Street  
Forest Grove, OR 97116

**CITY OF FOREST GROVE**  
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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF FOREST GROVE**, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

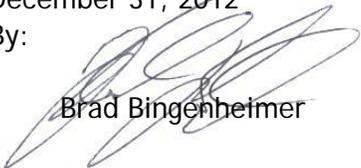
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* through *v* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

## INDEPENDENT AUDITOR'S REPORT (Continued)

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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

**Boldt Carlisle + Smith**  
Certified Public Accountants  
Salem, Oregon  
December 31, 2012

By:

  
Brad Bingenheimer

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## 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 \$99.9 million at June 30, 2012. Of this amount, \$28.0 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 \$1.8 million. The increase in Net Assets is primarily due to revenues exceeding expenditures in the General Fund and the Light Fund.
- The general fund reported a fund balance this year of \$4,764,276 which is an increase of \$329,986 from the prior fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net assets and how they have changed. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health or *position*.

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

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

## Fund Financial Statements

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

The City has the following types of funds:

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

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

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current and other assets	\$ 18,241	\$ 16,680	\$ 23,860	\$ 23,074	\$ 42,101	\$ 39,754
Capital assets	<u>29,790</u>	<u>30,084</u>	<u>39,752</u>	<u>39,528</u>	<u>69,542</u>	<u>69,612</u>
Total assets	<u>48,031</u>	<u>46,764</u>	<u>63,612</u>	<u>62,602</u>	<u>111,643</u>	<u>109,366</u>
<b>LIABILITIES</b>						
Current and other liabilities	1,104	808	1,254	1,020	2,358	1,829
Long-term debt	<u>3,394</u>	<u>3,812</u>	<u>6,025</u>	<u>6,247</u>	<u>9,419</u>	<u>10,059</u>
Total liabilities	<u>4,498</u>	<u>4,620</u>	<u>7,279</u>	<u>7,267</u>	<u>11,777</u>	<u>11,887</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	27,842	27,718	34,224	33,545	62,066	61,263
Restricted	6,473	5,583	3,308	2,838	9,781	8,421
Unrestricted	<u>9,218</u>	<u>8,843</u>	<u>18,801</u>	<u>18,952</u>	<u>28,019</u>	<u>27,795</u>
Total net assets	<u>\$ 43,533</u>	<u>\$ 42,144</u>	<u>\$ 56,333</u>	<u>\$ 55,335</u>	<u>\$ 99,866</u>	<u>\$ 97,479</u>

#### **Governmental Activities**

Capital assets represent 62% of the total governmental assets. The small decrease in capital assets is mostly due to depreciation. Some small construction projects, consisting mainly of new sidewalks along City streets and within City parks, were completed during the fiscal year.

#### **Business-type Activities**

Capital assets represent 62.5% of the total business type assets. The primary reason for the increase in Capital Assets, after subtracting depreciation expense, is the purchase of land and the construction of a vehicle storage building by the Light and Power Fund. There were numerous small capital purchases of equipment in the other business-type funds but no major capital purchases in those funds.

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

*(In thousands of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 7,086	\$ 5,070	\$ 22,386	\$ 21,204	\$ 29,472	\$ 26,274
Operating grants	476	81	347	429	823	510
Capital grants	2,172	1,673	1,052	647	3,224	2,320
General revenues:						
Taxes	8,572	8,837	-	-	8,572	8,837
Other	660	146	461	(392)	1,121	(246)
Total revenues	<u>18,966</u>	<u>15,807</u>	<u>24,246</u>	<u>21,888</u>	<u>43,212</u>	<u>37,695</u>
<b>EXPENSES:</b>						
General government	7,475	7,307	-	-	7,475	7,307
Public safety	7,670	6,914	-	-	7,670	6,914
Highways and streets	2,204	1,302	-	-	2,204	1,302
Culture and recreation	1,836	1,065	-	-	1,836	1,065
Power services	-	-	12,859	12,141	12,859	12,141
Sewer services	-	-	4,718	4,447	4,718	4,447
Water services	-	-	3,629	3,286	3,629	3,286
Surface water management	-	-	1,016	874	1,016	874
Interest on long-term debt	46	34	-	-	46	34
Total expenses	<u>19,231</u>	<u>16,622</u>	<u>22,222</u>	<u>20,748</u>	<u>41,453</u>	<u>37,370</u>
Change in net assets before transfers	(265)	(815)	2,024	1,140	1,759	325
Transfers	<u>1,035</u>	<u>1,079</u>	<u>(1,035)</u>	<u>(1,079)</u>	<u>-</u>	<u>-</u>
Change in net assets	770	264	989	61	1,759	325
Prior period adjustment	619	-	8	-	627	-
Net assets at beginning of year	<u>42,144</u>	<u>41,880</u>	<u>55,336</u>	<u>55,275</u>	<u>97,480</u>	<u>97,155</u>
Net assets at end 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>

The City's total revenues were \$43.2 million. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 52% and 20% of total revenues, respectively. The total cost of all programs was \$41.53 million. Net Assets increased by \$1.8 million indicating an increase in the City's overall financial position.

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

Governmental fund balances totaled \$14,772,100 at June 30, 2012 for an increase of \$630,694. Proprietary net assets totaled \$56,333,314 for an overall increase of \$989,733. The Light Fund net assets increased significantly due to the cost of purchased power being lower than anticipated, the purchase of property for additional yard space, and the construction of a vehicle storage building. Other Governmental Net Assets increased due mostly to the collection of system development charges. A summary of changes in governmental and proprietary fund balances is as follows:

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

	Balance at June 30, 2012	Balance at June 30, 2011	Change
General Fund	\$ 4,764,276	\$ 4,434,290	\$ 329,986
Street Fund	614,453	788,906	(174,453)
Other Governmental Funds	9,393,371	8,918,210	475,161
Total	<u>\$ 14,772,100</u>	<u>\$ 14,141,406</u>	<u>\$ 630,694</u>

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

	Balance at June 30, 2012	Balance at June 30, 2011	Change
Light Fund	\$ 22,241,543	\$ 21,474,522	\$ 767,021
Sewer Fund	8,613,603	8,541,957	71,646
Water Fund	16,017,926	16,135,989	(118,063)
Surface Water Management Fund	6,152,467	6,352,811	(200,344)
Other Proprietary Funds	3,307,775	2,838,302	469,473
Total	<u>\$ 56,333,314</u>	<u>\$ 55,343,581</u>	<u>\$ 989,733</u>

### **General Fund Budgetary Highlights**

The General Fund budget changed during the year with appropriations in the amount of \$116,500 transferred from contingency to other appropriation categories.

The fund balance in the General Fund was increased by \$329,986. The Net Change in Fund Balance resulted from revenues being 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, 2012, the City had \$69,541,767 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 decreased by \$71,181 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, 2012, the City had \$5,200,000 in outstanding bonds payable, and \$2,275,905 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 2012. 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 2013 fiscal year were, but not limited to the following:

- The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City has been 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 fund balance it has accumulated. In May 2012, the voters approved a new five-year Local Option Operating Property Tax Levy of \$1.60 per thousand dollar of assessed value expires which is effective July 1, 2013. This is a \$0.25 in increase in the \$1.35 levy which expires 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 home construction continues to increase and nearing construction levels prior to the recession of 2008. Building permit has increased. However, the average home prices of new houses is significantly lower than a few 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 the industrial property total assessed value continues to decline moderately.
- The City has appealed a lawsuit resulting in \$6.54 million in damages plus attorney fees still to be awarded to the Ninth Circuit Court of Appeals. The appeal could take up to two years. The City's insurance limit is \$5 million. Any damages, if any, ultimately paid by the City will be paid out of funds accumulated for capital purchases.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the City's finances. If you have any questions about this report or need any clarification of information, please contact the Administrative Services Department at the City of Forest Grove. Our address is: PO Box 326, Forest Grove, Oregon 97116.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FOREST GROVE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 16,798,140	\$ 14,935,432	\$ 31,733,572
Receivables, net	827,511	1,217,257	2,044,768
Accrued interest receivable	26,236	-	26,236
Inventory	-	518,668	518,668
Prepaid items	30,456	385	30,841
Deferred charge	105,053	-	105,053
Net pension obligation asset	453,547	173,114	626,661
Investment in joint ventures	-	7,016,199	7,016,199
Capital assets:			
Land and construction in progress	7,109,673	1,279,681	8,389,354
Other capital assets, net	22,680,579	38,471,834	61,152,413
<b>TOTAL ASSETS</b>	<b><u>48,031,195</u></b>	<b><u>63,612,570</u></b>	<b><u>111,643,765</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	622,481	872,530	1,495,011
Payroll related liabilities	361,365	134,285	495,650
Accrued interest payable	12,037	53,180	65,217
Deposits	2,860	38,026	40,886
Due to Clean Water Services	-	156,186	156,186
Bond premium, net	105,230	-	105,230
Long-term obligations:			
Due within one year	1,341,877	756,908	2,098,785
Due in more than one year:	2,052,376	5,268,141	7,320,517
<b>TOTAL LIABILITIES</b>	<b><u>4,498,226</u></b>	<b><u>7,279,256</u></b>	<b><u>11,777,482</u></b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	27,841,947	34,223,915	62,065,862
Restricted for:			
Highways and streets	700,371	-	700,371
Building operations	670,240	-	670,240
Community enhancement	22,279	-	22,279
Capital projects	4,997,747	3,307,775	8,305,522
Debt service	80,465	-	80,465
Other purposes	2,194	-	2,194
Unrestricted	9,217,726	18,801,624	28,019,350
<b>TOTAL NET ASSETS</b>	<b><u>\$ 43,532,969</u></b>	<b><u>\$ 56,333,314</u></b>	<b><u>\$ 99,866,283</u></b>

*See notes to basic financial statements*

**CITY OF FOREST GROVE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		Totals
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>							
General government	\$ 7,474,721	\$ 5,910,722	\$ 4,607	\$ 485,303	\$ (1,074,089)		\$ (1,074,089)
Public safety	7,669,907	693,674	449,916	-	(6,526,317)		(6,526,317)
Highways and streets	2,203,979	17,789	-	1,422,863	(763,327)		(763,327)
Culture and recreation	1,835,995	463,321	21,250	263,630	(1,087,794)		(1,087,794)
Interest on long-term obligations	45,603	-	-	-	(45,603)		(45,603)
<b>Total governmental activities</b>	<u>19,230,205</u>	<u>7,085,506</u>	<u>475,773</u>	<u>2,171,796</u>	<u>(9,497,130)</u>		<u>(9,497,130)</u>
<b>Business-type Activities:</b>							
Power	12,858,563	14,315,300	346,967	-		\$ 1,803,704	1,803,704
Sewer	4,717,598	4,223,628	-	605,333		111,363	111,363
Water	3,629,219	2,990,027	-	384,604		(254,588)	(254,588)
Surface water management	1,016,300	857,395	-	61,710		(97,195)	(97,195)
<b>Total business-type activities</b>	<u>22,221,680</u>	<u>22,386,350</u>	<u>346,967</u>	<u>1,051,647</u>		<u>1,563,284</u>	<u>1,563,284</u>
<b>Totals</b>	<u>\$ 41,451,885</u>	<u>\$ 29,471,856</u>	<u>\$ 822,740</u>	<u>\$ 3,223,443</u>	<u>(9,497,130)</u>	<u>1,563,284</u>	<u>(7,933,846)</u>
<b>General revenues:</b>							
Property taxes, levied for:							
General purposes					6,290,575	-	6,290,575
Other					436,275	-	436,275
Franchise taxes					554,243	-	554,243
Transient room tax					55,581	-	55,581
Grants and contributions not restricted to specific programs					578,723	-	578,723
Fuel taxes					1,235,317	-	1,235,317
Unrestricted investment earnings					128,048	94,080	222,128
Rents					-	35,928	35,928
Miscellaneous					31,893	1,027,359	1,059,252
(Loss) on sale of capital assets					(78,431)	(309,381)	(387,812)
(Loss) on investment in joint ventures					-	(386,519)	(386,519)
<b>Transfers</b>					<u>1,035,018</u>	<u>(1,035,018)</u>	<u>-</u>
<b>Total general revenues and transfers</b>					<u>10,267,242</u>	<u>(573,551)</u>	<u>9,693,691</u>
Change in net assets					770,112	989,733	1,759,845
Net assets - beginning					42,143,960	55,335,817	97,479,777
Prior period adjustment					618,897	7,764	626,661
<b>Net assets - ending</b>					<u>\$ 43,532,969</u>	<u>\$ 56,333,314</u>	<u>\$ 99,866,283</u>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	General	Street	Other Governmental Funds	Totals
<b><u>ASSETS</u></b>				
Cash and investments	\$ 5,138,870	\$ 648,307	\$ 9,435,078	\$ 15,222,255
Receivables, net	334,921	-	492,590	827,511
Accrued interest receivable	-	-	26,236	26,236
Prepaid items	30,456	-	-	30,456
<b>TOTAL ASSETS</b>	<b>\$ 5,504,247</b>	<b>\$ 648,307</b>	<b>\$ 9,953,904</b>	<b>\$ 16,106,458</b>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ 135,494	\$ 24,428	\$ 377,537	\$ 537,459
Payroll related liabilities	336,308	9,426	9,668	355,402
Deposits	-	-	2,860	2,860
Deferred revenue	268,169	-	170,468	438,637
<b>TOTAL LIABILITIES</b>	<b>739,971</b>	<b>33,854</b>	<b>560,533</b>	<b>1,334,358</b>
<b><u>FUND BALANCE</u></b>				
Nonspendable	30,456	-	41,186	71,642
Restricted	-	614,453	5,858,842	6,473,295
Committed	-	-	554,212	554,212
Assigned	-	-	2,939,131	2,939,131
Unassigned	4,733,820	-	-	4,733,820
<b>TOTAL FUND BALANCE</b>	<b>4,764,276</b>	<b>614,453</b>	<b>9,393,371</b>	<b>14,772,100</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,504,247</b>	<b>\$ 648,307</b>	<b>\$ 9,953,904</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,790,252
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	438,637
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	\$ 2,633,241
Plus: Compensated absences of the internal service fund included below	6,437
Less: Capital assets of the internal service fund included above	<u>(1,154,778)</u>
Deferred charges are reported in the statement of net assets but are not reported in the funds	105,053
The bond premium is reported in the statement of net assets but is not reported in the funds	(105,230)
The net pension obligation asset is reported in the statement of net assets but is not reported in the funds	453,547
The net post-employment benefits obligation is reported in the statement of net assets but is not reported in the funds	(547,125)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,859,165)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 43,532,969</b>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2012**

	General	Street	Other Governmental Funds	Totals
<b>REVENUES</b>				
Property taxes	\$ 6,218,830	\$ -	\$ 432,827	\$ 6,651,657
Other taxes	256,364	-	603,647	860,011
Licenses and permits	132,109	11,550	705,462	849,121
Intergovernmental	1,636,085	1,223,775	1,016,688	3,876,548
Fees and fines	274,750	-	261,000	535,750
Franchise fees	554,243	-	-	554,243
Interest	56,040	2,463	63,466	121,969
Grants	73,095	7,000	376,447	456,542
Charges for services	3,050,962	-	222,332	3,273,294
Miscellaneous	259,367	17,789	75,350	352,506
<b>TOTAL REVENUES</b>	<u>12,511,845</u>	<u>1,262,577</u>	<u>3,757,219</u>	<u>17,531,641</u>
<b>EXPENDITURES</b>				
General government	4,349,606	-	488,929	4,838,535
Public safety	7,127,419	-	104,231	7,231,650
Highways and streets	-	1,097,840	556,697	1,654,537
Culture and recreation	1,505,860	-	21,728	1,527,588
Capital outlay	44,964	339,190	1,592,842	1,976,996
Debt service	-	-	487,581	487,581
<b>TOTAL EXPENDITURES</b>	<u>13,027,849</u>	<u>1,437,030</u>	<u>3,252,008</u>	<u>17,716,887</u>
Excess (deficiency) of revenues over expenditures	<u>(516,004)</u>	<u>(174,453)</u>	<u>505,211</u>	<u>(185,246)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	10,000	10,000
Transfers in	895,990	-	152,300	1,048,290
Transfers out	(50,000)	-	(192,350)	(242,350)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>845,990</u>	<u>-</u>	<u>(30,050)</u>	<u>815,940</u>
Net change in fund balances	329,986	(174,453)	475,161	630,694
Fund balances at beginning of year	4,434,290	788,906	8,918,210	14,141,406
Fund balances at end of year	<u>\$ 4,764,276</u>	<u>\$ 614,453</u>	<u>\$ 9,393,371</u>	<u>\$ 14,772,100</u>

*See notes to basic financial statements*

**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, 2012**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 630,694

*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	\$ 1,174,139	
Depreciation	<u>(1,412,688)</u>	(238,549)

The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets		(5,064)
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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	75,193	
Other	<u>4,339</u>	79,532

The change in other post-employment benefits are reported as additional expenses in the Statement of Activities		(113,918)
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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 debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets,

Amortization of deferred charges	26,308	
Accrued interest	(2,215)	
Principal payments	<u>417,885</u>	441,978

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		(50,955)
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Net income of internal service funds after eliminating transfers and income reported above		<u>26,394</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 770,112</u></u>
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**CITY OF FOREST GROVE**

**GENERAL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 6,230,021	\$ 6,230,021	\$ 6,218,830	\$ (11,191)
Transient room tax	50,000	50,000	55,581	5,581
Licenses and permits	71,900	71,900	132,109	60,209
Intergovernmental	1,606,445	1,606,445	1,636,085	29,640
Construction excise tax	175,000	175,000	200,783	25,783
Fees and fines	250,825	250,825	274,750	23,925
Franchise fees	510,030	510,030	554,243	44,213
Interest	44,053	44,053	56,040	11,987
Grants	179,710	179,710	101,373	(78,337)
Charges for services	3,043,049	3,043,049	3,050,962	7,913
Miscellaneous	245,536	245,536	231,089	(14,447)
<b>TOTAL REVENUES</b>	<b>12,406,569</b>	<b>12,406,569</b>	<b>12,511,845</b>	<b>105,276</b>
<b>EXPENDITURES</b>				
Legislative and executive				
Personal services	395,147	407,147	399,125	8,022
Materials and services	55,663	55,663	54,273	1,390
Total legislative and executive	450,810	462,810	453,398	9,412
Administrative services				
Personal services	1,405,328	1,435,328	1,433,902	1,426
Materials and services	624,615	624,615	512,323	112,292
Total administrative services	2,029,943	2,059,943	1,946,225	113,718
Library				
Personal services	777,331	787,331	781,602	5,729
Materials and services	145,134	145,134	147,499	(2,365)
Total library	922,465	932,465	929,101	3,364

*See notes to basic financial statements  
Continued on pages 7 and 8*

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

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Planning				
Personal services	\$ 303,596	\$ 303,596	\$ 305,607	\$ (2,011)
Materials and services	<u>154,154</u>	<u>154,154</u>	<u>78,100</u>	<u>76,054</u>
Total planning	<u>457,750</u>	<u>457,750</u>	<u>383,707</u>	<u>74,043</u>
Fire				
Personal services	2,384,694	2,404,694	2,385,866	18,828
Materials and services	511,667	511,667	509,275	2,392
Capital outlay	<u>29,000</u>	<u>29,000</u>	<u>28,278</u>	<u>722</u>
Total fire	<u>2,925,361</u>	<u>2,945,361</u>	<u>2,923,419</u>	<u>21,942</u>
Engineering				
Personal services	502,988	517,988	512,061	5,927
Materials and services	<u>65,381</u>	<u>65,381</u>	<u>58,257</u>	<u>7,124</u>
Total engineering	<u>568,369</u>	<u>583,369</u>	<u>570,318</u>	<u>13,051</u>
Police				
Personal services	3,728,646	3,728,646	3,651,973	76,673
Materials and services	550,511	550,511	552,027	(1,516)
Capital outlay	<u>31,000</u>	<u>31,000</u>	<u>44,964</u>	<u>(13,964)</u>
Total police	<u>4,310,157</u>	<u>4,310,157</u>	<u>4,248,964</u>	<u>61,193</u>
Aquatics				
Personal services	428,726	428,726	403,587	25,139
Materials and services	<u>188,688</u>	<u>188,688</u>	<u>157,100</u>	<u>31,588</u>
Total aquatics	<u>617,414</u>	<u>617,414</u>	<u>560,687</u>	<u>56,727</u>
Parks and recreation				
Personal services	426,893	426,893	415,510	11,383
Materials and services	<u>153,885</u>	<u>153,885</u>	<u>145,956</u>	<u>7,929</u>
Total parks and recreation	<u>580,778</u>	<u>580,778</u>	<u>561,466</u>	<u>19,312</u>

*See notes to basic financial statements*  
*Continued on page 8*

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

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Municipal court				
Personal services	\$ 124,372	\$ 131,872	\$ 122,501	\$ 9,371
Materials and services	<u>71,852</u>	<u>71,852</u>	<u>65,681</u>	<u>6,171</u>
Total municipal court	<u>196,224</u>	<u>203,724</u>	<u>188,182</u>	<u>15,542</u>
Nondepartmental				
Materials and services	<u>253,288</u>	<u>275,288</u>	<u>262,382</u>	<u>12,906</u>
Operating contingency	<u>1,260,319</u>	<u>1,143,819</u>	<u>-</u>	<u>1,143,819</u>
<b>TOTAL EXPENDITURES</b>	<u>14,572,878</u>	<u>14,572,878</u>	<u>13,027,849</u>	<u>1,545,029</u>
Excess (deficiency) of revenues over expenditure:	<u>(2,166,309)</u>	<u>(2,166,309)</u>	<u>(516,004)</u>	<u>1,650,305</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	895,990	895,990	895,990	-
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USE)</b>	<u>845,990</u>	<u>845,990</u>	<u>845,990</u>	<u>-</u>
Net change in fund balance	(1,320,319)	(1,320,319)	329,986	1,650,305
Fund balance at beginning of year	<u>4,020,320</u>	<u>4,020,320</u>	<u>4,434,290</u>	<u>413,970</u>
Fund balance at end of year	<u>\$ 2,700,001</u>	<u>\$ 2,700,001</u>	<u>\$ 4,764,276</u>	<u>\$ 2,064,275</u>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**

**STREET  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Grants	\$ 350,000	\$ 350,000	\$ 7,000	\$ (343,000)
Licenses and permits	-	-	11,550	11,550
Intergovernmental	1,303,808	1,303,808	1,223,775	(80,033)
Interest	3,523	3,523	2,463	(1,060)
Miscellaneous	-	-	17,789	17,789
<b>TOTAL REVENUES</b>	<u>1,657,331</u>	<u>1,657,331</u>	<u>1,262,577</u>	<u>(394,754)</u>
<b>EXPENDITURES</b>				
Personal services	310,412	345,412	343,857	1,555
Materials and services	817,647	817,647	753,983	63,664
Capital outlay	791,700	791,700	339,190	452,510
Contingency	150,000	115,000	-	115,000
<b>TOTAL EXPENDITURES</b>	<u>2,069,759</u>	<u>2,069,759</u>	<u>1,437,030</u>	<u>632,729</u>
Net change in fund balance	(412,428)	(412,428)	(174,453)	237,975
Fund balance at beginning of year	<u>704,615</u>	<u>704,615</u>	<u>788,906</u>	<u>84,291</u>
Fund balance at end of year	<u>\$ 292,187</u>	<u>\$ 292,187</u>	<u>\$ 614,453</u>	<u>\$ 322,266</u>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012**

	Enterprise					Totals	Governmental
	Light	Sewer	Water	Surface Water Management	Other		Internal Service Funds
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 6,615,929	\$ 2,149,373	\$ 2,559,375	\$ 268,555	\$ 3,342,200	\$ 14,935,432	\$ 1,575,885
Receivables, net	800,174	204,181	172,334	40,568	-	1,217,257	-
Inventory	377,382	6,912	134,374	-	-	518,668	-
Prepaid expense	-	-	385	-	-	385	-
Total current assets	7,793,485	2,360,466	2,866,468	309,123	3,342,200	16,671,742	1,575,885
Net pension obligation asset	118,331	9,191	33,555	12,037	-	173,114	1,575,885
Investment in joint ventures	-	-	7,016,199	-	-	7,016,199	-
Capital assets							
Land	721,723	81,022	373,686	-	-	1,176,431	-
Construction in progress	103,250	-	-	-	-	103,250	-
Other capital assets, net	14,390,773	7,614,304	10,589,300	5,877,457	-	38,471,834	1,154,778
Total capital assets, net	15,215,746	7,695,326	10,962,986	5,877,457	-	39,751,515	1,154,778
<b>TOTAL ASSETS</b>	<b>23,127,562</b>	<b>10,064,983</b>	<b>20,879,208</b>	<b>6,198,617</b>	<b>3,342,200</b>	<b>63,612,570</b>	<b>4,306,548</b>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued expenses	456,432	243,237	124,122	14,314	34,425	872,530	85,022
Payroll related liabilities	88,653	9,397	28,285	7,950	-	134,285	5,963
Accrued interest payable	-	17,234	35,946	-	-	53,180	-
Customer deposits	38,026	-	-	-	-	38,026	-
Due to Clean Water Services	-	146,821	-	9,365	-	156,186	-
Total current liabilities	583,111	416,689	188,353	31,629	34,425	1,254,207	90,985
Long-term obligations							
Due within one year	160,163	176,408	420,337	-	-	756,908	6,437
Due in more than one year	-	847,196	4,212,114	-	-	5,059,310	-
Bonds and loans	-	11,087	40,478	14,521	-	208,831	-
Net other post-employment benefits	142,745	-	-	-	-	-	-
Total long-term liabilities	302,908	1,034,691	4,672,929	14,521	-	6,025,049	6,437
<b>TOTAL LIABILITIES</b>	<b>886,019</b>	<b>1,451,380</b>	<b>4,861,282</b>	<b>46,150</b>	<b>34,425</b>	<b>7,279,256</b>	<b>97,422</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	15,215,746	6,671,722	6,458,990	5,877,457	-	34,223,915	1,154,778
Restricted for:							
Capital projects	-	-	-	-	3,307,775	3,307,775	-
Unreserved	7,025,797	1,941,881	9,558,936	275,010	-	18,801,624	1,478,463
<b>TOTAL NET ASSETS</b>	<b>\$ 22,241,543</b>	<b>\$ 8,613,603</b>	<b>\$ 16,017,926</b>	<b>\$ 6,152,467</b>	<b>\$ 3,307,775</b>	<b>\$ 56,333,314</b>	<b>\$ 2,633,241</b>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2012**

	Enterprise					Totals	Governmental Activities
	Light	Sewer	Water	Surface Water Management	Other		Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$14,245,856	\$ 4,223,598	\$ 2,988,821	\$ 857,395	\$ -	\$ 22,315,670	\$ 1,406,165
Licenses, permits, and fees	36,702	2,608	14,703	-	-	54,013	-
<b>TOTAL OPERATING REVENUES</b>	<b>\$14,282,558</b>	<b>\$ 4,226,206</b>	<b>\$ 3,003,524</b>	<b>\$ 857,395</b>	<b>\$ -</b>	<b>\$ 22,369,683</b>	<b>\$ 1,406,165</b>
<b>OPERATING EXPENSES</b>							
System operation and maintenance	3,556,801	3,460,939	1,606,751	712,989	478,580	9,816,060	1,366,893
Electricity and water purchases	7,732,112	-	-	-	-	7,732,112	-
General fund administration charges	1,002,013	493,976	820,422	142,960	-	2,459,371	-
General and administrative costs	30,537	7,466	587,113	5,243	-	630,359	-
Depreciation and amortization	537,100	232,932	418,826	155,108	-	1,343,966	184,981
<b>TOTAL OPERATING EXPENSES</b>	<b>12,858,563</b>	<b>4,195,313</b>	<b>3,433,112</b>	<b>1,016,300</b>	<b>478,580</b>	<b>21,981,868</b>	<b>1,551,874</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,423,995</b>	<b>30,893</b>	<b>(429,588)</b>	<b>(158,905)</b>	<b>(478,580)</b>	<b>387,815</b>	<b>(145,709)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest earned	43,093	13,729	15,516	734	22,088	95,160	8,325
Interest	-	(13,941)	(196,107)	-	(29,764)	(239,812)	-
(Loss) on sale of capital assets	(306,821)	-	(2,560)	-	-	(309,381)	(83,367)
(Loss) on investment in joint ventures	-	-	(386,519)	-	-	(386,519)	-
System development charges	-	-	-	-	1,043,459	1,043,459	-
Rents	-	-	35,928	-	-	35,928	-
Miscellaneous	380,249	30	1,013,322	-	4,500	1,398,101	18,067
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>116,521</b>	<b>(182)</b>	<b>479,580</b>	<b>734</b>	<b>1,040,283</b>	<b>1,636,936</b>	<b>(56,975)</b>
Income (loss) before transfers	1,540,516	30,711	49,992	(158,171)	561,703	2,024,751	(202,684)
<b>TRANSFERS</b>							
Transfers in	8,140	92,230	-	-	-	100,370	272,148
Transfers out	(781,635)	(51,295)	(168,055)	(42,173)	(92,230)	(1,135,388)	(43,070)
<b>TOTAL TRANSFERS</b>	<b>(773,495)</b>	<b>40,935</b>	<b>(168,055)</b>	<b>(42,173)</b>	<b>(92,230)</b>	<b>(1,035,018)</b>	<b>229,078</b>
Change in net assets	767,021	71,646	(118,063)	(200,344)	469,473	989,733	26,394
Net assets at beginning of year	21,469,215	8,541,545	16,134,484	6,352,271	2,838,302	55,335,817	2,606,847
Prior period adjustment	5,307	412	1,505	540	-	7,764	-
Net assets at end of year	<u>\$22,241,543</u>	<u>\$ 8,613,603</u>	<u>\$ 16,017,926</u>	<u>\$ 6,152,467</u>	<u>\$ 3,307,775</u>	<u>\$ 56,333,314</u>	<u>\$ 2,633,241</u>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012**

	Enterprise					Totals	Governmental
	Light	Sewer	Water	Surface Water Management	Other		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 14,030,344	\$ 4,231,514	\$ 2,960,294	\$ 857,303	\$ -	\$ 22,079,455	\$ 1,406,165
Cash paid to employees	(2,770,395)	(257,882)	(878,124)	(324,091)	-	(4,230,492)	(190,321)
Cash paid to suppliers	(9,291,694)	(3,696,749)	(2,079,213)	(532,240)	(471,780)	(16,071,676)	(1,124,676)
Net cash provided by (used in) operating activities	1,968,255	276,883	2,957	972	(471,780)	1,777,287	91,168
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Transfers in	8,140	-	-	-	-	8,140	272,148
Transfers out	(781,635)	(51,295)	(168,055)	(42,173)	-	(1,043,158)	(43,070)
Net cash provided by (used in) non-capital financing activities	(773,495)	(51,295)	(168,055)	(42,173)	-	(1,035,018)	229,078
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition of capital assets	(1,740,889)	(1,287)	(126,816)	(10,757)	-	(1,879,749)	(226,463)
Proceeds from sale of equipment	3,289	-	-	-	-	3,289	8,797
System development charges received	-	-	-	-	1,043,459	1,043,459	-
Other	380,249	30	1,049,250	-	4,500	1,434,029	18,067
Principal paid on long-term obligations	-	(77,322)	(285,805)	-	(92,230)	(455,357)	-
Interest paid on long-term obligations	-	(16,683)	(198,693)	-	(29,764)	(245,140)	-
Net cash provided by (used in) capital and related financing activities	(1,357,351)	(95,262)	437,936	(10,757)	925,965	(99,469)	(199,599)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest	43,093	13,729	15,516	734	22,088	95,160	8,325
Net increase (decrease) in cash and cash equivalents	(119,498)	144,055	288,354	(51,224)	476,273	737,960	128,972
Cash and cash equivalents at beginning of year	6,735,427	2,005,318	2,271,021	319,779	2,865,927	14,197,472	1,446,913
Cash and cash equivalent at end of year	\$ 6,615,929	\$ 2,149,373	\$ 2,559,375	\$ 268,555	\$ 3,342,200	\$ 14,935,432	\$ 1,575,885

*Continued on page 13  
See notes to basic financial statements*

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (Continued)**

	Enterprise					Totals	Internal Service Funds
	Light	Sewer	Water	Surface Water Management	Other		
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 1,423,995	\$ 30,893	\$ (429,588)	\$ (158,905)	\$ (478,580)	\$ 387,815	\$ (145,709)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							-
Depreciation	537,100	232,932	418,826	155,108	-	1,343,966	184,981
Net other post-employment benefits	29,719	2,309	8,429	3,024	-	43,481	-
Decrease (increase) in assets							
Receivables, net	(252,925)	5,308	(43,230)	(92)	-	(290,939)	-
Inventory	24,745	174	2,953	-	-	27,872	-
Prepaid expense	1,164	-	(385)	-	-	779	-
Increase (decrease) in liabilities							
Accounts payable and accrued expenses	165,470	11,462	39,806	(962)	6,800	222,576	50,422
Payroll related liabilities	16,834	5,142	2,727	3,354	-	28,057	1,474
Customer deposits	711	-	-	-	-	711	-
Due to Clean Water Services	-	(11,337)	-	(555)	-	(11,892)	-
Compensated absences payable	21,442	-	3,419	-	-	24,861	-
Net cash provided by (used in) operating activities	<u>\$ 1,968,255</u>	<u>\$ 276,883</u>	<u>\$ 2,957</u>	<u>\$ 972</u>	<u>\$ (471,780)</u>	<u>\$ 1,777,287</u>	<u>\$ 91,168</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>							
Transfers in	\$ -	\$ 92,230	\$ -	\$ -	\$ -	\$ 92,230	\$ -
Transfers out	-	-	-	-	(92,230)	(92,230)	-
Total noncash transactions	<u>\$ -</u>	<u>\$ 92,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (92,230)</u>	<u>\$ -</u>	<u>\$ -</u>

*See notes to basic financial statements*

**CITY OF FOREST GROVE**

**BALANCE SHEET  
FIDUCIARY FUND**

**June 30, 2012**

	<u>Agency</u>	<u>Pension Trust</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 155,731	\$ 27,210,371	\$ 27,366,102
	<u>155,731</u>		
<b><u>LIABILITIES</u></b>			
Amounts held in trust	\$ 155,731	-	155,731
	<u>155,731</u>		<u>155,731</u>
<b><u>NET ASSETS</u></b>			
Amounts held in trust			
Pension benefits		\$ 27,210,371	\$ 27,210,371
		<u>27,210,371</u>	<u>27,210,371</u>

**CITY OF FOREST GROVE**

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

**For the Year Ended June 30, 2012**

	<u>Pension Trust</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 1,730,977
Investment earnings	<u>489,324</u>
Total additions	<u>2,220,301</u>
<b>DEDUCTIONS</b>	
Benefits	1,173,169
Administrative	<u>84,052</u>
Total deductions	<u>1,257,221</u>
Change in net assets	963,080
Net assets - beginning of year	<u>26,247,291</u>
Net assets - end of year	<u><u>\$ 27,210,371</u></u>

*See notes to basic financial statements*

**NOTES TO BASIC FINANCIAL STATEMENTS**

## CITY OF FOREST GROVE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

#### 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 assets 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.

The government-wide statements and proprietary funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The City has elected to not apply FASB pronouncements issued subsequent to November 30, 1989.

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 other governmental funds and other 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.

#### 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, 2012.

#### 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 Assets 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 assets. 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 assets and displayed in three components:

- a. ***Invested in capital assets, net of related debt*** – 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 assets 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 assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

## 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 properly 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, 2012, 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	\$ 3,016,509	24.11	11%
U.S. government agency	2,994,243	36	10%
LGIP	22,375,225	7	78%
Certificates of deposit	252,166	24	1%
Total	<u>\$ 28,638,143</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.

Investment Type	Max % of Portfolio
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.

Investment Type	Carrying Value	Rating from Moody's or S&P Corporation
U.S. Treasuries	\$ 3,016,509	AAA
Federal Farm Credit Bank	2,994,243	Aaa/AAA
LGIP	22,375,225	Aa2/AA
Certificates of deposit	252,166	Not Rated
Total	\$ 28,638,143	

*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, 2012, the Pension Trust Fund's cash and investment balances were reported as follows:

Investment Type	Market Value
Interest bearing cash	\$ 105,804
Mutual Funds (unrated)	27,104,567
Total	\$ 27,210,371

## 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, 2012, \$1,764,782 of the City’s bank balances was exposed to custodial risk.

A. The City's deposits and investments at June 30, 2012 are as follows:

Investments	\$ 28,638,143
Deposits with financial institutions	3,249,630
Cash on hand	<u>1,530</u>
Total deposits and investments	<u>\$ 31,889,303</u>

B. Cash and investments by fund:

Governmental activities/funds	
General	\$ 5,138,870
Street	648,307
Other governmental funds	<u>9,435,078</u>
Total governmental funds	15,222,255
Internal service funds	<u>1,575,885</u>
Total governmental activities	<u>16,798,140</u>
Business-type activities/Enterprise funds	
Light	6,615,929
Sewer	2,149,373
Water	2,559,375
Surface water management	268,555
Other enterprise funds	<u>3,342,200</u>
Total business-type activities/Enterprise funds	<u>14,935,432</u>
Fiduciary funds	
Pension trust	27,210,371
Agency	<u>155,731</u>
Total fiduciary funds	<u>54,420,742</u>
Total cash and investments	<u>\$ 86,154,314</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**3. Receivables**

A. The City's receivables at June 30, 2012 are shown below:

	Governmental Activities/Funds		Business-type Activities/Enterprise Funds				Totals
	General	Other	Light	Sewer	Water	Surface	
		Governmental				Water	
Property taxes	\$ 318,562	\$ 22,130	\$ -	\$ -	\$ -	\$ -	\$ 340,692
Accounts	16,359	333,169	96,377	-	9,080	-	454,985
Assessments	-	137,291	-	-	-	-	137,291
User charges	-	-	753,282	210,559	173,394	42,527	1,179,762
Allowance for doubtful accounts	-	-	(49,485)	(6,378)	(10,140)	(1,959)	(67,962)
<b>Totals</b>	<u>\$ 334,921</u>	<u>\$ 492,590</u>	<u>\$ 800,174</u>	<u>\$ 204,181</u>	<u>\$ 172,334</u>	<u>\$ 40,568</u>	<u>\$ 2,044,768</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, 2011	2011-12 Levy	Adjust- ments	Net Interest (Dis- counts)	Collec- tions	Balances June 30, 2012
Current	\$ --	\$6,878,915	\$ 10,425	\$ (173,970)	\$ 6,544,329	\$ 171,041
Prior	<u>274,716</u>	--	<u>(13,722)</u>	<u>25,201</u>	<u>116,544</u>	<u>169,651</u>
<b>Totals</b>	<u>\$ 274,716</u>	<u>\$6,878,915</u>	<u>\$ (3,297)</u>	<u>\$ (148,769)</u>	6,660,873	<u>\$ 340,692</u>
Less prior year accrual					(69,132)	
Plus current year accrual					<u>59,916</u>	
<b>Total property tax revenue</b>					<u>\$ 6,651,657</u>	

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Receivables (continued)

#### B. Property taxes

##### iii. Ensuing year's levy

The permanent tax rate is \$3.9554 per \$1,000 of assessed value. In addition, 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, a general debt service tax levy, approved by voters, will also be levied. The general debt service levy is \$512,295 for 2012-13.

### 4. Capital Assets

	Balances June 30, 2011	Additions	Deletions	Balances June 30, 2012
A. <i>Governmental activities</i>				
Capital assets not being depreciated				
Land and land improvements	\$ 7,109,673	\$ -	\$ -	\$ 7,109,673
Construction in progress	7,631	-	(7,631)	-
Total capital assets not being depreciated	<u>7,117,304</u>	<u>-</u>	<u>(7,631)</u>	<u>7,109,673</u>
Capital assets being depreciated				
Buildings and improvements	11,531,663	433,806	-	11,965,469
Machinery and equipment	6,466,941	621,995	(361,182)	6,727,754
Infrastructure	23,913,397	352,432	-	24,265,829
Total capital assets being depreciated	<u>41,912,001</u>	<u>1,408,233</u>	<u>(361,182)</u>	<u>42,959,052</u>
Less accumulated depreciation	18,944,759	1,597,668	(263,954)	20,278,473
Total capital assets being depreciated, net	<u>22,967,242</u>	<u>(189,435)</u>	<u>(97,228)</u>	<u>22,680,579</u>
Governmental activities capital assets, net	<u>\$ 30,084,546</u>	<u>\$ (189,435)</u>	<u>\$ (104,859)</u>	<u>\$ 29,790,252</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Capital Assets (continued)

	Balances June 30, 2011	Additions	Deletions	Balances June 30, 2012
<b>B. Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 1,176,431	\$ -	\$ -	\$ 1,176,431
Work in progress	107,273	1,617,020	(1,621,043)	103,250
Total capital assets not being depreciated	<u>1,283,704</u>	<u>1,617,020</u>	<u>(1,621,043)</u>	<u>1,279,681</u>
Capital assets, being depreciated				
Buildings and improvements	9,152,035	377,720	-	9,529,755
Machinery and equipment	21,557,364	1,449,784	(373,056)	22,634,092
Infrastructure	38,405,422	56,268	-	38,461,690
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated	<u>70,822,305</u>	<u>1,883,772</u>	<u>(373,056)</u>	<u>72,333,021</u>
Less accumulated depreciation and amortization:				
Capital assets being depreciated	31,572,371	1,301,189	(60,386)	32,813,174
Intangible-water rights	1,005,236	42,777	-	1,048,013
Total accumulated depreciation	<u>32,577,607</u>	<u>1,343,966</u>	<u>(60,386)</u>	<u>33,861,187</u>
Total capital assets, being depreciated, net	<u>38,244,698</u>	<u>539,806</u>	<u>(312,670)</u>	<u>38,471,834</u>
Business-type activities capital assets, net	<u>\$ 39,528,402</u>	<u>\$ 2,156,826</u>	<u>\$ (1,933,713)</u>	<u>\$ 39,751,515</u>
<b>C. Depreciation expense was charged to functions / programs of the City as follows:</b>				
Governmental activities:				
General government		\$ 304,220		
Public safety		190,945		
Highways and streets		781,050		
Culture and recreation		321,453		
Total governmental activities		<u>\$ 1,597,668</u>		
Business-type activities:				
Light		\$ 537,100		
Sewer		232,932		
Water		418,826		
Surface water management		155,108		
Total business-type activities		<u>\$ 1,343,966</u>		

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Deferred Revenue

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

	Governmental Activities/Funds		
	General	Other Governmental	
		Funds	Totals
Property taxes	\$ 262,538	\$ 18,238	\$ 280,776
Accounts	5,631	143,099	148,730
Assessments	-	9,131	9,131
	<u>\$ 268,169</u>	<u>\$ 170,468</u>	<u>\$ 438,637</u>

### 6. Long-Term Obligations

A. *Transactions for governmental activities for the year ended June 30, 2012 were as follows:*

	Balances July 1, 2011	Additions	Reductions	Balances June 30, 2012	Balances Due Within One Year
<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	\$ 2,265,000	\$ -	\$ 400,000	\$ 1,865,000	\$ 425,000
Interest	6,457	66,680	63,875	9,262	
	<u>2,271,457</u>	<u>66,680</u>	<u>463,875</u>	<u>1,874,262</u>	
<u>Loans</u>					
Oregon Economic Development Department (OEDD) - annual installments of \$21,000 including interest at 5.47 percent					
Principal	101,190	-	17,885	83,305	18,054
Interest	3,364	5,231	5,820	2,775	
	<u>104,554</u>	<u>5,231</u>	<u>23,705</u>	<u>86,080</u>	
Compensated absences	<u>846,984</u>	<u>898,823</u>	<u>846,984</u>	<u>898,823</u>	<u>898,823</u>
Net other post-employment benefits	<u>433,203</u>	<u>113,922</u>	<u>-</u>	<u>547,125</u>	
Total long-term obligations	3,656,198	1,084,656	1,334,564	3,406,290	<u>\$ 1,341,877</u>
Interest	<u>9,821</u>	<u>71,911</u>	<u>69,695</u>	<u>12,037</u>	
Principal	<u>\$ 3,646,377</u>	<u>\$ 1,012,745</u>	<u>\$ 1,264,869</u>	<u>\$ 3,394,253</u>	

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-Term Obligations (continued)**

B. *Transactions for business-type activities for the year ended June 30, 2012 were as follows:*

	Balances			Balances	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2011			2012	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	\$ 3,590,000	\$ -	\$ 255,000	\$ 3,335,000	\$ 260,000
Interest	38,532	157,114	156,700	38,946	
	<u>3,628,532</u>	<u>157,114</u>	<u>411,700</u>	<u>3,373,946</u>	
<u>Loans</u>					
US Department of Interior					
Scoggins Reservoir Contract,					
installments of \$72,797 through 2035,					
including interest at 3.5 percent					
Principal	1,199,801	-	30,805	1,168,996	31,882
Interest	-	41,993	41,993	-	
	<u>1,199,801</u>	<u>41,993</u>	<u>72,798</u>	<u>1,168,996</u>	
Clean Water Services					
Fores Grove Rehabilitation Project,					
annual installments of					
\$94,004 through 2016, including					
interest at 3.77 percent					
Principal	461,737	-	77,322	384,415	80,264
Interest	5,850	15,717	16,683	4,884	
	<u>467,587</u>	<u>15,717</u>	<u>94,005</u>	<u>389,299</u>	
Clean Water Services					
Forest Grove Sunset Sewer Project,					
annual installments of					
\$121,995 through 2018, including					
interest at 3.77 percent					
Principal	731,419	-	92,230	639,189	96,144
Interest	14,126	27,988	29,764	12,350	
	<u>745,545</u>	<u>27,988</u>	<u>121,994</u>	<u>651,539</u>	
Compensated absences	<u>263,757</u>	<u>288,618</u>	<u>263,757</u>	<u>288,618</u>	<u>288,618</u>
Net other post-employment benefits	<u>165,350</u>	<u>43,481</u>	<u>-</u>	<u>208,831</u>	
Total long-term obligations	6,470,572	574,911	964,254	6,081,229	<u>\$ 756,908</u>
Interest	<u>58,508</u>	<u>242,812</u>	<u>245,140</u>	<u>56,180</u>	
Principal	<u>\$ 6,412,064</u>	<u>\$ 332,099</u>	<u>\$ 719,114</u>	<u>\$ 6,025,049</u>	

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**6. Long-Term Obligations (continued)**

C. *The future maturities as of June 30, 2012 are as follows:*

Governmental activities

Fiscal Year	2010 Refunding		OEDD		Compensated	Totals	
	Principal	Interest	Principal	Interest	Absences	Principal	Interest
2013	\$ 425,000	\$ 55,875	\$ 18,054	\$ 4,791	\$ 898,823	\$ 1,341,877	\$ 60,666
2014	455,000	45,250	18,228	3,753	-	473,228	49,003
2015	480,000	31,600	23,414	2,704	-	503,414	34,304
2016	505,000	18,200	23,609	1,358	-	528,609	19,558
	<u>\$ 1,865,000</u>	<u>\$ 150,925</u>	<u>\$ 83,305</u>	<u>\$ 12,606</u>	<u>\$ 898,823</u>	<u>\$ 2,847,128</u>	<u>\$ 163,531</u>

Business-type activities

Fiscal Year	2003 Full Faith and Credit		US Dept. of Interior Scoggins Dam		Clean Water Servie Rehabilitation Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 260,000	\$ 146,181	\$ 31,882	\$ 40,915	\$ 80,264	\$ 13,741
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
2018-2022	1,625,000	315,535	203,052	160,931	-	-
2023-2027	370,000	17,335	248,776	122,822	-	-
2028-2032	-	-	278,814	77,558	-	-
2033-2037	-	-	267,389	23,799	-	-
	<u>\$ 3,335,000</u>	<u>\$ 956,225</u>	<u>\$ 1,168,996</u>	<u>\$ 578,130</u>	<u>\$ 384,415</u>	<u>\$ 37,004</u>

Fiscal Year	Clean Water Servie Sewer Project		Compensated	Totals	
	Principal	Interest	Absences	Principal	Interest
2013	\$ 96,144	\$ 25,850	\$ 288,618	\$ 756,908	\$ 226,687
2014	100,225	21,770	-	471,541	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
2018-2022	115,895	3,641	-	1,943,947	480,107
2023-2027	-	-	-	618,776	140,157
2028-2032	-	-	-	278,814	77,558
2033-2037	-	-	-	267,389	23,799
	<u>\$ 639,189</u>	<u>\$ 90,319</u>	<u>\$ 288,618</u>	<u>\$ 5,816,218</u>	<u>\$ 1,661,678</u>

D. 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.

On September 1, 2005, Pacific University issued \$41,000,000 in revenue bonds to improve campus facilities. At June 30, 2012, \$40,400,000 was outstanding. The bonds mature May 1, 2036.

On June 29, 2007, the Oak Tree Foundation issued \$30,460,000 in revenue bonds to construct student housing for Pacific University. At June 30, 2012, \$29,835,000 was outstanding. The bonds mature March 1, 2037.

Pacific University issued \$35,530,000 in revenue bonds on July 23, 2009 to improve campus facilities. At June 30, 2012, \$35,530,000 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, 2011, of 233 includes 132 active employees, 29 terminated employees entitled to benefits and 72 retired employees with deferred benefits. Of the 132 active employees covered by the Plan, 29 were non-vested and 103 were vested. Of the 29 terminated members, 8 were entitled to their account balances only and 21 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>
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
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, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 1,144,710	\$ 1,063,795
Interest on Net Pension Obligation	(46,050)	(44,454)
Adjustment to Annual Required Contribution	<u>37,055</u>	<u>34,515</u>
Annual Pension Cost	1,135,715	1,053,856
Contributions made	<u>(1,148,360)</u>	<u>(1,075,147)</u>
Change in Net Pension Obligation	(12,645)	(21,291)
Net Pension Obligation (Asset) - beginning of year	<u>(614,016)</u>	<u>(592,725)</u>
Net Pension Obligation (Asset) - end of year	<u>\$ (626,661)</u>	<u>\$ (614,016)</u>

The June 30, 2012 actuarial valuation information was not available. Therefore the June 30, 2011 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, 2012	\$ 1,730,977	\$ 1,730,977	100.00%	\$ (626,661)
June 30, 2011	1,135,715	1,148,360	100.32%	(626,661)
June 30, 2010	1,053,856	1,075,147	101.07%	(614,016)

**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.

As of June 30, 2012, there were four participants in the plan. Total assets in the plan had a fair market value of \$9,281.14.

**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, 2010 (the date of the latest actuarial valuation) consisted of the following:

Active employees	148
Retirees, spouses or dependents	<u>10</u>
Total	<u>158</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	\$ 534
For spouses of retirees	509

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	\$ 141,805
Amortization of UAAL	<u>132,270</u>
Annual required contribution	<u>\$ 274,075</u>

The net OPEB obligation as of June 30, 2012 was calculated as follows:

Annual required contribution	\$ 274,075
Interest on prior year Net OPEB	23,942
Adjustment to ARC	(40,677)
Contributions made	<u>(99,941)</u>
Increase in net OPEB obligation	157,399
Net OPEB obligation at beginning of year	<u>598,557</u>
Net OPEB obligation at end of year	<u>\$ 755,956</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, 2012, 2011 and 2010 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, 2012	\$ 257,340	39%	\$ 755,956
June 30, 2011	297,300	29%	598,557
June 30, 2010	283,203	34%	388,771

#### 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, 2010 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 4 percent rate for discounting future liabilities, a payroll growth of 3.75 percent per year, annual premium rate increases from 8.5 percent initially to 5 percent in 2059, and participation rate of 65 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
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**

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, 2012 is \$6,316,822. 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)**

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, 2012 is \$699,377. 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.

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 due collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2012 was \$3,285,306. The amount due to and payable to CWS at June 30, 2012 is \$156,186.

### **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, 2012, employees of the City had accumulated 9,558 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. In 1981 the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$5 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. 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 water utility and the wastewater utility are each accounted for in two separate funds.

Summary financial information for sewer and water for the year ended June 30, 2012 is as follows:

<b>Condensed statement of net assets</b>	Sewer	Water
<u>Assets</u>		
Current assets	\$ 3,443,608	\$ 4,845,363
Net pension obligation asset	9,191	33,555
Investment in joint venture	-	7,016,199
Capital assets, net	7,695,326	10,962,986
Total assets	11,148,125	22,858,103
<u>Liabilities</u>		
Current liabilities	451,114	188,353
Noncurrent liabilities	1,034,691	4,672,929
Total liabilities	1,485,805	4,861,282
<u>Net assets</u>		
Invested in capital assets, net of related debt	6,671,722	6,458,990
Restricted	1,048,717	1,978,895
Unrestricted	1,941,881	9,558,936
Total net assets	\$ 9,662,320	\$ 17,996,821
<b>Condensed statement of revenues, expenses and changes in net assets</b>		
Operating revenue	\$ 4,226,206	\$ 3,003,524
Depreciation expense	232,932	418,826
Other operating expenses	4,440,961	3,014,286
Operating (loss)	(447,687)	(429,588)
Non operating revenues (expenses)	579,984	876,556
(Loss) before transfers	132,297	446,968
Transfers	(51,295)	(168,055)
Change in fund net assets	81,002	278,913
Fund net assets - beginning	9,580,906	17,716,403
Prior period adjustment	412	1,505
Fund net assets - ending	\$ 9,662,320	\$ 17,996,821
<b>Condensed statement of cash flows</b>		
Net cash provided by (used in):		
Operating activities	\$ (183,672)	\$ (8,268)
Non-capital financing activities	(51,295)	(168,055)
Capital and related financing	385,469	821,460
Investing activities	20,935	28,968
Net increase (decrease) in cash	171,437	674,105
Cash and cash equivalents - beginning of year	3,061,079	3,864,165
Cash and cash equivalents - end of year	\$ 3,232,515	\$ 4,538,270

**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	\$ 700,371
Transportation Impact Fees and Transportation Development Tax are restricted for transportation infrastructure expansion	4,211,465
System Development Charges (SDC) are restricted for the purposes as specified in the implementing ordinances:	
Park acquisition and development	786,282
Sewer system improvement and expansion	1,048,717
Water system improvement and expansion	1,978,895
Surface water management system improvement and expansion	280,163

**16. Governmental Fund Balances**

Fund balance amount 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:

<b>Fund balances:</b>	General	Street	Other Governmental Funds	Totals
<b>Nonspendable:</b>				
Library endowment	\$ -	\$ -	\$ 41,186	\$ 41,186
Prepays	30,456	-	-	30,456
<b>Restricted for:</b>				
Building operations	-	-	670,240	670,240
Street services	-	614,453	85,918	700,371
Community enhancement	-	-	22,279	22,279
Capital projects	-	-	4,997,747	4,997,747
Debt service	-	-	80,465	80,465
Other purposes	-	-	2,193	2,193
<b>Committed for:</b>				
Street services	-	-	104,657	104,657
Capital projects	-	-	47,015	47,015
Capital needs	-	-	402,540	402,540
<b>Assigned for:</b>				
Facilities	-	-	426,601	426,601
Capital projects	-	-	2,512,530	2,512,530
<b>Unassigned:</b>	4,733,820	-	-	4,733,820
<b>Total fund balances</b>	<u>\$ 4,764,276</u>	<u>\$ 614,453</u>	<u>\$ 9,393,371</u>	<u>\$ 14,772,100</u>

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**17. Interfund Transfers**

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$ 895,990	\$ 50,000
Other governmental funds	152,300	192,350
Light	8,140	781,635
Sewer	-	51,295
Sewer - non-cash	92,230	-
Water	-	168,055
Surface water management	-	42,173
Other enterprise funds - non-cash	-	92,230
Internal service funds	<u>272,148</u>	<u>43,070</u>
	<u>\$ 1,420,808</u>	<u>\$ 1,420,808</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**

The beginning net assets of governmental activities, business-type activities (including the Light, Sewer Water and Surface Water Management Funds) have been adjusted to correct an error in reporting the net pension obligation asset, which previously has not been reported and to correct for an error in accounting for the net other post-employment benefit obligation between the Governmental Activities and the Business-type Activities as follows:

	<u>Net Pension Obligation Asset</u>	<u>Net Other Post-Employment Benefits Obligation</u>	<u>Totals</u>
Governmental Activities	<u>\$ 453,547</u>	<u>\$ 165,350</u>	<u>\$ 618,897</u>
Business-type Activities			
Light	118,331	(113,024)	5,307
Sewer	9,191	(8,779)	412
Water	33,555	(32,050)	1,505
Surface Water Management	<u>12,037</u>	<u>(11,497)</u>	<u>7,764</u>
Total Business-type Activities	<u>\$ 173,114</u>	<u>\$ (165,350)</u>	<u>\$ 14,988</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 19. Subsequent Events

On February 7, 2008, the City of Forest Grove was sued in US District Court by a developer for inverse condemnation and various constitutional claims violations under 42 USC Section 1983 including: first amendment retaliation, denial of equal protection, and denial of substantive and procedural due processes related to a subdivision development. In September 2011, a trial was held in US District and the jury decided in favor of the plaintiff who was awarded \$6,539,176.00 in damages. Plaintiff has submitted motions subsequent to the jury award for attorney fees and costs totaling \$1,774,525.43. The Judge has not yet ruled on the motions for attorney fees and costs. The City's insurance limit is \$5 million. If any damages over \$5 million are ultimately paid, that amount would be paid by the City out of funds accumulated for capital purchases.

On November 15, 2011, the City filed post-trial motions to have the Court reduce or eliminate the verdict for a variety of legal reasons. On October 31, 2012, the trial judge denied most of the motions for judgment as a matter of law and a motion for a new trial. The trial judge did set aside the jury verdict on the takings and exactions claim and dismissed that claim. The original jury verdict was not changed by the dismissal of this one claim.

On November 28, 2012, the City appealed the trial judge's denial of the City's motions for judgment as a matter of law and for a new trial to the United States Court of Appeals for the Ninth Circuit. The appeal is expected to take up to two years before a decision is reached by the Appeals Court.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2012**

	Special Revenue	Capital Projects	Debt Service	Permanent Library Endowment	Totals
<b><u>ASSETS</u></b>					
Cash and investments	\$ 865,384	\$ 8,474,811	\$ 53,187	\$ 41,696	\$ 9,435,078
Receivables, net	127,620	213,999	150,971	-	492,590
Accrued interest receivable	940	77	25,219	-	26,236
<b>TOTAL ASSETS</b>	<b><u>\$ 993,944</u></b>	<b><u>\$ 8,688,887</u></b>	<b><u>\$ 229,377</u></b>	<b><u>\$ 41,696</u></b>	<b><u>\$ 9,953,904</u></b>
<b><u>LIABILITIES</u></b>					
Accounts payable and accrued expenses	\$ 126,411	\$ 251,126	\$ -	\$ -	\$ 377,537
Payroll related liabilities	9,668	-	-	-	9,668
Deposits	2,860	-	-	-	2,860
Deferred revenue	9,131	12,425	148,912	-	170,468
<b>TOTAL LIABILITIES</b>	<b><u>148,070</u></b>	<b><u>263,551</u></b>	<b><u>148,912</u></b>	<b><u>-</u></b>	<b><u>560,533</u></b>
<b><u>FUND BALANCE</u></b>					
Nonspendable	-	-	-	41,186	41,186
Restricted	694,202	5,083,665	80,465	510	5,858,842
Committed	151,672	402,540	-	-	554,212
Assigned	-	2,939,131	-	-	2,939,131
<b>TOTAL FUND BALANCE</b>	<b><u>845,874</u></b>	<b><u>8,425,336</u></b>	<b><u>80,465</u></b>	<b><u>41,696</u></b>	<b><u>9,393,371</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 993,944</u></b>	<b><u>\$ 8,688,887</u></b>	<b><u>\$ 229,377</u></b>	<b><u>\$ 41,696</u></b>	<b><u>\$ 9,953,904</u></b>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2012**

	Special Revenue	Capital Projects	Debt Service	Permanent Library Endowment	Totals
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ 432,827	\$ -	\$ 432,827
Other taxes	-	603,647	-	-	603,647
Grants	2,647	373,800	-	-	376,447
Fees and fines	-	261,000	-	-	261,000
Licenses and permits	705,426	36	-	-	705,462
Charges for services	-	217,708	4,624	-	222,332
Intergovernmental	687,480	329,208	-	-	1,016,688
Interest	3,306	56,212	3,742	206	63,466
Miscellaneous	-	75,350	-	-	75,350
<b>TOTAL REVENUES</b>	<u>1,398,859</u>	<u>1,916,961</u>	<u>441,193</u>	<u>206</u>	<u>3,757,219</u>
<b>EXPENDITURES</b>					
General government	488,929	-	-	-	488,929
Public safety	104,231	-	-	-	104,231
Highways and streets	556,697	-	-	-	556,697
Culture and recreation	21,728	-	-	-	21,728
Capital outlay	-	1,592,842	-	-	1,592,842
Debt service	-	-	487,581	-	487,581
<b>TOTAL EXPENDITURES</b>	<u>1,171,585</u>	<u>1,592,842</u>	<u>487,581</u>	<u>-</u>	<u>3,252,008</u>
Excess (deficiency) of revenues over expenditures	<u>227,274</u>	<u>324,119</u>	<u>(46,388)</u>	<u>206</u>	<u>505,211</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from the sale of equipment	-	10,000	-	-	10,000
Transfers in	200	152,100	-	-	152,300
Transfers out	-	(192,150)	-	(200)	(192,350)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>200</u>	<u>(30,050)</u>	<u>-</u>	<u>(200)</u>	<u>(30,050)</u>
Net change in fund balance	227,474	294,069	(46,388)	6	475,161
Fund balance at beginning of year	618,400	8,131,267	126,853	41,690	8,918,210
Fund balance at end of year	<u>\$ 845,874</u>	<u>\$ 8,425,336</u>	<u>\$ 80,465</u>	<u>\$ 41,696</u>	<u>\$ 9,393,371</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**June 30, 2012**

	Building Permits	Street Tree	Forfeiture Sharing	Library Donations
<b><u>ASSETS</u></b>				
Cash and investments	\$ 684,288	\$ 104,657	\$ 2,860	\$ 1,683
Receivables, net	-	-	-	-
Accrued interest receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 684,288</u></b>	<b><u>\$ 104,657</u></b>	<b><u>\$ 2,860</u></b>	<b><u>\$ 1,683</u></b>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued expenses	\$ 4,380	\$ -	\$ -	\$ -
Payroll related liabilities	9,668	-	-	-
Deposits	-	-	2,860	-
Deferred revenue	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>14,048</u></b>	<b><u>-</u></b>	<b><u>2,860</u></b>	<b><u>-</u></b>
<b><u>FUND BALANCE</u></b>				
Restricted	670,240	-	-	1,683
Committed	-	104,657	-	-
<b>TOTAL FUND BALANCE</b>	<b><u>670,240</u></b>	<b><u>104,657</u></b>	<b><u>-</u></b>	<b><u>1,683</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 684,288</u></b>	<b><u>\$ 104,657</u></b>	<b><u>\$ 2,860</u></b>	<b><u>\$ 1,683</u></b>

Community Enhancement	Trail System	Transportation Services	Public Arts Donation	Assessment	Totals
\$ 17,016	\$ 47,015	\$ -	\$ 7,865	\$ -	\$ 865,384
-	-	119,429	-	8,191	127,620
-	-	-	-	940	940
<u>\$ 17,016</u>	<u>\$ 47,015</u>	<u>\$ 119,429</u>	<u>\$ 7,865</u>	<u>\$ 9,131</u>	<u>\$ 993,944</u>
\$ 2,569	\$ -	\$ 119,429	\$ 33	\$ -	\$ 126,411
-	-	-	-	-	9,668
-	-	-	-	-	2,860
-	-	-	-	9,131	9,131
<u>2,569</u>	<u>-</u>	<u>119,429</u>	<u>33</u>	<u>9,131</u>	<u>148,070</u>
14,447	-	-	7,832	-	694,202
-	47,015	-	-	-	151,672
<u>14,447</u>	<u>47,015</u>	<u>-</u>	<u>7,832</u>	<u>-</u>	<u>845,874</u>
<u>\$ 17,016</u>	<u>\$ 47,015</u>	<u>\$ 119,429</u>	<u>\$ 7,865</u>	<u>\$ 9,131</u>	<u>\$ 993,944</u>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2012**

	Building Permits	Street Tree	911 Emergency	Forfeiture Sharing	Library Donations
<b>REVENUES</b>					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	660,856	44,570	-	-	-
Intergovernmental	-	-	104,186	-	-
Interest	2,612	380	-	-	-
<b>TOTAL REVENUES</b>	<u>663,468</u>	<u>44,950</u>	<u>104,186</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
General government	433,786	-	-	-	-
Public safety	-	-	104,186	45	-
Highways and streets	-	28,343	-	-	-
Culture and recreation	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>433,786</u>	<u>28,343</u>	<u>104,186</u>	<u>45</u>	<u>-</u>
Excess (deficiency) of revenues over €	<u>229,682</u>	<u>16,607</u>	<u>-</u>	<u>(45)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	-	-	-	200
Net change in fund balance	229,682	16,607	-	(45)	200
Fund balance at beginning of year	440,558	88,050	-	45	1,483
Fund balance at end of year	<u>\$ 670,240</u>	<u>\$ 104,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,683</u>

Community Enhancement	Trail System	Transportation Services	Public Arts Donation	Totals
\$ 454	\$ -	\$ -	\$ 2,193	\$ 2,647
-	-	-	-	705,426
54,940	-	528,354	-	687,480
<u>3</u>	<u>272</u>	<u>-</u>	<u>39</u>	<u>3,306</u>
<u>55,397</u>	<u>272</u>	<u>528,354</u>	<u>2,232</u>	<u>1,398,859</u>
55,143	-	-	-	488,929
-	-	-	-	104,231
-	-	528,354	-	556,697
<u>-</u>	<u>19,812</u>	<u>-</u>	<u>1,916</u>	<u>21,728</u>
<u>55,143</u>	<u>19,812</u>	<u>528,354</u>	<u>1,916</u>	<u>1,171,585</u>
<u>254</u>	<u>(19,540)</u>	<u>-</u>	<u>316</u>	<u>227,274</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>
254	(19,540)	-	316	227,474
<u>14,193</u>	<u>66,555</u>	<u>-</u>	<u>7,516</u>	<u>618,400</u>
<u>\$ 14,447</u>	<u>\$ 47,015</u>	<u>\$ -</u>	<u>\$ 7,832</u>	<u>\$ 845,874</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECTS FUNDS**  
**June 30, 2012**

	<u>Traffic Impact</u>	<u>Transportation Development Tax</u>	<u>Park Acquisition and Development</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 3,225,209	\$ 1,014,479	\$ 839,058
Receivables, net	-	-	-
Accrued interest receivable	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 3,225,209</u></b>	<b><u>\$ 1,014,479</u></b>	<b><u>\$ 839,058</u></b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	\$ 28,223	\$ -	\$ 52,776
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b><u>28,223</u></b>	<b><u>-</u></b>	<b><u>52,776</u></b>
<b><u>FUND BALANCE</u></b>			
Restricted	3,196,986	1,014,479	786,282
Committed	-	-	-
Assigned	-	-	-
<b>TOTAL FUND BALANCE</b>	<b><u>3,196,986</u></b>	<b><u>1,014,479</u></b>	<b><u>786,282</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 3,225,209</u></b>	<b><u>\$ 1,014,479</u></b>	<b><u>\$ 839,058</u></b>

<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>
\$ 2,457,923	\$ 342,798	\$ 85,918	\$ 82,825	\$ 426,601	\$ 8,474,811
128,858	73,051	-	12,090	-	213,999
<u>77</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>
<u>\$ 2,586,858</u>	<u>\$ 415,849</u>	<u>\$ 85,918</u>	<u>\$ 94,915</u>	<u>\$ 426,601</u>	<u>\$ 8,688,887</u>
\$ 73,993	\$ 94,916	\$ -	\$ 1,218	\$ -	\$ 251,126
<u>335</u>	<u>-</u>	<u>-</u>	<u>12,090</u>	<u>-</u>	<u>12,425</u>
<u>74,328</u>	<u>94,916</u>	<u>-</u>	<u>13,308</u>	<u>-</u>	<u>263,551</u>
-	-	85,918	-	-	5,083,665
-	320,933	-	81,607	-	402,540
<u>2,512,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>426,601</u>	<u>2,939,131</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>\$ 2,586,858</u>	<u>\$ 415,849</u>	<u>\$ 85,918</u>	<u>\$ 94,915</u>	<u>\$ 426,601</u>	<u>\$ 8,688,887</u>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
CAPITAL PROJECTS FUNDS  
For the Year Ended June 30, 2012**

	Traffic Impact	Transportation Development Tax	Park Acquisition and Development
<b>REVENUES</b>			
Other taxes	\$ -	\$ 603,647	\$ -
Grants	-	-	-
System development charges	-	-	261,000
Licenses and permits	-	-	-
Charges for services	-	-	-
Intergovernmental	-	-	-
Interest	22,388	3,444	3,825
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL REVENUES</b>	22,388	607,091	264,825
<b>EXPENDITURES</b>			
Capital outlay	44,384	2,155	55,041
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(21,996)	604,936	209,784
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from the sale of equipment	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(21,996)	604,936	209,784
Fund balance at beginning of year	3,218,982	409,543	576,498
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	<u>\$ 3,196,986</u>	<u>\$ 1,014,479</u>	<u>\$ 786,282</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 603,647
-	373,800	-	-	-	373,800
-	-	-	-	-	261,000
-	-	36	-	-	36
-	-	-	217,708	-	217,708
194,716	122,950	11,542	-	-	329,208
21,362	1,650	296	202	3,045	56,212
<u>75,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,350</u>
291,428	498,400	11,874	217,910	3,045	1,916,961
<u>583,992</u>	<u>706,618</u>	<u>9,704</u>	<u>18,338</u>	<u>172,610</u>	<u>1,592,842</u>
<u>(292,564)</u>	<u>(208,218)</u>	<u>2,170</u>	<u>199,572</u>	<u>(169,565)</u>	<u>324,119</u>
-	10,000	-	-	-	10,000
-	102,100	-	-	50,000	152,100
<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,150)</u>	<u>-</u>	<u>(192,150)</u>
<u>-</u>	<u>112,100</u>	<u>-</u>	<u>(192,150)</u>	<u>50,000</u>	<u>(30,050)</u>
(292,564)	(96,118)	2,170	7,422	(119,565)	294,069
<u>2,805,094</u>	<u>417,051</u>	<u>83,748</u>	<u>74,185</u>	<u>546,166</u>	<u>8,131,267</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>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
**June 30, 2012**

	General Debt Service	Special Public Works Debt Service	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 24,794	\$ 28,393	\$ 53,187
Receivables, net	22,130	128,841	150,971
Accrued interest receivable	-	25,219	25,219
<b>TOTAL ASSETS</b>	<b>\$ 46,924</b>	<b>\$ 182,453</b>	<b>\$ 229,377</b>
<b><u>LIABILITIES</u></b>			
Deferred revenue	\$ 18,238	\$ 130,674	\$ 148,912
<b><u>FUND BALANCE</u></b>			
Restricted	28,686	51,779	80,465
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 46,924</b>	<b>\$ 182,453</b>	<b>\$ 229,377</b>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
DEBT SERVICE FUNDS  
For the Year Ended June 30, 2012**

	General Debt	Special Public	
	Service	Works Debt	
	<u>Service</u>	<u>Service</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ 432,827	\$ -	\$ 432,827
Charges for services	-	4,624	4,624
Interest	<u>1,331</u>	<u>2,411</u>	<u>3,742</u>
 TOTAL REVENUES	 434,158	 7,035	 441,193
 <b>EXPENDITURES</b>			
Debt service	<u>463,875</u>	<u>23,706</u>	<u>487,581</u>
 Net change in fund balance	 (29,717)	 (16,671)	 (46,388)
Fund balance at beginning of year	<u>58,403</u>	<u>68,450</u>	<u>126,853</u>
 Fund balance at end of year	 <u>\$ 28,686</u>	 <u>\$ 51,779</u>	 <u>\$ 80,465</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 414,934	\$ 660,856	\$ 245,922
Interest	-	2,612	2,612
	<u>414,934</u>	<u>663,468</u>	<u>248,534</u>
<b>TOTAL REVENUES</b>			
	<u>414,934</u>	<u>663,468</u>	<u>248,534</u>
<b>EXPENDITURES</b>			
Personal services	303,537	295,704	7,833
Materials and services	165,484	138,082	27,402
Contingency	40,000	-	40,000
	<u>509,021</u>	<u>433,786</u>	<u>75,235</u>
<b>TOTAL EXPENDITURES</b>			
	<u>509,021</u>	<u>433,786</u>	<u>75,235</u>
Net change in fund balance	(94,087)	229,682	323,769
Fund balance at beginning of year	<u>419,224</u>	<u>440,558</u>	<u>21,334</u>
Fund balance at end of year	<u>\$ 325,137</u>	<u>\$ 670,240</u>	<u>\$ 345,103</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 44,100	\$ 44,570	\$ 470
Interest	<u>250</u>	<u>380</u>	<u>130</u>
 TOTAL REVENUES	 44,350	 44,950	 600
 <b>EXPENDITURES</b>			
Materials and services	<u>131,495</u>	<u>28,343</u>	<u>103,152</u>
 Net change in fund balance	 (87,145)	 16,607	 103,752
Fund balance at beginning of year	<u>87,145</u>	<u>88,050</u>	<u>905</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 104,657</u>	 <u>\$ 104,657</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 125,000	\$ 104,186	\$ (20,814)
<b>EXPENDITURES</b>			
Materials and services	<u>125,000</u>	<u>104,186</u>	<u>20,814</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees and fines	\$ 5,000	\$ -	\$ (5,000)
<b>EXPENDITURES</b>			
Materials and services	<u>5,000</u>	<u>45</u>	<u>4,955</u>
Net change in fund balance	-	(45)	(45)
Fund balance at beginning of year	<u>-</u>	<u>45</u>	<u>45</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Materials and services	\$ <u>1,366</u>	\$ <u>-</u>	\$ <u>1,366</u>
Excess (deficiency) of revenues over expenditures	(1,366)	-	1,366
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>200</u>	<u>200</u>	<u>-</u>
Net change in fund balance	(1,166)	200	1,366
Fund balance at beginning of year	<u>1,166</u>	<u>1,483</u>	<u>317</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,683</u>	<u>\$ 1,683</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ -	\$ 454	\$ 454
Intergovernmental	58,031	54,940	(3,091)
Interest	-	3	3
	<u>58,031</u>	<u>55,397</u>	<u>(2,634)</u>
<b>TOTAL REVENUES</b>			
	58,031	55,397	(2,634)
<b>EXPENDITURES</b>			
Materials and services	<u>61,110</u>	<u>55,143</u>	<u>5,967</u>
Net change in fund balance	(3,079)	254	3,333
Fund balance at beginning of year	<u>12,314</u>	<u>14,193</u>	<u>1,879</u>
Fund balance at end of year	<u>\$ 9,235</u>	<u>\$ 14,447</u>	<u>\$ 5,212</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	<u>\$ 300</u>	<u>\$ 272</u>	<u>\$ (28)</u>
<b>EXPENDITURES</b>			
Materials and services	10,000	-	10,000
Capital outlay	<u>56,459</u>	<u>19,812</u>	<u>36,647</u>
<b>TOTAL EXPENDITURES</b>	<u>66,459</u>	<u>19,812</u>	<u>46,647</u>
Net change in fund balance	(66,159)	(19,540)	46,619
Fund balance at beginning of year	<u>66,159</u>	<u>66,555</u>	<u>396</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 47,015</u>	<u>\$ 47,015</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 535,000	\$ 528,354	\$ (6,646)
<b>EXPENDITURES</b>			
Materials and services	<u>535,000</u>	<u>528,354</u>	<u>6,646</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ -	\$ 2,193	\$ 2,193
Interest	<u>100</u>	<u>39</u>	<u>(61)</u>
<b>TOTAL REVENUES</b>	100	2,232	2,132
<b>EXPENDITURES</b>			
Materials and services	<u>8,128</u>	<u>1,916</u>	<u>6,212</u>
Net change in fund balance	(8,028)	316	8,344
Fund balance at beginning of year	<u>8,028</u>	<u>7,516</u>	<u>(512)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 7,832</u>	<u>\$ 7,832</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 16,050	\$ 22,388	\$ 6,338
<b>EXPENDITURES</b>			
Capital outlay	<u>3,226,107</u>	<u>44,384</u>	<u>3,181,723</u>
Net change in fund balance	(3,210,057)	(21,996)	3,188,061
Fund balance at beginning of year	<u>3,210,057</u>	<u>3,218,982</u>	<u>8,925</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,196,986</u>	<u>\$ 3,196,986</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Other taxes	\$ 333,250	\$ 603,647	\$ 270,397
Interest	<u>2,029</u>	<u>3,444</u>	<u>1,415</u>
<b>TOTAL REVENUES</b>	335,279	607,091	271,812
<b>EXPENDITURES</b>			
Capital outlay	<u>741,087</u>	<u>2,155</u>	<u>738,932</u>
Net change in fund balance	(405,808)	604,936	1,010,744
Fund balance at beginning of year	<u>405,808</u>	<u>409,543</u>	<u>3,735</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,014,479</u>	<u>\$ 1,014,479</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 210,000	\$ 261,000	\$ 51,000
Interest	<u>1,750</u>	<u>3,825</u>	<u>2,075</u>
<b>TOTAL REVENUES</b>	<u>211,750</u>	<u>264,825</u>	<u>53,075</u>
<b>EXPENDITURES</b>			
Materials and services	85,000	-	85,000
Capital outlay	<u>702,174</u>	<u>55,041</u>	<u>647,133</u>
<b>TOTAL EXPENDITURES</b>	<u>787,174</u>	<u>55,041</u>	<u>732,133</u>
Net change in fund balance	(575,424)	209,784	785,208
Fund balance at beginning of year	<u>575,424</u>	<u>576,498</u>	<u>1,074</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 786,282</u>	<u>\$ 786,282</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 187,700	\$ 194,716	\$ 7,016
Grants	109,100	-	(109,100)
Interest	9,000	21,362	12,362
Miscellaneous	<u>82,500</u>	<u>75,350</u>	<u>(7,150)</u>
 TOTAL REVENUES	 388,300	 291,428	 (96,872)
<b>EXPENDITURES</b>			
Capital outlay	<u>3,211,406</u>	<u>583,992</u>	<u>2,627,414</u>
 Net change in fund balance	 (2,823,106)	 (292,564)	 2,530,542
Fund balance at beginning of year	<u>2,823,106</u>	<u>2,805,094</u>	<u>(18,012)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 2,512,530</u>	 <u>\$ 2,512,530</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ 382,500	\$ 373,800	\$ (8,700)
Intergovernmental	175,800	122,950	(52,850)
Interest	<u>5,000</u>	<u>1,650</u>	<u>(3,350)</u>
<b>TOTAL REVENUES</b>	<u>563,300</u>	<u>498,400</u>	<u>(64,900)</u>
<b>EXPENDITURES</b>			
Capital outlay	734,100	706,618	27,482
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>TOTAL EXPENDITURES</b>	<u>784,100</u>	<u>706,618</u>	<u>77,482</u>
Excess (deficiency) of revenues over expenditures	<u>(220,800)</u>	<u>(208,218)</u>	<u>12,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	10,000	10,000
Transfers in	<u>102,100</u>	<u>102,100</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>102,100</u>	<u>112,100</u>	<u>10,000</u>
Net change in fund balance	(118,700)	(96,118)	22,582
Fund balance at beginning of year	<u>418,912</u>	<u>417,051</u>	<u>(1,861)</u>
Fund balance at end of year	<u>\$ 300,212</u>	<u>\$ 320,933</u>	<u>\$ 20,721</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ 45,000	\$ -	\$ (45,000)
Licenses and permits	50	36	(14)
Intergovernmental	12,320	11,542	(778)
Interest	<u>768</u>	<u>296</u>	<u>(472)</u>
 TOTAL REVENUES	 58,138	 11,874	 (46,264)
<b>EXPENDITURES</b>			
Capital outlay	<u>136,415</u>	<u>9,704</u>	<u>126,711</u>
Net change in fund balance	(78,277)	2,170	80,447
Fund balance at beginning of year	<u>78,277</u>	<u>83,748</u>	<u>5,471</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 85,918</u>	 <u>\$ 85,918</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 206,000	\$ 217,708	\$ 11,708
Interest	<u>200</u>	<u>202</u>	<u>2</u>
<b>TOTAL REVENUES</b>	206,200	217,910	11,710
<b>EXPENDITURES</b>			
Capital outlay	<u>80,205</u>	<u>18,338</u>	<u>61,867</u>
Excess of revenues over expenditures	125,995	199,572	73,577
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(192,150)</u>	<u>(192,150)</u>	<u>-</u>
Net change in fund balance	(66,155)	7,422	73,577
Fund balance at beginning of year	<u>66,155</u>	<u>74,185</u>	<u>8,030</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 81,607</u>	<u>\$ 81,607</u>

**CITY OF FOREST GROVE**

**FACILITY MAJOR MAINTENANCE FUND - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 1,100	\$ 3,045	\$ 1,945
<b>EXPENDITURES</b>			
Capital outlay	<u>193,642</u>	<u>172,610</u>	<u>21,032</u>
Excess (deficiency) of revenues over expenditures	(192,542)	(169,565)	22,977
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	(142,542)	(119,565)	22,977
Fund balance at beginning of year	<u>546,200</u>	<u>546,166</u>	<u>(34)</u>
Fund balance at end of year	<u>\$ 403,658</u>	<u>\$ 426,601</u>	<u>\$ 22,943</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 432,536	\$ 432,827	\$ 291
Interest	<u>750</u>	<u>1,331</u>	<u>581</u>
 TOTAL REVENUES	 433,286	 434,158	 872
<b>EXPENDITURES</b>			
Debt service	<u>463,875</u>	<u>463,875</u>	<u>-</u>
 Net change in fund balance	 (30,589)	 (29,717)	 872
Fund balance at beginning of year	<u>69,245</u>	<u>58,403</u>	<u>(10,842)</u>
 Fund balance at end of year	 <u>\$ 38,656</u>	 <u>\$ 28,686</u>	 <u>\$ (9,970)</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 4,363	\$ 4,624	\$ 261
Interest	<u>41,913</u>	<u>2,411</u>	<u>(39,502)</u>
<b>TOTAL REVENUES</b>	46,276	7,035	(39,241)
<b>EXPENDITURES</b>			
Debt service	<u>23,706</u>	<u>23,706</u>	<u>-</u>
Net change in fund balance	22,570	(16,671)	(39,241)
Fund balance at beginning of year	<u>5,823</u>	<u>68,450</u>	<u>62,627</u>
Fund balance at end of year	<u>\$ 28,393</u>	<u>\$ 51,779</u>	<u>\$ 23,386</u>

**CITY OF FOREST GROVE**

**LIBRARY ENDOWMENT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	<u>\$ 200</u>	<u>\$ 206</u>	<u>\$ 6</u>
Excess of revenues over expenditures	200	206	6
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(200)</u>	<u>(200)</u>	<u>-</u>
Net change in fund balance	-	6	6
Fund balance at beginning of year	<u>41,187</u>	<u>41,690</u>	<u>503</u>
Fund balance at end of year	<u>\$ 41,187</u>	<u>\$ 41,696</u>	<u>\$ 509</u>

**CITY OF FOREST GROVE**

**LIGHT - ENTERPRISE FUND (A MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 13,266,999	\$ 14,245,856	\$ 978,857
Grants	7,500	-	(7,500)
Licenses and permits	-	36,702	36,702
Sale of materials	12,000	19,295	7,295
Interest	10,000	43,093	33,093
Miscellaneous	<u>350,000</u>	<u>360,954</u>	<u>10,954</u>
<b>TOTAL REVENUES</b>	<u>13,646,499</u>	<u>14,705,900</u>	<u>1,059,401</u>
<b>EXPENDITURES</b>			
Personal services	2,944,998	2,838,390	106,608
Materials and services	11,089,462	10,321,977	767,485
Capital outlay	1,015,000	826,078	188,922
Contingency	<u>1,850,774</u>	<u>-</u>	<u>1,850,774</u>
<b>TOTAL EXPENDITURES</b>	<u>16,900,234</u>	<u>13,986,445</u>	<u>2,913,789</u>
Excess (deficiency) of revenues over expenditures	<u>(3,253,735)</u>	<u>719,455</u>	<u>3,973,190</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	-	3,288	3,288
Transfers in	8,140	8,140	-
Transfers out	<u>(781,635)</u>	<u>(781,635)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(773,495)</u>	<u>(770,207)</u>	<u>3,288</u>
Net change in fund balance	(4,027,230)	(50,752)	3,976,478
Fund balance at beginning of year	<u>5,901,316</u>	<u>6,883,744</u>	<u>982,428</u>
Fund balance at end of year	<u>\$ 1,874,086</u>	6,832,992	<u>\$ 4,958,906</u>
<b><i>Reconciliation to generally accepted accounting principles</i></b>			
Inventory		377,382	
Capital assets, net		15,215,746	
Net pension obligation asset		118,331	
Compensated absences payable		(160,163)	
Net other post-employment benefits		<u>(142,745)</u>	
Net assets - ending		<u>\$ 22,241,543</u>	

**CITY OF FOREST GROVE**

**SEWER - ENTERPRISE FUND (A MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 4,186,340	\$ 4,223,628	\$ 37,288
Interest	8,327	13,729	5,402
Licenses and permits	<u>800</u>	<u>2,608</u>	<u>1,808</u>
<b>TOTAL REVENUES</b>	<u>4,195,467</u>	<u>4,239,965</u>	<u>44,498</u>
<b>EXPENDITURES</b>			
Personal services	327,266	265,333	61,933
Materials and services	3,709,989	3,652,526	57,463
Capital outlay	179,400	43,327	136,073
Debt service	94,004	94,004	-
Contingency	<u>750,000</u>	<u>-</u>	<u>750,000</u>
<b>TOTAL EXPENDITURES</b>	<u>5,060,659</u>	<u>4,055,190</u>	<u>1,005,469</u>
Excess (deficiency) of revenues over expenditures	(865,192)	184,775	1,049,967
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(51,295)</u>	<u>(51,295)</u>	<u>-</u>
Net change in fund balance	(916,487)	133,480	1,049,967
Fund balance at beginning of year	<u>1,665,177</u>	<u>1,820,619</u>	<u>155,442</u>
Fund balance at end of year	<u>\$ 748,690</u>	1,954,099	<u>\$ 1,205,409</u>

***Reconciliation to generally accepted accounting principles***

Inventory	6,912
Capital assets, net	7,695,326
Net pension obligation asset	9,191
Accrued interest payable	(17,234)
Net other post-employment benefits	(11,087)
Long-term obligations	<u>(1,023,604)</u>
Net assets-ending	<u>\$ 8,613,603</u>

**CITY OF FOREST GROVE**

**WATER - ENTERPRISE FUND (A MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 5,000	\$ 14,703	\$ 9,703
Charges for services	2,671,250	2,988,821	317,571
Sales of materials	700,000	1,012,116	312,116
Rents	35,928	35,928	-
Interest	10,028	15,516	5,488
Miscellaneous	-	1,206	1,206
<b>TOTAL REVENUES</b>	<u>3,422,206</u>	<u>4,068,290</u>	<u>646,084</u>
<b>EXPENDITURES</b>			
Personal services	893,547	880,852	12,695
Materials and services	2,119,725	2,084,705	35,020
Capital outlay	361,482	160,745	200,737
Debt service	484,497	484,497	-
Contingency	748,250	-	748,250
<b>TOTAL EXPENDITURES</b>	<u>4,607,501</u>	<u>3,610,799</u>	<u>996,702</u>
Excess (deficiency) of revenues over expenditures	(1,185,295)	457,491	1,642,786
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(170,104)</u>	<u>(168,055)</u>	<u>2,049</u>
Net change in fund balance	(1,355,399)	289,436	1,644,835
Fund balance at beginning of year	<u>2,005,593</u>	<u>2,290,251</u>	<u>284,658</u>
Fund balance at end of year	<u>\$ 650,194</u>	<u>2,579,687</u>	<u>\$ 1,929,493</u>

***Reconciliation to generally accepted accounting principles***

Inventory	134,374
Investment in joint ventures	7,016,199
Capital assets, net	10,303,514
Intangibles, net	659,472
Net pension obligation asset	33,555
Accrued interest payable	(35,946)
Net other post-employment benefits	(40,478)
Long-term obligations	<u>(4,632,451)</u>
Net assets - ending	<u>\$ 16,017,926</u>

**CITY OF FOREST GROVE**

**SURFACE WATER MANAGEMENT - ENTERPRISE FUND (A MAJOR FUND)  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 846,600	\$ 857,395	\$ 10,795
Interest	<u>1,505</u>	<u>734</u>	<u>(771)</u>
<b>TOTAL REVENUES</b>	<u>848,105</u>	<u>858,129</u>	<u>10,024</u>
<b>EXPENDITURES</b>			
Personal services	340,683	327,445	13,238
Materials and services	500,075	476,270	23,805
Capital outlay	121,100	65,210	55,890
Contingency	<u>28,000</u>	<u>-</u>	<u>28,000</u>
<b>TOTAL EXPENDITURES</b>	<u>989,858</u>	<u>868,925</u>	<u>120,933</u>
Excess (deficiency) of revenues over expenditures	(141,753)	(10,796)	130,957
<b>OTHER FINANCING (USES)</b>			
Transfers out	<u>(42,173)</u>	<u>(42,173)</u>	<u>-</u>
Net change in fund balance	(183,926)	(52,969)	130,957
Fund balance at beginning of year	<u>300,822</u>	<u>330,463</u>	<u>29,641</u>
Fund balance at end of year	<u>\$ 116,896</u>	277,494	<u>\$ 160,598</u>

***Reconciliation to generally accepted accounting principles***

Capital assets, net	5,877,457
Net pension obligation asset	12,037
Net other post-employment benefits	<u>(14,521)</u>
Net assets - ending	<u>\$ 6,152,467</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF NET ASSETS  
OTHER ENTERPRISE FUNDS  
June 30, 2012**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,083,142	\$ 1,978,895	\$ 280,163	\$ 3,342,200
<b>LIABILITIES</b>				
<b>CURRENT LIABILITES</b>				
Accounts payable	<u>34,425</u>	<u>-</u>	<u>-</u>	<u>34,425</u>
<b>NET ASSETS</b>				
Restricted for capital projects	<u>\$ 1,048,717</u>	<u>\$ 1,978,895</u>	<u>\$ 280,163</u>	<u>\$ 3,307,775</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
OTHER ENTERPRISE FUNDS  
For the Year Ended June 30, 2012**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
<b>OPERATING EXPENSES</b>				
System operation and maintenance	\$ 478,580	\$ -	\$ -	\$ 478,580
Operating (loss)	<u>(478,580)</u>	<u>-</u>	<u>-</u>	<u>(478,580)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	7,205	13,452	1,431	22,088
Interest	(29,764)	-	-	(29,764)
System development charges	598,225	383,524	61,710	1,043,459
Miscellaneous	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>4,500</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>580,166</u>	<u>396,976</u>	<u>63,141</u>	<u>1,040,283</u>
Income (loss) before transfers	101,586	396,976	63,141	561,703
<b>TRANSFERS</b>				
Transfers out	<u>(92,230)</u>	<u>-</u>	<u>-</u>	<u>(92,230)</u>
Change in net assets	9,356	396,976	63,141	469,473
Net assets at beginning of year	<u>1,039,361</u>	<u>1,581,919</u>	<u>217,022</u>	<u>2,838,302</u>
Net assets at end of year	<u>\$ 1,048,717</u>	<u>\$ 1,978,895</u>	<u>\$ 280,163</u>	<u>\$ 3,307,775</u>

**CITY OF FOREST GROVE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2012**

	Enterprise			
	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash paid to suppliers	\$ (460,555)	\$ (11,225)	\$ -	\$ (471,780)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Other	4,500			4,500
System development charges	598,225	383,524	61,710	1,043,459
Principal paid on long-term obligations	(92,230)	-	-	(92,230)
Interest paid on long-term obligations	(29,764)	-	-	(29,764)
Net cash provided by (used in) capital and related financing activities	<u>480,731</u>	<u>383,524</u>	<u>61,710</u>	<u>925,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	<u>7,205</u>	<u>13,452</u>	<u>1,431</u>	<u>22,088</u>
Net increase (decrease) in cash and cash equivalents	27,381	385,751	63,141	476,273
Cash and cash equivalents at beginning of year	<u>1,055,761</u>	<u>1,593,144</u>	<u>217,022</u>	<u>2,865,927</u>
Cash and cash equivalent at end of year	<u>\$ 1,083,142</u>	<u>\$ 1,978,895</u>	<u>\$ 280,163</u>	<u>\$ 3,342,200</u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>				
Operating (loss)	\$ (478,580)	\$ -	\$ -	\$ (478,580)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Increase (decrease) in liabilities				
Accounts payable	<u>18,025</u>	<u>(11,225)</u>	<u>-</u>	<u>6,800</u>
Net cash (used in) operating activities	<u>\$ (460,555)</u>	<u>\$ (11,225)</u>	<u>\$ -</u>	<u>\$ (471,780)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>				
Transfers out	<u>\$ -</u>	<u>\$ (92,230)</u>	<u>\$ -</u>	<u>\$ (92,230)</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees and fines	\$ 2,000	\$ 4,500	\$ 2,500
System development charges	545,000	598,225	53,225
Interest	<u>2,553</u>	<u>7,205</u>	<u>4,652</u>
 TOTAL REVENUES	 <u>549,553</u>	 <u>609,930</u>	 <u>60,377</u>
 <b>EXPENDITURES</b>			
Materials and services	500,000	478,580	21,420
Capital outlay	50,000	-	50,000
Debt service	121,995	121,994	1
Contingency	<u>658,350</u>	<u>-</u>	<u>658,350</u>
 TOTAL EXPENDITURES	 <u>1,330,345</u>	 <u>600,574</u>	 <u>729,771</u>
 Net change in fund balance	 (780,792)	 9,356	 790,148
Fund balance at beginning of year	<u>1,021,215</u>	<u>1,039,361</u>	<u>18,146</u>
 Fund balance at end of year	 <u>\$ 240,423</u>	 <u>\$ 1,048,717</u>	 <u>\$ 808,294</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 200,000	\$ 383,524	\$ 183,524
Interest	7,680	13,452	5,772
	<u>207,680</u>	<u>396,976</u>	<u>189,296</u>
<b>TOTAL REVENUES</b>			
	<u>207,680</u>	<u>396,976</u>	<u>189,296</u>
<b>EXPENDITURES</b>			
Capital outlay	223,000	-	223,000
Contingency	75,000	-	75,000
	<u>298,000</u>	<u>-</u>	<u>298,000</u>
<b>TOTAL EXPENDITURES</b>			
	<u>298,000</u>	<u>-</u>	<u>298,000</u>
Net change in fund balance	(90,320)	396,976	487,296
Fund balance at beginning of year	<u>1,535,997</u>	<u>1,581,919</u>	<u>45,922</u>
Fund balance at end of year	<u>\$ 1,445,677</u>	<u>\$ 1,978,895</u>	<u>\$ 533,218</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 25,000	\$ 61,710	\$ 36,710
Interest	<u>1,070</u>	<u>1,431</u>	<u>361</u>
<b>TOTAL REVENUES</b>	<u>26,070</u>	<u>63,141</u>	<u>37,071</u>
<b>EXPENDITURES</b>			
Capital outlay	45,000	-	45,000
Contingency	<u>194,994</u>	<u>-</u>	<u>194,994</u>
<b>TOTAL EXPENDITURES</b>	<u>239,994</u>	<u>-</u>	<u>239,994</u>
Net change in fund balance	(213,924)	63,141	277,065
Fund balance at beginning of year	<u>213,924</u>	<u>217,022</u>	<u>3,098</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 280,163</u>	<u>\$ 280,163</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2012**

	Information Systems	Equipment	Risk Management	Totals
<b><u>ASSETS</u></b>				
Current assets				
Cash and cash equivalents	\$ 601,816	\$ 513,503	\$ 460,566	\$ 1,575,885
Capital assets				
Other capital assets, net	-	1,154,778	-	1,154,778
<b>TOTAL ASSETS</b>	<b>601,816</b>	<b>1,668,281</b>	<b>460,566</b>	<b>2,730,663</b>
<b><u>LIABILITIES</u></b>				
Current liabilities				
Accounts payable	1,524	25,953	57,545	85,022
Accrued payroll liabilities	-	5,963	-	5,963
Long-term obligations				
Due within one year	-	6,437	-	6,437
<b>TOTAL LIABILITIES</b>	<b>1,524</b>	<b>38,353</b>	<b>57,545</b>	<b>97,422</b>
<b><u>NET ASSETS</u></b>				
Invested in capital assets, net of related debt	-	1,154,778	-	1,154,778
Restricted for capital projects	600,292	475,150	403,021	1,478,463
<b>TOTAL NET ASSETS</b>	<b>\$ 600,292</b>	<b>\$ 1,629,928</b>	<b>\$ 403,021</b>	<b>\$ 2,633,241</b>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2012**

	Information Systems	Equipment	City Utility	Risk Management	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 197,455	\$ 851,069	\$ -	\$ 357,641	\$ 1,406,165
<b>OPERATING EXPENSES</b>					
Systems operation and maintenance	222,693	529,574	160,951	453,675	1,366,893
Depreciation	-	184,981	-	-	184,981
Total operating expenses	222,693	714,555	160,951	453,675	1,551,874
Operating income (loss)	(25,238)	136,514	(160,951)	(96,034)	(145,709)
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest earned	4,054	1,890	-	2,381	8,325
(Loss) on sale of capital asset	-	(83,367)	-	-	(83,367)
Miscellaneous	1,159	5,020	-	11,888	18,067
TOTAL NONOPERATING REVENUES (EXPENSES)	5,213	(76,457)	-	14,269	(56,975)
Income (loss) before transfers	(20,025)	60,057	(160,951)	(81,765)	(202,684)
<b>TRANSFERS</b>					
Transfers in	-	111,197	160,951	-	272,148
Transfers out	-	-	-	(43,070)	(43,070)
TOTAL TRANSFERS	-	111,197	160,951	(43,070)	229,078
Change in net assets	(20,025)	171,254	-	(124,835)	26,394
Net assets at beginning of year	620,317	1,458,674	-	527,856	2,606,847
Net assets at end of year	\$ 600,292	\$ 1,629,928	\$ -	\$ 403,021	\$ 2,633,241

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2012**

	Information		Risk		Totals
	Systems	Equipment	City Utility	Management	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ 197,455	\$ 851,069	\$ -	\$ 357,641	\$ 1,406,165
Cash paid to employees	-	(190,321)	-	-	(190,321)
Cash paid to suppliers	(221,169)	(321,634)	(160,951)	(420,922)	(1,124,676)
Net cash provided by (used in) operating activities	(23,714)	339,114	(160,951)	(63,281)	91,168
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	111,197	160,951	-	272,148
Transfers out	-	-	-	(43,070)	(43,070)
Net cash provided by (used in) non-capital financing activities	-	111,197	160,951	(43,070)	229,078
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	-	(226,463)	-	-	(226,463)
Proceeds from sale of equipment	-	8,797	-	-	8,797
Other	1,159	5,020	-	11,888	18,067
Net cash provided by (used in) capital and related financing activities	1,159	(212,646)	-	11,888	(199,599)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	4,054	1,890	-	2,381	8,325
Net increase in cash and cash equivalents	(18,501)	239,555	-	(92,082)	128,972
Cash and cash equivalents at beginning of year	620,317	273,948	-	552,648	1,446,913
Cash and cash equivalent at end of year	\$ 601,816	\$ 513,503	\$ -	\$ 460,566	\$ 1,575,885
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (25,238)	\$ 136,514	\$ (160,951)	\$ (96,034)	\$ (145,709)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	184,981	-	-	184,981
Increase in liabilities					
Accounts payable and accrued expenses	1,524	16,145	-	32,753	50,422
Payroll related liabilities	-	1,474	-	-	1,474
Net cash provided by (used in) operating activities	\$ (23,714)	\$ 339,114	\$ (160,951)	\$ (63,281)	\$ 91,168

**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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 197,455	\$ 197,455	\$ -
Interest	1,850	4,054	2,204
Miscellaneous	<u>-</u>	<u>1,159</u>	<u>1,159</u>
<b>TOTAL REVENUES</b>	<u>199,305</u>	<u>202,668</u>	<u>3,363</u>
<b>EXPENDITURES</b>			
Materials and services	272,288	172,260	100,028
Capital outlay	<u>146,317</u>	<u>50,433</u>	<u>95,884</u>
<b>TOTAL EXPENDITURES</b>	<u>418,605</u>	<u>222,693</u>	<u>195,912</u>
Net change in fund balance	(219,300)	(20,025)	199,275
Fund balance at beginning of year	<u>620,548</u>	<u>620,317</u>	<u>(231)</u>
Fund balance at end of year	<u><u>\$ 401,248</u></u>	<u><u>\$ 600,292</u></u>	<u><u>\$ 199,044</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, 2012**

	Budget	Actual	Variance
<b>REVENUES</b>			
System development charges	\$ 815,523	\$ 851,069	\$ 35,546
Interest	1,091	1,890	799
Miscellaneous	-	5,020	5,020
<b>TOTAL REVENUES</b>	<b>816,614</b>	<b>857,979</b>	<b>41,365</b>
<b>EXPENDITURES</b>			
Personal services	212,193	191,795	20,398
Materials and services	397,761	358,949	38,812
Capital outlay	302,500	204,319	98,181
Contingency	50,000	-	50,000
<b>TOTAL EXPENDITURES</b>	<b>962,454</b>	<b>755,063</b>	<b>207,391</b>
Excess (deficiency) of revenues over expenditures	(145,840)	102,916	248,756
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	10,000	8,797	(1,203)
Transfers in	111,197	111,197	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>121,197</b>	<b>119,994</b>	<b>(1,203)</b>
Net change in fund balance	(24,643)	222,910	247,553
Fund balance at beginning of year	218,253	258,677	40,424
Fund balance at end of year	<b>\$ 193,610</b>	<b>481,587</b>	<b>\$ 287,977</b>

***Reconciliation to generally accepted accounting principles***

Capital assets, net		1,154,778	
Long-term obligations		(6,437)	
Net assets-ending		<b>\$ 1,629,928</b>	

**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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Materials and services	\$ 163,000	\$ 160,951	\$ 2,049
Excess (deficiency) of revenues over expenditures	(163,000)	(160,951)	2,049
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>163,000</u>	<u>160,951</u>	<u>(2,049)</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**

**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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 355,756	\$ 357,641	\$ 1,885
Interest	1,500	2,381	881
Miscellaneous	<u>-</u>	<u>11,888</u>	<u>11,888</u>
<b>TOTAL REVENUES</b>	<u>357,256</u>	<u>371,910</u>	<u>14,654</u>
<b>EXPENDITURES</b>			
Materials and services	455,183	453,675	1,508
Contingency	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>TOTAL EXPENDITURES</b>	<u>470,183</u>	<u>453,675</u>	<u>16,508</u>
Excess (deficiency) of revenues over expenditures	(112,927)	(81,765)	31,162
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(43,070)</u>	<u>(43,070)</u>	<u>-</u>
Net change in fund balance	(155,997)	(124,835)	31,162
Fund balance at beginning of year	<u>506,880</u>	<u>527,856</u>	<u>20,976</u>
Fund balance at end of year	<u>\$ 350,883</u>	<u>\$ 403,021</u>	<u>\$ 52,138</u>

**CITY OF FOREST GROVE**

**UNSEGREGATED TAX AND INTEREST AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Balances</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2012</u>
Assets				
Cash and investments	<u>\$ 296,806</u>	<u>\$ 330,843</u>	<u>\$ 471,918</u>	<u>\$ 155,731</u>
Liabilities				
Money held for others	<u>\$ 296,806</u>	<u>\$ 330,843</u>	<u>\$ 471,918</u>	<u>\$ 155,731</u>

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



## 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 the basic financial statements of the CITY OF FOREST GROVE as of and for the year ended June 30, 2012, and have issued our report thereon dated December 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### 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, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, 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).

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)**

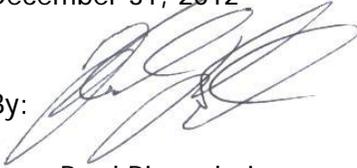
The 2009-10 and 2010-11 actual historical information presented in the 2012-13 detail budget document contained errors such that the 2009-10 resources less the 2009-10 expenditures did not equal the 2010-11 beginning fund balance resource.

**Internal Control OAR 162-10-0230**

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

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, 2012

By:   
Brad Bingenheimer