

CITY OF FOREST GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION
YEAR ENDED JUNE 30, 2007
WITH
INDEPENDENT AUDITORS' REPORT

Prepared by:
City Finance Department

CITY OF FOREST GROVE

June 30, 2007

ELECTED OFFICIALS

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

All council members receive mail at the address listed below

APPOINTED OFFICIALS

City Manager	Michael Sykes
Director of Administrative Services	Paul Downey

City Hall
Forest Grove, OR 97116

CITY OF FOREST GROVE

Year ended June 30, 2007

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FINANCIAL SECTION

Independent Auditors' Report

Honorable Mayor and City Council Members
City of Forest Grove

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forest Grove ("City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 31 through 36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

ISLER CPA



by Paul Nielson, a member of the firm
Eugene, Oregon
February 20, 2008

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

This section of the City of Forest Grove's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets were \$84,316,900 at June 30, 2007.
- During the year, the City's net assets increased by \$10,132,684. The increases in Net Assets is primarily due to: 1) the profit on the sale of land to another government agency which owned the buildings and fixtures located on the property but not the land; 2) housing development infrastructure improvements which were dedicated to the City by the developers; and 3) completion of the City's share of a 20 million gallon water storage tank.
- The general fund reported a fund balance this year of \$2,602,691 which is an increase of \$110,646 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 kinds 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* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds* - The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - 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	
	2007	2006	2007	2006	2007	2006
ASSETS:						
Current and Other Assets	\$ 15,180	\$ 11,154	\$ 22,099	\$ 21,487	\$ 37,279	\$ 32,641
Capital Assets	22,979	21,586	36,475	33,594	59,454	55,180
Total Assets	<u>38,159</u>	<u>32,740</u>	<u>58,574</u>	<u>55,081</u>	<u>96,733</u>	<u>87,821</u>
LIABILITIES						
Current and Other Liabilities	839	1,451	1,340	2,152	2,179	3,603
Long-Term Liabilities	4,454	4,201	5,783	5,833	10,237	10,034
Total Liabilities	<u>5,293</u>	<u>5,652</u>	<u>7,123</u>	<u>7,985</u>	<u>12,416</u>	<u>13,637</u>
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	19,159	17,056	36,475	27,516	55,634	44,572
Unrestricted	13,707	10,032	14,976	19,580	28,683	29,612
Total Net Assets	<u>\$ 32,866</u>	<u>\$ 27,088</u>	<u>\$ 51,451</u>	<u>\$ 47,096</u>	<u>\$ 84,317</u>	<u>\$ 74,184</u>

Governmental Activities

Capital assets represent over 60% of the total governmental assets. The primary reason for the increase in Current and Other Assets is the profit from the sale of land to another government agency.

Business-type Activities

Capital assets represent over 61% of the total business type assets. The reason for the increase in Capital Assets is the dedication of housing development infrastructure improvements by the developers.

CITY OF FOREST GROVE - CHANGES IN NET ASSETS

(In thousands of dollars)

	Governmental		Business-Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
REVENUES:						
Program Revenues:						
Charges for Services	\$ 7,044	\$ 4,334	\$ 23,055	\$ 18,440	\$ 30,099	\$ 22,774
Operating Grants	80	422	16	-	96	422
Capital Grants	437	761	1,221	-	1,658	761
General Revenues:						
Taxes	6,937	5,455	-	-	6,937	5,455
Internal Services	-	2,506	-	-	-	2,506
Other	3,773	1,165	649	4,169	4,422	5,334
Total Revenues	<u>18,271</u>	<u>14,643</u>	<u>24,941</u>	<u>22,609</u>	<u>43,212</u>	<u>37,252</u>
EXPENSES:						
General Government	5,149	6,165	-	-	5,149	6,165
Public Safety	5,736	7,337	-	-	5,736	7,337
Highways and Streets	817	1,040	-	-	817	1,040
Community Development	1,002	472	-	-	1,002	472
Light	-	-	12,163	11,348	12,163	11,348
Sewer	-	-	3,069	3,969	3,069	3,969
Water	-	-	4,027	6,429	4,027	6,429
Surface Water Management	-	-	685	488	685	488
Interest	192	205	240	249	432	454
Total Expenses	<u>12,896</u>	<u>15,219</u>	<u>20,184</u>	<u>22,483</u>	<u>33,080</u>	<u>37,702</u>
Change in Net Assets						
before Transfers	5,375	(576)	4,757	126	10,132	(450)
Internal Transfers	63	420	(63)	(63)	-	357
Transfers from fiduciary fund	2	-	-	-	2	-
Change in Net Assets	<u>5,440</u>	<u>(156)</u>	<u>4,694</u>	<u>63</u>	<u>10,134</u>	<u>(93)</u>
Prior-Period Adjustment	-	(1,670)	-	(703)	-	(2,373)
Reclassification of Internal Service Funds	338	-	(338)	-	-	-
Beginning Net Assets	27,088	28,914	47,095	47,735	74,183	76,649
Ending Net Assets	<u>\$ 32,866</u>	<u>\$ 27,088</u>	<u>\$ 51,451</u>	<u>\$ 47,095</u>	<u>\$ 84,317</u>	<u>\$ 74,183</u>

The City's total revenues were \$43,211,685. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 54% and 16% of total revenues, respectively. The total cost of all programs was \$33,080,747. The Net Assets increased by \$10,132,684 indicating a increase in the City's overall financial position. The reason for the increase in Net Assets was explained previously in this letter.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$18,832,276 in 2007 compared to \$14,964,649 in 2006. The increase is due to increased revenue due to growth. Governmental fund balances totaled \$13,658,609 at June 30, 2007 for an increase of \$3,772,382. The increase is Capital Projects Fund Balance of \$2,905,678 accounts for most of the increases. A summary of changes in governmental fund balances follows:

CITY OF FOREST GROVE - CHANGES IN GOVERNMENTAL FUND BALANCES

	Balance at June 30, 2007	Balance at June 30, 2006	Change
General Fund	\$ 2,602,691	\$ 2,492,045	\$ 110,646
Street Fund	2,063,148	1,616,891	446,257
Capital Projects Fund	3,126,361	220,683	2,905,678
Special Public Works Debt Service Fund	251,552	331,654	(80,102)
Traffic Impact Fee Fund	2,674,566	2,613,146	61,420
Other Governmental Funds	2,940,191	2,611,708	328,483
Total	\$ 13,658,509	\$ 9,886,127	\$ 3,772,382

CITY OF FOREST GROVE - CHANGES IN PROPRIETARY NET ASSETS

	Balance at June 30, 2007	Balance at June 30, 2006	Change
Light Fund	\$ 17,123,673	\$ 15,513,566	\$ 1,610,107
Sewer Fund	8,700,478	8,128,321	572,157
Water Fund	18,314,187	16,878,976	1,435,211
Other Proprietary Funds	7,312,173	6,237,412	1,074,761
Total	\$ 51,450,511	\$ 46,758,275	\$ 4,692,236

General Fund Budgetary Highlights

The fund balance in the General Fund was increased by \$110,646. The Net Change in Fund Balance is principally due to not filling vacancies that occurred in Police and Fire services in anticipation of the loss of a property tax operating levy on June 30, 2008. The levy had failed twice; the second failure was due to the City not meeting the 50% voter turnout requirement. The City was able to pass the levy on the third attempt in November 2007 and to increase the levy from \$0.99 per \$1,000 of assessed value to \$1.35 per \$1,000 of assessed value. The City is now refilling the vacant positions. The new levy will expire on June 30, 2013.

CAPITAL ASSETS

At June 30, 2007, the City had \$59,453,560 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets were increased by \$4,272,900 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, 2007, the City had \$8,340,000 in outstanding bonds payable, and \$1,666,093 in outstanding notes and contracts payable. In 2007, the City issued no additional debt. More detailed information about the City's long term debt is presented in the notes to the financial statements.

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.



 Paul A. Downey
 Director of Administrative Services

BASIC FINANCIAL STATEMENTS

CITY OF FOREST GROVE
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business type activities	Total
ASSETS			
Cash and investments	\$ 14,760,062	\$ 11,050,170	\$ 25,810,232
Receivables			
Taxes	159,108	-	159,108
Assessments	216,335	-	216,335
Accounts, net	19,559	918,346	937,905
Inventories	-	665,645	665,645
Prepaid expenses	24,939	-	24,939
Investment in joint ventures	-	9,465,221	9,465,221
Capital assets			
Land	2,643,849	884,378	3,528,227
Construction in progress	21,025	463,930	484,955
Other capital assets, net of accumulated depreciation	20,313,978	34,253,044	54,567,022
Intangible assets, net of accumulated amortization	-	873,356	873,356
Total assets	<u>\$ 38,158,855</u>	<u>\$ 58,574,090</u>	<u>\$ 96,732,945</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 288,798	\$ 842,476	\$ 1,131,274
Payroll and related accruals	158,449	56,438	214,887
Accrued interest payable	36,194	46,495	82,689
Unearned revenue	-	25,992	25,992
Due to CWS	-	117,543	117,543
Noncurrent liabilities:			
Due within one year:			
Bonds payable	300,000	225,000	525,000
Contracts payable	54,672	26,843	81,515
Due in more than one year:			
Bonds payable	3,520,000	4,295,000	7,815,000
Contracts payable	298,478	1,286,100	1,584,578
Compensated absences	635,875	201,692	837,567
Total liabilities	<u>5,292,466</u>	<u>7,123,579</u>	<u>12,416,045</u>
NET ASSETS			
Invested in capital assets, net of related debt	19,158,852	36,474,708	55,633,560
Unrestricted	13,707,537	14,975,803	28,683,340
Total net assets	<u>32,866,389</u>	<u>51,450,511</u>	<u>84,316,900</u>
 Total liabilities and net assets	 <u>\$ 38,158,855</u>	 <u>\$ 58,574,090</u>	 <u>\$ 96,732,945</u>

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

CITY OF FOREST GROVE
Statement of Activities
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 5,148,862	\$ 4,282,461	\$ 7,764	\$ -	\$ (858,637)	\$ -	\$ (858,637)
Public safety	5,736,464	1,103,030	2,451	-	(4,630,983)	-	(4,630,983)
Highways and streets	816,591	497,611	-	194,490	(124,490)	-	(124,490)
Community development	1,002,398	1,161,105	69,754	242,375	470,836	-	470,836
Interest on long-term debt and fiscal charges	191,817	-	-	-	(191,817)	-	(191,817)
Total governmental activities	<u>12,896,132</u>	<u>7,044,207</u>	<u>79,969</u>	<u>436,865</u>	<u>(5,335,091)</u>	<u>-</u>	<u>(5,335,091)</u>
Business-type activities:							
Power services	12,162,859	13,724,689	16,145	-	-	1,577,975	1,577,975
Sewer services	3,068,805	3,713,172	-	-	-	644,367	644,367
Water services	4,027,410	5,040,744	-	58,471	-	1,071,805	1,071,805
Surface water management	685,169	576,046	-	1,162,200	-	1,053,077	1,053,077
Interest on long-term debt and fiscal charges	240,372	-	-	-	-	(240,372)	(240,372)
Total business-type activities	<u>20,184,615</u>	<u>23,054,651</u>	<u>16,145</u>	<u>1,220,671</u>	<u>-</u>	<u>4,106,852</u>	<u>4,106,852</u>
Total primary government	<u>\$ 33,080,747</u>	<u>\$ 30,098,858</u>	<u>\$ 96,114</u>	<u>\$ 1,657,536</u>	<u>\$ (5,335,091)</u>	<u>\$ 4,106,852</u>	<u>\$ (1,228,239)</u>
General revenues:							
Property taxes					5,871,482	-	5,871,482
Other taxes					1,065,605	-	1,065,605
Interest income					747,087	460,980	1,208,067
Gain (loss) on disposal of capital assets					3,026,056	(116,417)	2,909,639
Gain on investment in joint venture					-	304,384	304,384
Transfers					63,564	(63,564)	-
Transfers from fiduciary fund					1,746	-	1,746
Total general revenues and transfers					<u>10,775,540</u>	<u>585,383</u>	<u>11,360,923</u>
Change in net assets					5,440,449	4,692,235	10,132,684
Net assets - beginning					27,088,389	47,095,827	74,184,216
Reclassification of internal service funds					337,551	(337,551)	-
Adjusted beginning balance					<u>27,425,940</u>	<u>46,758,276</u>	<u>74,184,216</u>
Net assets - ending					<u>\$ 32,866,389</u>	<u>\$ 51,450,511</u>	<u>\$ 84,316,900</u>

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

CITY OF FOREST GROVE

Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Street Fund	Capital Projects Fund	Special Public Works Debt Service Fund	Traffic Impact Fee Fund	Other Governmental Funds	Total
ASSETS							
Cash and investments	\$ 2,781,567	\$ 2,077,034	\$ 3,135,506	\$ 251,552	\$ 2,813,440	\$ 2,951,011	\$ 14,010,110
Receivables							
Taxes	144,383	-	-	-	-	14,725	159,108
Assessments	-	-	-	216,335	-	-	216,335
Accounts, net	10,428	-	-	-	-	9,131	19,559
Prepaid expenses	24,939	-	-	-	-	-	24,939
Total assets	<u>\$ 2,961,317</u>	<u>\$ 2,077,034</u>	<u>\$ 3,135,506</u>	<u>\$ 467,887</u>	<u>\$ 2,813,440</u>	<u>\$ 2,974,867</u>	<u>\$ 14,430,051</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 97,643	\$ 10,258	\$ 9,145	\$ -	\$ 138,874	\$ 8,805	\$ 264,725
Accrued payroll and related expenses	145,891	3,628	-	-	-	6,065	155,584
Deferred revenue	115,092	-	-	216,335	-	19,806	351,233
Total liabilities	<u>358,626</u>	<u>13,886</u>	<u>9,145</u>	<u>216,335</u>	<u>138,874</u>	<u>34,676</u>	<u>771,542</u>
Fund Balances:							
Reserved for:							
Highways and streets	-	2,063,148	-	-	2,674,566	186,949	4,924,663
Public safety	-	-	-	-	-	712,419	712,419
Culture and recreation	-	-	-	-	-	1,326,903	1,326,903
Debt service	-	-	-	251,552	-	197,838	449,390
Unreserved, reported in							
General fund	2,602,691	-	-	-	-	-	2,602,691
Capital projects fund	-	-	3,126,361	-	-	-	3,126,361
Special revenue funds	-	-	-	-	-	516,082	516,082
Total fund balances	<u>2,602,691</u>	<u>2,063,148</u>	<u>3,126,361</u>	<u>251,552</u>	<u>2,674,566</u>	<u>2,940,191</u>	<u>13,658,509</u>
Total liabilities and fund balances	<u>\$ 2,961,317</u>	<u>\$ 2,077,034</u>	<u>\$ 3,135,506</u>	<u>\$ 467,887</u>	<u>\$ 2,813,440</u>	<u>\$ 2,974,867</u>	<u>\$ 14,430,051</u>

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

CITY OF FOREST GROVE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	General Fund	Street Fund	Capital Projects Fund	Special Public Works Debt Service Fund	Traffic Impact Fee Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 4,785,627	\$ -	\$ -	\$ -	\$ -	\$ 488,861	\$ 5,274,488
Franchise taxes	521,612	-	-	-	-	-	521,612
Other taxes	53,807	-	-	-	-	84,377	138,184
Internal charges	3,202,761	-	-	-	-	-	3,202,761
Licenses, permits, and fees	450,322	2,159	-	-	-	618,594	1,071,075
Intergovernmental	1,276,931	1,011,779	-	-	-	82,424	2,371,134
Charges for services	289,623	-	-	3,455	455,272	413,235	1,161,585
Fines and penalties	409,366	-	-	-	-	58,034	467,400
Investment earnings	213,650	99,125	138,628	(6,597)	133,242	133,085	711,133
Grants and contributions	19,665	194,490	60,304	-	-	242,375	516,834
Miscellaneous	111,379	-	-	-	-	13,268	124,647
Total revenues	<u>11,334,743</u>	<u>1,307,553</u>	<u>198,932</u>	<u>(3,142)</u>	<u>588,514</u>	<u>2,134,253</u>	<u>15,560,853</u>
EXPENDITURES							
Current							
General government	4,956,720	-	-	-	-	-	4,956,720
Public safety	5,896,246	-	-	-	-	75,033	5,971,279
Highways and streets	-	780,469	-	-	-	23,457	803,926
Community development	432,070	-	-	-	-	554,780	986,850
Debt service							
Principal	-	-	-	51,937	-	305,000	356,937
Interest	-	-	-	25,023	-	193,475	218,498
Capital outlay	-	80,827	386,254	-	527,094	721,009	1,715,184
Total expenditures	<u>11,285,036</u>	<u>861,296</u>	<u>386,254</u>	<u>76,960</u>	<u>527,094</u>	<u>1,872,754</u>	<u>15,009,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>49,707</u>	<u>446,257</u>	<u>(187,322)</u>	<u>(80,102)</u>	<u>61,420</u>	<u>261,499</u>	<u>551,459</u>
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	-	-	3,100,000	-	-	14,738	3,114,738
Transfers in	89,439	-	15,000	-	-	52,246	156,685
Transfers out	(28,500)	-	(22,000)	-	-	-	(50,500)
Total other financing sources (uses)	<u>60,939</u>	<u>-</u>	<u>3,093,000</u>	<u>-</u>	<u>-</u>	<u>66,984</u>	<u>3,220,923</u>
Net change in fund balances	110,646	446,257	2,905,678	(80,102)	61,420	328,483	3,772,382
Fund balance - beginning	<u>2,492,045</u>	<u>1,616,891</u>	<u>220,683</u>	<u>331,654</u>	<u>2,613,146</u>	<u>2,611,708</u>	<u>9,886,127</u>
Fund balance - ending	<u>\$ 2,602,691</u>	<u>\$ 2,063,148</u>	<u>\$ 3,126,361</u>	<u>\$ 251,552</u>	<u>\$ 2,674,566</u>	<u>\$ 2,940,191</u>	<u>\$ 13,658,509</u>

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

CITY OF FOREST GROVE
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance of Governmental Funds to
 Statement of Activities
 For the Year Ended June 30, 2007

Net change in fund balance - governmental funds \$ 3,772,382

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

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeds depreciation in the current period is:

Capital expenditures	2,884,258	
Net book value of assets disposed of	(66,195)	
Less current year depreciation	<u>(1,298,861)</u>	1,519,202

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

Change in deferred revenue (8,976)

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

Change in compensated absences (87,820)

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

Change in accrued interest	26,681	
Principal payments	<u>356,940</u>	383,621

Internal service funds are used by management to charge costs of insurance, risk management, and fleet management services to individual funds. Their net activity is included in the Statement of Activities

(137,960)

Change in net assets of governmental activities \$ 5,440,449

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

CITY OF FOREST GROVE
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Light Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	
ASSETS						
Current assets:						
Cash and investments	\$ 3,687,549	\$ 1,412,738	\$ 3,348,708	\$ 2,601,175	\$ 11,050,170	\$ 749,952
Accounts receivable, net	595,554	155,412	141,388	25,992	918,346	-
Inventory	550,220	7,636	107,789	-	665,645	-
Total current assets	<u>4,833,323</u>	<u>1,575,786</u>	<u>3,597,885</u>	<u>2,627,167</u>	<u>12,634,161</u>	<u>749,952</u>
Investment in joint venture	-	-	9,465,221	-	9,465,221	-
Capital assets, net of accumulated depreciation	12,824,886	7,454,029	10,536,576	4,785,861	35,601,352	922,704
Intangible assets, net of accumulated amortization	-	-	873,356	-	873,356	-
Total assets	<u>\$17,658,209</u>	<u>\$ 9,029,815</u>	<u>\$24,473,038</u>	<u>\$ 7,413,028</u>	<u>\$58,574,090</u>	<u>\$ 1,672,656</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 405,365	\$ 208,502	\$ 155,701	\$ 72,908	\$ 842,476	\$ 24,073
Accrued payroll and related expenses	37,493	3,292	13,698	1,955	56,438	2,865
Compensated absences	91,678	-	110,014	-	201,692	4,017
Unearned revenue	-	-	-	25,992	25,992	-
Accrued interest payable	-	-	46,495	-	46,495	-
Current portion of bonds payable	-	-	225,000	-	225,000	-
Current portion of contracts payable	-	-	26,843	-	26,843	-
Due to CWS	-	117,543	-	-	117,543	-
Total current liabilities	<u>534,536</u>	<u>329,337</u>	<u>577,751</u>	<u>100,855</u>	<u>1,542,479</u>	<u>30,955</u>
Long-term liabilities						
Bonds payable	-	-	4,295,000	-	4,295,000	-
Contracts payable	-	-	1,286,100	-	1,286,100	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>5,581,100</u>	<u>-</u>	<u>5,581,100</u>	<u>-</u>
Total liabilities	<u>534,536</u>	<u>329,337</u>	<u>6,158,851</u>	<u>100,855</u>	<u>7,123,579</u>	<u>30,955</u>
NET ASSETS						
Invested in capital assets, net of related debt	12,824,886	7,454,029	10,536,576	4,785,861	35,601,352	922,704
Unrestricted	4,298,787	1,246,449	7,777,611	2,526,312	15,849,159	718,997
Total net assets	<u>17,123,673</u>	<u>8,700,478</u>	<u>18,314,187</u>	<u>7,312,173</u>	<u>51,450,511</u>	<u>1,641,701</u>
Total liabilities and net assets	<u>\$17,658,209</u>	<u>\$ 9,029,815</u>	<u>\$24,473,038</u>	<u>\$ 7,413,028</u>	<u>\$58,574,090</u>	<u>\$ 1,672,656</u>

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

CITY OF FOREST GROVE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Light Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	
Operating revenues:						
Charges for services	\$ 13,724,689	\$ 3,272,447	\$ 4,534,796	\$ 1,522,719	\$ 23,054,651	\$ 722,821
Intergovernmental revenues	16,145	-	58,471	-	74,616	-
Total operating revenues	13,740,834	3,272,447	4,593,267	1,522,719	23,129,267	722,821
Operating expenses:						
System operation and maintenance	2,232,372	309,508	1,256,517	-	3,798,397	370,622
Electricity and water purchases	7,749,281	-	-	-	7,749,281	-
General fund administration charges	862,925	373,282	733,127	172,870	2,142,204	73,311
Payments in lieu of taxes	632,694	30,721	133,141	19,133	815,689	-
General and administrative costs	287,784	1,778,660	788,030	1,425,170	4,279,644	244,698
Depreciation and amortization	397,802	208,162	433,416	119,647	1,159,027	144,742
Total operating expenses	12,162,858	2,700,333	3,344,231	1,736,820	19,944,242	833,373
Operating income (loss)	1,577,976	572,114	1,249,036	(214,101)	3,185,025	(110,552)
Nonoperating revenues and expenses						
Loss on sale of capital assets	(52,952)	(63,465)	-	-	(116,417)	(22,487)
Gain on investment in joint venture	-	-	304,384	-	304,384	-
Interest expense	-	-	(240,372)	-	(240,372)	-
Interest income	139,333	66,385	127,640	127,622	460,980	35,954
Total nonoperating revenues and expenses	86,381	2,920	191,652	127,622	408,575	13,467
Income (loss) before contributions and transfers	1,664,357	575,034	1,440,688	(86,479)	3,593,600	(97,085)
Capital contributions	-	-	-	1,162,200	1,162,200	-
Transfers out	(54,250)	(2,877)	(5,477)	(960)	(63,564)	(40,875)
Total contributions and transfers	(54,250)	(2,877)	(5,477)	1,161,240	1,098,636	(40,875)
Change in net assets	1,610,107	572,157	1,435,211	1,074,761	4,692,236	(137,960)
Total net assets - beginning	15,513,566	8,128,321	16,878,976	6,237,412	46,758,275	1,779,661
Total net assets - ending	\$ 17,123,673	\$ 8,700,478	\$ 18,314,187	\$ 7,312,173	\$ 51,450,511	\$ 1,641,701

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

CITY OF FOREST GROVE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30,2007

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Light Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 13,846,121	\$ 3,270,826	\$ 4,593,856	\$ 1,522,719	\$ 23,233,522	\$ -
Receipt from interfund services provided	-	-	-	-	-	722,821
Payments to suppliers	(2,064,097)	(2,071,119)	(782,336)	(1,383,657)	(6,301,209)	(165,620)
Payments to employees	(9,964,396)	(1,055,377)	(2,057,905)	(195,179)	(13,272,857)	(522,395)
Net cash provided (used) by operating activities	<u>1,817,628</u>	<u>144,330</u>	<u>1,753,615</u>	<u>(56,117)</u>	<u>3,659,456</u>	<u>34,806</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	(54,250)	(2,877)	(5,477)	(960)	(63,564)	(40,875)
Net cash provided (used) by noncapital financing activities	<u>(54,250)</u>	<u>(2,877)</u>	<u>(5,477)</u>	<u>(960)</u>	<u>(63,564)</u>	<u>(40,875)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments	-	-	(245,935)	-	(245,935)	-
Interest payments	-	-	(241,991)	-	(241,991)	-
Sale of capital assets	-	-	-	-	-	17,383
Acquisition and construction of capital assets	(1,465,999)	(745,821)	(781,798)	-	(2,993,618)	(57,936)
Net cash provided (used) by capital and related financing activities	<u>(1,465,999)</u>	<u>(745,821)</u>	<u>(1,269,724)</u>	<u>-</u>	<u>(3,481,544)</u>	<u>(40,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	139,333	66,385	127,640	127,622	460,980	35,954
Net change in cash and cash equivalents	436,712	(537,983)	606,054	70,545	575,328	(10,668)
Cash and cash equivalents - beginning	3,250,837	1,950,721	2,742,654	2,530,630	10,474,842	760,620
Cash and cash equivalents - ending	<u>\$ 3,687,549</u>	<u>\$ 1,412,738</u>	<u>\$ 3,348,708</u>	<u>\$ 2,601,175</u>	<u>\$ 11,050,170</u>	<u>\$ 749,952</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 1,577,976	\$ 572,114	\$ 1,249,036	\$ (214,101)	3,185,025	\$ (110,552)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense and amortization	397,802	208,162	433,416	119,647	1,159,027	144,742
(Increase) decrease in accounts receivable	105,287	12,188	589	2,293	120,357	-
(Increase) decrease in inventories	(208,277)	(396)	17,998	-	(190,675)	-
Increase (decrease) in accounts payable	(62,123)	(633,870)	37,723	36,382	(621,888)	88
Increase (decrease) in accrued payroll and related expenses	7,721	(59)	3,276	1,955	12,893	619
Increase (decrease) in compensated absences	(758)	-	11,577	(2,293)	8,526	(91)
Increase (decrease) in due to CWS	-	(13,809)	-	-	(13,809)	-
Total adjustments	239,652	(427,784)	504,579	157,984	474,431	145,358
Net cash provided (used) by operating activities	<u>\$ 1,817,628</u>	<u>\$ 144,330</u>	<u>\$ 1,753,615</u>	<u>\$ (56,117)</u>	<u>\$ 3,659,456</u>	<u>\$ 34,806</u>
Schedule of noncash capital, investment, and financing activities						
Contributions of capital assets	\$ -	\$ -	\$ -	\$ 1,162,200	\$ 1,162,200	
Gain on joint ventures	\$ -	\$ -	\$ 304,384	\$ -	\$ 304,384	

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

CITY OF FOREST GROVE
Statement of Net Assets
Fiduciary Funds
June 30, 2007

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and investments	\$ 414,214	\$21,206,225	\$ 41,746	\$ 21,662,185
LIABILITIES				
Current liabilities				
Accounts payable	\$ 813	\$ -	\$ -	\$ 813
Due to other governments	413,401	-	-	413,401
Total current liabilities	<u>414,214</u>	<u>-</u>	<u>-</u>	<u>414,214</u>
NET ASSETS				
Reserved for library expenditures	-	-	41,746	41,746
Amounts held in trust	-	21,206,225	-	21,206,225
Total net assets	<u>-</u>	<u>21,206,225</u>	<u>41,746</u>	<u>21,247,971</u>
 Total liabilities and net assets	 <u>\$ 414,214</u>	 <u>\$21,206,225</u>	 <u>\$ 41,746</u>	 <u>\$ 21,662,185</u>

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

CITY OF FOREST GROVE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

	Pension Trust Fund	Private Purpose Trust Fund	Total
Operating revenues:			
Contributions	\$ 1,504,810	\$ -	\$ 1,504,810
Investment income	2,559,682	1,733	2,561,415
Miscellaneous	220	-	220
Total operating revenues	<u>4,064,712</u>	<u>1,733</u>	<u>4,066,445</u>
Operating expenses:			
Payments to retirees	540,457	-	540,457
Administrative expenses	42,826	-	42,826
Investment expenses	<u>20,468</u>	<u>-</u>	<u>20,468</u>
Total operating expenses	603,751	-	603,751
Operating income (loss)	3,460,961	1,733	3,462,694
Transfers out	<u>-</u>	<u>(1,746)</u>	<u>(1,746)</u>
Change in net assets	3,460,961	(13)	3,460,948
Total net assets - beginning	17,745,264	41,759	17,787,023
Total net assets - ending	<u>\$ 21,206,225</u>	<u>\$ 41,746</u>	<u>\$ 21,247,971</u>

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

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note I - Summary of significant accounting policies

A. Reporting Entity

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the City. These statements include the financial activities of the overall City. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. *Governmental activities* are financed through charges for services, property taxes, intergovernmental revenues, and other non-exchange transactions. *Business-type activities* are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each activity of its governmental programs, business-type activities. *Direct expenses* are those that are specifically associated with an activity and, therefore, are clearly identifiable to that activity. *Indirect expense allocations* are included as part of program expenses in the statement of activities. *Program revenues* include fees, fines, and charges paid by the recipients of goods or services and grants and contributions that are restricted to meeting operational or capital requirements. Revenues that are not classified as program revenues, including property taxes and interest earnings, are presented as *general revenues*.

Net assets are reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws), or through constitutional provisions or enabling legislation.

The fund financial statements provide information about the City's governmental and proprietary funds. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as other funds.

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Nonexchange transactions, in which the City receives value without giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note I - 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*. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and expenditures related to compensated absences and claims and judgements, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources. All other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

The *Light Fund* accounts for the revenues and expenses of providing for the City's electric utility operations. This fund combines the budgetary Light Fund and Energy Conservation Fund.

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

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

Additionally, the government reports the following fund types:

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

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

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note I - Summary of significant accounting policies, continued

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

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

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

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

The Library Endowment Fund is a private purpose trust fund which accounts for monies received from the sale of the Rogers Library. The funds are reserved for specific library expenditures.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Use of estimates

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

E. Assets, liabilities and net assets

1. Cash and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities and net assets, continued

2. Receivables and payables

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

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

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

Federal and state grants, and state, county, and local shared revenue are recorded as revenue in all fund types as earned.

Assessment liens receivable are recorded as receivables at the time property owners are assessed for property improvements. Assessment lien installments which are expected to be collected in the following year in accordance with the modified accrual basis of accounting are considered measurable and available and are recognized as revenues. All other assessment liens receivable are offset by deferred revenues and, accordingly, have not been recorded as revenue.

Assessments are payable over a period of 10 to 20 years and bear interest at 5% to 10%. Assessment interest revenue is recognized when it becomes measurable and available.

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

3. Inventories and prepaid items

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

4. Capital assets

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

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

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

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note I - Summary of significant accounting policies, continued

E. Assets, liabilities and net assets, continued

4. Capital assets, continued

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

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

5. Intangible assets

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

6. Compensated absences

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

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

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

9. Reclassifications

Certain items for 2006 have been reclassified in the accompanying financial statements to conform to the presentation for 2007. The reclassification has no effect on the change in fund balance or net assets for the year ended June 30, 2006.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note II - Stewardship, compliance, and accountability

Budgetary information

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

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

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

The following funds reported expenditures over budgeted amounts for the year ended June 30, 2007.

Sewer Fund: Materials and Services, \$15,809

Water Fund: Materials and Services, \$19,241

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds

A. Cash and investments

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

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

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

As of June 30, 2007, the City's cash and investment balances were reported as follows:

Petty cash	\$	1,400
Deposits with financial institutions		1,469,962
Certificates of deposit		4,025,929
U.S. Treasury strips		245,181
Investments in LGIP		20,523,720
Mutual funds held by Pension Plan Trust		<u>21,206,225</u>
Total cash and investments	\$	<u>47,472,417</u>
Reconciliation:		
Cash and investments per Statement of Net Assets	\$	25,810,232
Cash and investments in fiduciary funds		<u>21,662,185</u>
Total cash and investments	\$	<u>47,472,417</u>

Custodial credit risk - Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial risk, but follows the requirements of ORS 295. As required by the Statute, City officials obtain, from its depositories, certificates of participation in the State Collateral Pool for the full amount of The City's deposits. The depositories, throughout the period of its possession of public fund deposits, are to maintain securities having a value of not less than 25 percent of the certificates of participation issued by its pool manager. The balances in excess of the FDIC insurance plus 25% of the Certificates of Participation are considered exposed to custodial credit risk. As of June 30, 2007, \$1,800,929 of the City's bank balance was exposed to custodial risk.

Interest rate risk. As means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits short-term investments to maturities not exceeding 18 months. The City's investments consist of US Treasury strips, certificates of deposit, and deposits with the State of Oregon Local Government Investment Pool. As of June 30, 2007, 78% of the investments in the LGIP mature within 93 days, 9% mature within 94 days to one year, and 13% mature within one to three years. Maturity dates for the U.S. Treasury Strips are \$54,060 within 6 months, \$51,458 between 6 months and 18 months, and \$139,663 over 18 months.

Credit risk. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds, continued

B. Receivables

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

	General Fund	SPWF Debt Service Fund	Nonmajor Governmental Funds	Light Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds	Total
Taxes	\$ 144,383	\$ -	\$ 14,725	\$ -	\$ -	\$ -	\$ -	\$ 159,108
Assessments	-	216,335	-	-	-	-	-	216,335
Accounts	10,428	-	9,131	698,031	164,330	153,120	25,992	1,061,032
Gross receivables	154,811	216,335	23,856	698,031	164,330	153,120	25,992	1,436,475
Allowance for uncollectibles	-	-	-	(102,477)	(8,918)	(11,732)	-	(123,127)
Net receivables	<u>\$ 154,811</u>	<u>\$ 216,335</u>	<u>\$ 23,856</u>	<u>\$ 595,554</u>	<u>\$ 155,412</u>	<u>\$ 141,388</u>	<u>\$ 25,992</u>	<u>\$ 1,313,348</u>

C. Deferred revenue

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

	2007
Property taxes	\$ 115,339
Other	235,894
Total	<u>\$ 351,233</u>

D. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government, Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,613,849	\$ 30,000	\$ -	\$ 2,643,849
Construction in progress	-	21,025	-	21,025
Total capital assets, not being depreciated	<u>2,613,849</u>	<u>51,025</u>	<u>-</u>	<u>2,664,874</u>
Capital assets, being depreciated:				
Buildings and improvements	10,024,462	1,312,090	-	11,336,552
Fixtures and equipment	5,516,461	383,827	(832,167)	5,068,121
Infrastructure	<u>16,540,053</u>	<u>1,195,252</u>	<u>-</u>	<u>17,735,305</u>
Total capital assets, being depreciated	32,080,976	2,891,169	(832,167)	34,139,978
Less accumulated depreciation	<u>(13,108,499)</u>	<u>(1,443,603)</u>	<u>726,102</u>	<u>(13,826,000)</u>
Total capital assets, being depreciated, net	<u>18,972,477</u>	<u>1,447,566</u>	<u>(106,065)</u>	<u>20,313,978</u>
Governmental activities capital assets, net	<u>\$ 21,586,326</u>	<u>\$ 1,498,591</u>	<u>\$ (106,065)</u>	<u>\$ 22,978,852</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds, continued

D. Capital assets, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government, Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 947,843	\$ -	\$ (63,465)	\$ 884,378
Construction in progress	<u>126,441</u>	<u>1,162,215</u>	<u>(824,726)</u>	<u>463,930</u>
Total capital assets, not being depreciated	<u>1,074,284</u>	<u>1,162,215</u>	<u>(888,191)</u>	<u>1,348,308</u>
Capital assets, being depreciated:				
Buildings and improvements	8,785,557	-	-	8,785,557
Fixtures and equipment	16,960,390	1,221,806	(170,325)	18,011,871
Infrastructure	31,569,412	2,596,523	-	34,165,935
Intangible - water rights	<u>1,707,484</u>	<u>-</u>	<u>-</u>	<u>1,707,484</u>
Total capital assets, being depreciated	59,022,843	3,818,329	(170,325)	62,670,847
Less accumulated depreciation and amortization:				
Accumulated depreciation	(25,711,268)	(1,116,424)	117,373	(26,710,319)
Accumulated amortization	<u>(791,525)</u>	<u>(42,603)</u>	<u>-</u>	<u>(834,128)</u>
Total accumulated depreciation	<u>(26,502,793)</u>	<u>(1,159,027)</u>	<u>117,373</u>	<u>(27,544,447)</u>
Total capital assets, being depreciated, net	<u>32,520,050</u>	<u>2,659,302</u>	<u>(52,952)</u>	<u>35,126,400</u>
Business-type activities capital assets, net	<u>\$ 33,594,334</u>	<u>\$ 3,821,517</u>	<u>\$ (941,143)</u>	<u>\$ 36,474,708</u>

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

Governmental activities:	
General government	\$ 586,757
Public safety	659,164
Highways and streets	88,745
Community development	<u>108,937</u>
Total depreciation expense - governmental activities	<u>\$ 1,443,603</u>
Business-type activities:	
Light	\$ 397,802
Sewer	208,162
Water	433,416
Surface water management	<u>119,647</u>
Total depreciation expense - business-type activities	<u>\$ 1,159,027</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds, continued

E. Long-term debt

Bonds and contracts outstanding at year end are as follows:

Description	Amount
Governmental activities:	
General obligation bonds:	
Fire station bond issued in 1999, original amount of \$975,000 with interest rates ranging from 3.5% to 5.9%, matures in 2014.	\$ 450,000
Improvement bond issued in 1999, original amount of \$5,000,000 with interest rates ranging from 4.00% to 4.85%, matures in 2018	3,370,000
Contracts:	
Contract payable to the State of Oregon Economic Development Department for community development; payable from assessments to property owners; annual payments through 2010 of \$54,656 including interest of 6.59%	186,868
Contract payable to the State of Oregon Economic Development Department for community development; payable from assessments to property owners; annual payments through 2016 of approximately \$21,000 including interest of 5.47%	<u>166,282</u>
Total governmental activities	<u>4,173,150</u>
Business-type activities:	
Revenue bonds:	
Full faith and credit bonds issued in 2003, payable from revenues of the Water Fund, original amount of \$5,285,000 with interest rates ranging from 2.0% to 4.685%, matures in 2023	4,520,000
Contracts:	
Contract payable to the US Department of Interior, Bureau of Reclamation related to water rights at Scoggins Dam; annual payments through 2035 of \$72,797 including interest of 3.5%.	<u>1,312,943</u>
Total business-type activities	<u>5,832,943</u>
Total bonds and contracts	<u>\$ 10,006,093</u>

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

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

Year ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 354,672	\$ 201,682	\$ 251,843	\$ 235,034
2009	377,586	184,384	252,783	227,345
2010	395,694	165,975	263,755	219,061
2011	404,007	146,391	274,762	209,535
2012	362,886	126,144	285,804	198,693
2013 - 2017	1,893,305	362,167	1,510,965	816,376
2018 - 2022	385,000	18,672	1,828,052	476,467
2023 - 2027	-	-	611,163	140,157
2028 - 2032	-	-	286,427	77,558
2033 - 2036	-	-	267,389	23,799
Total	<u>\$ 4,173,150</u>	<u>\$ 1,205,415</u>	<u>\$ 5,832,943</u>	<u>\$ 2,624,025</u>

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds, continued

E. Long-term debt, continued

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 4,125,000	\$ -	\$ (305,000)	\$ 3,820,000	\$ 300,000
Contracts payable	405,090	-	(51,940)	353,150	54,672
Compensated absences	<u>544,039</u>	<u>91,836</u>	<u>-</u>	<u>635,875</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 5,074,129</u>	<u>\$ 91,836</u>	<u>\$ (356,940)</u>	<u>\$ 4,809,025</u>	<u>\$ 354,672</u>
Business-type activities					
Revenue bonds	\$ 4,740,000	\$ -	\$ (220,000)	\$ 4,520,000	\$ 225,000
Contracts payable	1,338,878	-	(25,935)	1,312,943	26,843
Compensated absences	<u>190,873</u>	<u>10,819</u>	<u>-</u>	<u>201,692</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 6,269,751</u>	<u>\$ 10,819</u>	<u>\$ (245,935)</u>	<u>\$ 6,034,635</u>	<u>\$ 251,843</u>

F. Conduit debt

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

Conduit debt outstanding at year end was as follows:

<u>Description</u>	<u>Amount</u>
Revenue bond issued by Pacific University on September 1, 2005 for \$41,000,000 to improve campus facilities, maturing May 1, 2036.	\$ 41,000,000
Revenue bond issued by Pacific University on September 1, 2005 for \$5,625,000 to improve campus facilities, maturing May 1, 2012.	4,795,000
Revenue bond issued by the Oak Tree Foundation on June 29, 2007 for \$30,460,000 to construct student housing for Pacific University, maturing March 1, 2037.	<u>30,460,000</u>
Total	<u>\$ 76,255,000</u>

G. Interfund transfers

	<u>Transfers in:</u>			<u>Total</u>
	<u>General fund</u>	<u>Capital Projects fund</u>	<u>Nonmajor governmental funds</u>	
<u>Transfers out:</u>				
General fund	\$ -	\$ -	\$ 28,500	\$ 28,500
Capital Projects fund	-	-	22,000	22,000
Light fund	54,250	-	-	54,250
Sewer fund	2,877	-	-	2,877
Water fund	5,477	-	-	5,477
Nonmajor enterprise funds	960	-	-	960
Internal service funds	25,875	15,000	-	40,875
Fiduciary funds	<u>-</u>	<u>-</u>	<u>1,746</u>	<u>1,746</u>
Total	<u>\$ 89,439</u>	<u>\$ 15,000</u>	<u>\$ 52,246</u>	<u>\$ 156,685</u>

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

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note III - Detailed notes on all funds, continued

H. Pension plan

The City has a defined benefit single employer retirement plan covering substantially all employees. Employees are divided into two groups: Public Safety Members (consisting of fire and police employees) 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 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. Early retirement is available after age 50, with reduced benefits except for public safety employees with at least 25 years of service or general members with at least 30 years of service. As of July 1, 2007, the plan consisted of 135 active members, of which 44 are public safety members and the remaining 91 are general members, and 84 inactive members, which consist of 59 retired members, 13 members who have terminated with vested accounts, and 7 terminated nonvested members with account balances.

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

The most recent actuarial valuation was performed on July 1, 2007. The plan's pension liability and the annual required contribution rate were determined using the Individual Entry Age Normal Actuarial Cost Method. Under the Individual Entry Age Method, a normal cost is determined for each participant by allocating the actuarial present value of the projected benefit on a level percentage of salary basis over the service of each participant between entry age and assumed exit age, then the individual normal costs are summed for the group. The unfunded actuarial liability created by this method is currently amortized over 23 years. Significant actuarial assumptions include an investment return of 7.5% compounded annually, projected annual salary increases of 5%, and an annual consumer price index inflation of 2%.

The following table presents a schedule of funding progress:

Actuarial Valuation Date July 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded/ (Surplus) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded/ (Surplus) Actuarial Liability/ Payroll
2007	\$ 21,206,225	\$ 27,291,995	\$ 6,085,770	78 %	\$ 7,904,747	77 %
2006	17,745,264	24,620,703	6,875,439	72 %	7,263,639	95 %
2005	15,772,703	22,469,766	6,697,063	70 %	6,853,015	98 %
2004	14,004,746	20,326,849	6,322,103	69 %	6,040,149	105 %
2003	11,794,625	18,946,753	7,152,128	62 %	5,493,488	130 %
2002	10,979,385	16,862,121	5,882,736	65 %	5,663,049	104 %
2001	9,835,019	13,782,785	3,947,766	71 %	5,226,073	76 %

The following table presents a schedule of employer contributions:

Year ended June 30,	Annual Required Contribution			Percentage Contributed	Net Pension Obligation
	Public Safety	General	Total		
2007	-	817,960	817,960	100 %	(248,616)
2006	-	734,571	734,571	121 %	(82,136)
2005	-	790,589	790,589	91 %	67,560
2004	-	670,113	670,113	100 %	(3,249)
2003	-	523,085	523,085	100 %	(2,189)
2002	181,664	215,530	397,194	100 %	1,485

Beginning July 1, 2003, the employee groups were combined for reporting purposes.

CITY OF FOREST GROVE

Notes to the Financial Statements

June 30, 2007

Note IV - Other information

A. Risk management

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

B. Transactions with Clean Water Services of Washington County

The City collects charges for treatment of 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 net amount retained by the City is reported as revenues in the Enterprise Funds in the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings. Revenues are reported net because the City acts in a fiduciary capacity with CWS.

C. Joint ventures

Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission (Commission): The City is a party to the Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission, an entity organized under ORS 190. As a member of the Commission, the City owns a 13.3% interest in a joint water service system. The City's investment in the commission at June 30, 2007 is \$8,672,937. The Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

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

J.W. Barney Reservoir Expansion: The City, together with the cities of Hillsboro and Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District is a party to the Barney Reservoir Joint Ownership Commission, an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir", located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir". As a member of the Commission, the City owns a 2.5% interest in the reservoir. The City's investment in the Commission at June 30, 2007 is \$792,284. The Barney Reservoir Joint Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

D. Deferred compensation plan

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

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF FOREST GROVE

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 4,701,339	\$ 4,701,339	\$ 4,785,627	\$ 84,288
Franchise taxes	463,860	463,860	521,612	57,752
Lodging taxes	54,000	54,000	53,807	(193)
Licenses and permits	78,550	279,300	450,322	171,022
Intergovernmental revenues	4,537,197	4,448,477	4,479,691	31,214
Charges for services	527,300	338,350	289,623	(48,727)
Fines and penalties	273,800	273,800	409,366	135,566
Investment earnings	190,000	190,000	213,650	23,650
Reimbursements	23,000	73,020	100,642	27,622
Contributions	1,000	1,000	279	(721)
Other revenue	6,500	6,500	10,738	4,238
Grants and contracts	<u>1,000</u>	<u>27,900</u>	<u>19,386</u>	<u>(8,514)</u>
Total revenues	<u>10,857,546</u>	<u>10,857,546</u>	<u>11,334,743</u>	<u>477,197</u>
Expenditures:				
Legislative and Executive				
Personal Services	\$ 382,758	\$ 392,758	\$ 403,050	\$ (10,292)
Materials and Services	<u>84,699</u>	<u>84,699</u>	<u>65,382</u>	<u>19,317</u>
Total Legislative and Executive	<u>467,457</u>	<u>477,457</u>	<u>468,432</u>	<u>9,025</u>
Administrative Services				
Personal Services	1,119,600	1,119,600	1,104,350	15,250
Materials and Services	589,872	589,872	520,227	69,645
Capital Outlay	<u>35,000</u>	<u>35,000</u>	<u>34,458</u>	<u>542</u>
Total Administrative Services	<u>1,744,472</u>	<u>1,744,472</u>	<u>1,659,035</u>	<u>85,437</u>
Library				
Personal Services	641,975	641,975	626,678	15,297
Materials and Services	<u>112,607</u>	<u>112,607</u>	<u>115,482</u>	<u>2,875</u>
Total Library	<u>754,582</u>	<u>754,582</u>	<u>742,160</u>	<u>12,422</u>
Planning				
Personal Services	336,913	336,913	323,851	13,062
Materials and Services	<u>99,599</u>	<u>100,147</u>	<u>108,220</u>	<u>(8,073)</u>
Total Planning	<u>436,512</u>	<u>437,060</u>	<u>432,071</u>	<u>4,989</u>
Fire				
Personal Services	1,928,861	1,928,861	1,830,456	98,405
Materials and Services	<u>561,595</u>	<u>561,595</u>	<u>518,850</u>	<u>42,745</u>
Total Fire	<u>2,490,456</u>	<u>2,490,456</u>	<u>2,349,306</u>	<u>141,150</u>
Engineering				
Personal Services	631,877	631,877	648,586	(16,709)
Materials and Services	<u>62,019</u>	<u>212,019</u>	<u>180,877</u>	<u>31,142</u>
Total Engineering	<u>693,896</u>	<u>843,896</u>	<u>829,463</u>	<u>14,433</u>
Police				
Personal Services	3,110,570	3,110,570	3,017,710	92,860
Materials and Services	529,280	529,280	503,221	26,059
Capital Outlay	<u>24,600</u>	<u>24,600</u>	<u>26,010</u>	<u>(1,410)</u>
Total Police	<u>3,664,450</u>	<u>3,664,450</u>	<u>3,546,941</u>	<u>117,509</u>
Aquatics				
Personal Services	346,359	346,359	328,320	18,039
Materials and Services	<u>196,658</u>	<u>196,658</u>	<u>192,096</u>	<u>4,562</u>
Total Aquatics	<u>543,017</u>	<u>543,017</u>	<u>520,416</u>	<u>22,601</u>

CITY OF FOREST GROVE

GENERAL FUND

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

Budget and Actual

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation				
Personal Services	375,650	375,650	372,792	2,858
Materials and Services	<u>168,224</u>	<u>168,224</u>	<u>148,927</u>	<u>19,297</u>
Total Parks and Recreation	<u>543,874</u>	<u>543,874</u>	<u>521,719</u>	<u>22,155</u>
Municipal Court				
Personal Services	110,405	117,405	112,597	4,808
Materials and Services	<u>58,304</u>	<u>111,304</u>	<u>102,896</u>	<u>8,408</u>
Total Municipal Court	<u>168,709</u>	<u>228,709</u>	<u>215,493</u>	<u>13,216</u>
Contingency	<u>700,000</u>	<u>480,000</u>	<u>-</u>	<u>480,000</u>
Total expenditures	<u>12,207,425</u>	<u>12,207,973</u>	<u>11,285,036</u>	<u>922,937</u>
Excess revenues over (under) expenditures	<u>(1,349,879)</u>	<u>(1,350,427)</u>	<u>49,707</u>	<u>1,400,134</u>
Other financing sources (uses):				
Transfers in	113,939	90,939	89,439	(1,500)
Transfers out	<u>(20,000)</u>	<u>(48,500)</u>	<u>(28,500)</u>	<u>20,000</u>
Total other financing sources (uses)	<u>93,939</u>	<u>42,439</u>	<u>60,939</u>	<u>18,500</u>
Net change in fund balance	(1,255,940)	(1,307,988)	110,646	1,418,634
Fund Balance:				
Beginning of year	<u>2,172,125</u>	<u>2,172,125</u>	<u>2,492,045</u>	<u>319,920</u>
End of year	<u>\$ 916,185</u>	<u>\$ 864,137</u>	<u>\$ 2,602,691</u>	<u>\$ 1,738,554</u>

Note: General fund appropriations are made at the departmental level.

CITY OF FOREST GROVE
STREET FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 1,112,185	\$ 1,112,185	\$ 1,011,779	\$ (100,406)
Investment earnings	60,000	60,000	99,125	39,125
Grants and contracts	92,950	92,950	194,490	101,540
Other revenue	<u>1,000</u>	<u>1,000</u>	<u>2,159</u>	<u>1,159</u>
Total revenues	<u>1,266,135</u>	<u>1,266,135</u>	<u>1,307,553</u>	<u>41,418</u>
Expenditures:				
Personal services	186,039	212,039	207,860	4,179
Materials and services	267,544	223,524	199,265	24,259
Capital outlay	1,432,816	1,432,816	80,027	1,352,789
Internal service charges	330,124	374,144	374,144	-
Contingency	<u>844,544</u>	<u>818,544</u>	<u>-</u>	<u>818,544</u>
Total expenditures	<u>3,061,067</u>	<u>3,061,067</u>	<u>861,296</u>	<u>2,199,771</u>
Net change in fund balance	(1,794,932)	(1,794,932)	446,257	2,241,189
Fund Balance:				
Beginning of year	<u>1,894,932</u>	<u>1,894,932</u>	<u>1,616,891</u>	<u>(278,041)</u>
End of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 2,063,148</u>	<u>\$ 1,963,148</u>

CITY OF FOREST GROVE
CAPITAL PROJECTS FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 12,500	\$ 12,500	\$ 138,628	\$ 126,128
Grants and contracts	-	-	60,304	60,304
Total revenues	12,500	12,500	198,932	186,432
Expenditures:				
Materials and services	50,000	50,000	-	50,000
Capital outlay	266,120	3,366,120	386,254	2,979,866
Total expenditures	316,120	3,416,120	386,254	3,029,866
Excess revenues under expenditures	(303,620)	(3,403,620)	(187,322)	3,216,298
Other financing sources (uses):				
Transfers in	15,000	15,000	15,000	-
Transfers out	(22,000)	(22,000)	(22,000)	-
Sale of capital assets	-	3,100,000	3,100,000	-
Total other financing sources (uses)	(7,000)	3,093,000	3,093,000	-
Net change in fund balance	(310,620)	(310,620)	2,905,678	3,216,298
Fund Balance:				
Beginning of year	310,620	310,620	220,683	(89,937)
End of year	\$ -	\$ -	\$ 3,126,361	\$ 3,126,361

CITY OF FOREST GROVE
SPWF DEBT SERVICE FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 37,000	\$ 37,000	\$ (6,597)	\$ (43,597)
Special assessments	<u>15,000</u>	<u>15,000</u>	<u>3,455</u>	<u>(11,545)</u>
Total revenues	<u>52,000</u>	<u>52,000</u>	<u>(3,142)</u>	<u>(55,142)</u>
Expenditures:				
Materials and services	1,000	500	-	500
Debt service	<u>76,511</u>	<u>77,011</u>	<u>76,960</u>	<u>51</u>
Total expenditures	<u>77,511</u>	<u>77,511</u>	<u>76,960</u>	<u>551</u>
Net change in fund balance	(25,511)	(25,511)	(80,102)	(54,591)
Fund Balance:				
Beginning of year	<u>164,132</u>	<u>164,132</u>	<u>331,654</u>	<u>167,522</u>
End of year	<u>\$ 138,621</u>	<u>\$ 138,621</u>	<u>\$ 251,552</u>	<u>\$ 112,931</u>

CITY OF FOREST GROVE
TRAFFIC IMPACT FEE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 1,000,000	\$ 1,000,000	\$ 178,395	\$ (821,605)
Investment earnings	90,000	90,000	133,242	43,242
Traffic impact fees	<u>362,120</u>	<u>362,120</u>	<u>276,877</u>	<u>(85,243)</u>
Total revenues	<u>1,452,120</u>	<u>1,452,120</u>	<u>588,514</u>	<u>(863,606)</u>
Expenditures:				
Materials and services	130,000	130,000	-	130,000
Capital outlay	<u>3,770,884</u>	<u>3,770,884</u>	<u>527,094</u>	<u>3,243,790</u>
Total expenditures	3,900,884	3,900,884	527,094	3,373,790
Other financing sources (uses):				
Net change in fund balance	(2,448,764)	(2,448,764)	61,420	2,510,184
Fund balance:				
Beginning of year	<u>2,448,764</u>	<u>2,448,764</u>	<u>2,613,146</u>	<u>164,382</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,674,566</u>	<u>\$ 2,674,566</u>

OTHER SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS

CITY OF FOREST GROVE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds	Capital Projects Funds	General Debt Service Fund	Total
ASSETS				
Cash and investments	\$ 731,628	\$ 2,025,595	\$ 193,788	\$ 2,951,011
Taxes receivable	-	-	14,725	14,725
Accounts receivable, net	9,131	-	-	9,131
Total assets	<u>\$ 740,759</u>	<u>\$ 2,025,595</u>	<u>\$ 208,513</u>	<u>\$ 2,974,867</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 8,805	\$ -	\$ -	\$ 8,805
Accrued payroll and related expenses	6,065	-	-	6,065
Unearned revenue	9,131	-	10,675	19,806
Total liabilities	<u>24,001</u>	<u>-</u>	<u>10,675</u>	<u>34,676</u>
Fund Balances:				
Reserved for:				
Highways and streets	77,596	109,353	-	186,949
Public safety	59,005	653,414	-	712,419
Culture and recreation	64,075	1,262,828	-	1,326,903
Debt service	-	-	197,838	197,838
Unreserved	516,082	-	-	516,082
Total fund balances	<u>716,758</u>	<u>2,025,595</u>	<u>197,838</u>	<u>2,940,191</u>
Total liabilities and fund balances	<u>\$ 740,759</u>	<u>\$ 2,025,595</u>	<u>\$ 208,513</u>	<u>\$ 2,974,867</u>

CITY OF FOREST GROVE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds	Capital Projects Funds	General Debt Service Fund	Total
REVENUES				
Taxes	\$ 75,033	\$ 9,344	\$ 488,861	\$ 573,238
Charges for services	235	413,000	-	413,235
Intergovernmental revenues	82,424	-	-	82,424
Licenses and permits	618,540	54	-	618,594
Fines and penalties	58,034	-	-	58,034
Investment earnings	24,251	89,663	19,171	133,085
Contributions	242,375	-	-	242,375
Miscellaneous	13,268	-	-	13,268
Total revenues	<u>1,114,160</u>	<u>512,061</u>	<u>508,032</u>	<u>2,134,253</u>
EXPENDITURES				
Current				
Public safety	75,033	-	-	75,033
Highways and streets	23,457	-	-	23,457
Community development	554,780	-	-	554,780
Debt service				
Principal	-	-	305,000	305,000
Interest	-	-	193,475	193,475
Capital outlay	490,423	230,586	-	721,009
Total expenditures	<u>1,143,693</u>	<u>230,586</u>	<u>498,475</u>	<u>1,872,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,533)</u>	<u>281,475</u>	<u>9,557</u>	<u>261,499</u>
OTHER FINANCING SOURCES				
Sale of capital assets	-	14,738	-	14,738
Transfers in	52,246	-	-	52,246
Total other financing sources (uses)	<u>52,246</u>	<u>14,738</u>	<u>-</u>	<u>66,984</u>
Net change in fund balances	22,713	296,213	9,557	328,483
Fund balance - beginning	694,045	1,729,382	188,281	2,611,708
Fund balance - ending	<u>\$ 716,758</u>	<u>\$ 2,025,595</u>	<u>\$ 197,838</u>	<u>\$ 2,940,191</u>

SPECIAL REVENUE FUNDS

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

Funds included in this fund category are:

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

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

911 Emergency Fund – to account for 911 telephone tax revenue transferred to WCCCA for police dispatch services.

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

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

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

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

CITY OF FOREST GROVE
Combining Balance Sheet
Special Revenue Funds
June 30, 2007

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Assessment Fund	Library Donations Fund	Community Enhancement Fund	Total
ASSETS								
Cash and investments	\$ 526,987	\$ 77,596	\$ -	\$ 59,005	\$ -	\$ 1,746	\$ 66,294	\$ 731,628
Accounts receivable, net	-	-	-	-	9,131	-	-	9,131
Total assets	<u>\$ 526,987</u>	<u>\$ 77,596</u>	<u>\$ -</u>	<u>\$ 59,005</u>	<u>\$ 9,131</u>	<u>\$ 1,746</u>	<u>\$ 66,294</u>	<u>\$ 740,759</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 4,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,965	\$ 8,805
Accrued payroll and related expenses	6,065	-	-	-	-	-	-	6,065
Unearned revenue	-	-	-	-	9,131	-	-	9,131
Total liabilities	<u>10,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,131</u>	<u>-</u>	<u>3,965</u>	<u>24,001</u>
Fund Balances:								
Reserved for:								
Highways and streets	-	77,596	-	-	-	-	-	77,596
Public safety	-	-	-	59,005	-	-	-	59,005
Community development	-	-	-	-	-	1,746	62,329	64,075
Unreserved	516,082	-	-	-	-	-	-	516,082
Total fund balances	<u>516,082</u>	<u>77,596</u>	<u>-</u>	<u>59,005</u>	<u>-</u>	<u>1,746</u>	<u>62,329</u>	<u>716,758</u>
Total liabilities and fund balances	<u>\$ 526,987</u>	<u>\$ 77,596</u>	<u>\$ -</u>	<u>\$ 59,005</u>	<u>\$ 9,131</u>	<u>\$ 1,746</u>	<u>\$ 66,294</u>	<u>\$ 740,759</u>

CITY OF FOREST GROVE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Special Revenue Funds
For the Year Ended June 30, 2007

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Assessment Fund	Library Donations Fund	Community Enhancement Fund	Total
REVENUES								
Taxes	\$ -	\$ -	\$ 75,033	\$ -	\$ -	\$ -	\$ -	\$ 75,033
Charges for services	235	-	-	-	-	-	-	235
Intergovernmental revenues	-	-	-	-	-	-	82,424	82,424
Licenses and permits	587,907	30,633	-	-	-	-	-	618,540
Fines and penalties	-	-	-	58,034	-	-	-	58,034
Investment earnings	19,460	2,300	-	971	-	1,138	382	24,251
Contributions	-	-	-	-	-	242,375	-	242,375
Miscellaneous	-	9,493	-	-	-	-	3,775	13,268
Total revenues	<u>607,602</u>	<u>42,426</u>	<u>75,033</u>	<u>59,005</u>	<u>-</u>	<u>243,513</u>	<u>86,581</u>	<u>1,114,160</u>
EXPENDITURES								
Current								
Public safety	-	-	75,033	-	-	-	-	75,033
Highways and streets	-	23,457	-	-	-	-	-	23,457
Community development	460,159	-	-	-	-	-	94,621	554,780
Capital outlay	-	-	-	-	-	490,423	-	490,423
Total expenditures	<u>460,159</u>	<u>23,457</u>	<u>75,033</u>	<u>-</u>	<u>-</u>	<u>490,423</u>	<u>94,621</u>	<u>1,143,693</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,443</u>	<u>18,969</u>	<u>-</u>	<u>59,005</u>	<u>-</u>	<u>(246,910)</u>	<u>(8,040)</u>	<u>(29,533)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	52,246	-	52,246
Net change in fund balances	147,443	18,969	-	59,005	-	(194,664)	(8,040)	22,713
Fund balance - beginning	368,639	58,627	-	-	-	196,410	70,369	694,045
Fund balance - ending	<u>\$ 516,082</u>	<u>\$ 77,596</u>	<u>\$ -</u>	<u>\$ 59,005</u>	<u>\$ -</u>	<u>\$ 1,746</u>	<u>\$ 62,329</u>	<u>\$ 716,758</u>

CITY OF FOREST GROVE

BUILDING PERMITS FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 439,885	\$ 439,885	\$ 587,907	\$ 148,022
Charges for services	-	-	235	235
Investment earnings	<u>16,500</u>	<u>16,500</u>	<u>19,460</u>	<u>2,960</u>
Total revenues	<u>456,385</u>	<u>456,385</u>	<u>607,602</u>	<u>151,217</u>
Expenditures:				
Personal services	340,481	355,482	345,341	10,141
Materials and services	141,835	129,089	65,295	63,794
Internal service charges	36,781	49,526	49,523	3
Contingency	<u>50,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Total expenditures	<u>569,097</u>	<u>569,097</u>	<u>460,159</u>	<u>108,938</u>
Excess revenues over (under) expenditures	(112,712)	(112,712)	147,443	260,155
Other financing sources (uses):				
Transfers in	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balance	(92,712)	(92,712)	147,443	240,155
Fund Balance:				
Beginning of year	<u>375,068</u>	<u>375,068</u>	<u>368,639</u>	<u>(6,429)</u>
End of year	<u>\$ 282,356</u>	<u>\$ 282,356</u>	<u>\$ 516,082</u>	<u>\$ 233,726</u>

CITY OF FOREST GROVE

STREET TREE FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 35,862	\$ 35,862	\$ 30,633	\$ (5,229)
Investment earnings	1,921	1,921	2,300	379
Reimbursements	<u>-</u>	<u>-</u>	<u>9,493</u>	<u>9,493</u>
Total revenues	<u>37,783</u>	<u>37,783</u>	<u>42,426</u>	<u>4,643</u>
Expenditures:				
Materials and services	<u>110,581</u>	<u>110,581</u>	<u>23,457</u>	<u>87,124</u>
Net change in fund balance	(72,798)	(72,798)	18,969	91,767
Fund Balance:				
Beginning of year	<u>72,798</u>	<u>72,798</u>	<u>58,627</u>	<u>(14,171)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,596</u>	<u>\$ 77,596</u>

CITY OF FOREST GROVE

911 EMERGENCY FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 75,033</u>	<u>\$ (49,967)</u>
Expenditures:				
Materials and services	<u>125,000</u>	<u>125,000</u>	<u>75,033</u>	<u>49,967</u>
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE
FORFEITURE SHARING FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Fines and penalties	\$ -	\$ -	\$ 58,034	\$ 58,034
Investment earnings	-	-	971	971
Total revenues	<u>-</u>	<u>-</u>	<u>59,005</u>	<u>59,005</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>59,005</u>	<u>59,005</u>
Other financing sources:				
Net change in fund balance	-	-	59,005	59,005
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,005</u>	<u>\$ 59,005</u>

CITY OF FOREST GROVE

ASSESSMENT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Special assessments	500	500	-	(500)
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Expenditures:				
Internal service charges	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE
LIBRARY DONATIONS FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 1,500	\$ 1,500	\$ 1,138	\$ (362)
Contributions	<u>-</u>	<u>-</u>	<u>242,375</u>	<u>242,375</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>243,513</u>	<u>242,013</u>
Expenditures:				
Materials and services	1,900	1,900	-	1,900
Capital outlay	<u>652,000</u>	<u>652,000</u>	<u>490,423</u>	<u>161,577</u>
Total expenditures	<u>653,900</u>	<u>653,900</u>	<u>490,423</u>	<u>163,477</u>
Excess revenues under expenditures	(652,400)	(652,400)	(246,910)	405,490
Other financing sources (uses):				
Transfers in	<u>52,400</u>	<u>52,400</u>	<u>52,246</u>	<u>(154)</u>
Net change in fund balance	(600,000)	(600,000)	(194,664)	405,336
Fund Balance:				
Beginning of year	<u>600,000</u>	<u>600,000</u>	<u>196,410</u>	<u>403,590</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,746</u>	<u>\$ 1,746</u>

CITY OF FOREST GROVE
COMMUNITY ENHANCEMENT FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 84,250	\$ 84,250	\$ 82,424	\$ (1,826)
Investment earnings	1,500	1,500	382	(1,118)
Grants and contracts	<u>-</u>	<u>-</u>	<u>3,775</u>	<u>3,775</u>
Total revenues	<u>85,750</u>	<u>85,750</u>	<u>86,581</u>	<u>831</u>
Expenditures:				
Materials and services	<u>105,459</u>	<u>105,459</u>	<u>94,621</u>	<u>10,838</u>
Net change in fund balance	(19,709)	(19,709)	(8,040)	11,669
Fund Balance:				
Beginning of year	<u>72,466</u>	<u>72,466</u>	<u>70,369</u>	<u>(2,097)</u>
End of year	<u>\$ 52,757</u>	<u>\$ 52,757</u>	<u>\$ 62,329</u>	<u>\$ 9,572</u>

CAPITAL PROJECTS FUNDS

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

Funds included in the category are:

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

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

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

CITY OF FOREST GROVE
 Combining Balance Sheet
 Capital Projects Funds
 June 30, 2007

	<u>Park Development Fund</u>	<u>Fire Equipment Replacement Fund</u>	<u>Bikeway Development Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 1,262,828</u>	<u>\$ 653,414</u>	<u>\$ 109,353</u>	<u>\$ 2,025,595</u>
FUND BALANCES				
Reserved for:				
Highways and streets	\$ -	-	\$ 109,353	\$ 109,353
Public safety	-	653,414	-	653,414
Culture and recreation	<u>1,262,828</u>	-	-	<u>1,262,828</u>
Total fund balances	<u>\$ 1,262,828</u>	<u>\$ 653,414</u>	<u>\$ 109,353</u>	<u>\$ 2,025,595</u>

CITY OF FOREST GROVE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Funds
For the Year Ended June 30, 2007

	Park Development Fund	Fire Equipment Replacement Fund	Bikeway Development Fund	Total
REVENUES				
Taxes	\$ -	-	\$ 9,344	\$ 9,344
Charges for services	329,000	84,000	-	413,000
Licenses and permits	-	-	54	54
Investment earnings	55,268	30,625	3,770	89,663
Total revenues	<u>384,268</u>	<u>114,625</u>	<u>13,168</u>	<u>512,061</u>
EXPENDITURES				
Capital outlay	<u>217,794</u>	<u>11,017</u>	<u>1,775</u>	<u>230,586</u>
Excess (deficiency) of revenues over (under) expenditures	166,474	103,608	11,393	281,475
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>-</u>	<u>14,738</u>	<u>-</u>	<u>14,738</u>
Net change in fund balances	166,474	118,346	11,393	296,213
Fund balance - beginning	1,096,354	535,068	97,960	1,729,382
Fund balance - ending	<u><u>\$ 1,262,828</u></u>	<u><u>\$ 653,414</u></u>	<u><u>\$ 109,353</u></u>	<u><u>\$ 2,025,595</u></u>

CITY OF FOREST GROVE
PARK DEVELOPMENT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 40,000	\$ 40,000	\$ 55,268	\$ 15,268
Infrastructure charges	<u>360,000</u>	<u>360,000</u>	<u>329,000</u>	<u>(31,000)</u>
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>384,268</u>	<u>(15,732)</u>
Expenditures:				
Capital outlay	<u>1,465,348</u>	<u>1,465,348</u>	<u>217,794</u>	<u>1,247,554</u>
Other financing sources:				
Net change in fund balance	(1,065,348)	(1,065,348)	166,474	1,231,822
Fund balance:				
Beginning of year	<u>1,065,348</u>	<u>1,065,348</u>	<u>1,096,354</u>	<u>31,006</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,262,828</u>	<u>\$ 1,262,828</u>

CITY OF FOREST GROVE
FIRE EQUIPMENT REPLACEMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 27,500	\$ 27,500	\$ -	\$ (27,500)
Charges for services	84,000	84,000	84,000	-
Investment earnings	<u>23,000</u>	<u>23,000</u>	<u>30,625</u>	<u>7,625</u>
Total revenues	<u>134,500</u>	<u>134,500</u>	<u>114,625</u>	<u>(19,875)</u>
Expenditures:				
Capital outlay	55,000	55,000	11,017	43,983
Contingency	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>11,017</u>	<u>118,983</u>
Excess revenues over expenditures	4,500	4,500	103,608	99,108
Other financing sources (uses):				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>14,738</u>	<u>14,738</u>
Net change in fund balance	4,500	4,500	118,346	113,846
Fund Balance:				
Beginning of year	<u>525,474</u>	<u>525,474</u>	<u>535,068</u>	<u>9,594</u>
End of year	<u>\$ 529,974</u>	<u>\$ 529,974</u>	<u>\$ 653,414</u>	<u>\$ 123,440</u>

CITY OF FOREST GROVE
BIKEWAY DEVELOPMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 50	\$ 50	\$ 54	\$ 4
Intergovernmental revenues	7,828	7,828	9,344	1,516
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>3,770</u>	<u>2,770</u>
Total revenues	<u>8,878</u>	<u>8,878</u>	<u>13,168</u>	<u>4,290</u>
Expenditures:				
Capital outlay	<u>102,399</u>	<u>102,399</u>	<u>1,775</u>	<u>100,624</u>
Net change in fund balance	(93,521)	(93,521)	11,393	104,914
Fund Balance:				
Beginning of year	<u>93,521</u>	<u>93,521</u>	<u>97,960</u>	<u>4,439</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,353</u>	<u>\$ 109,353</u>

DEBT SERVICES FUNDS

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

CITY OF FOREST GROVE
GENERAL DEBT SERVICE FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 485,476	\$ 485,476	\$ 488,861	\$ 3,385
Investment earnings	13,000	13,000	19,171	6,171
Total revenues	<u>498,476</u>	<u>498,476</u>	<u>508,032</u>	<u>9,556</u>
Expenditures:				
Debt service	<u>498,476</u>	<u>498,476</u>	<u>498,475</u>	<u>1</u>
Net change in fund balance	-	-	9,557	9,557
Fund Balance:				
Beginning of year	<u>187,050</u>	<u>187,050</u>	<u>188,281</u>	<u>1,231</u>
End of year	<u>\$ 187,050</u>	<u>\$ 187,050</u>	<u>\$ 197,838</u>	<u>\$ 10,788</u>

ENTERPRISE FUNDS

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

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

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

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

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

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

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

CITY OF FOREST GROVE

LIGHT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 1,878,775	\$ 1,878,775	\$ 1,909,696	\$ 30,921
Charges for services	10,456,785	10,956,785	11,743,294	786,509
Sale of materials	1,250	1,250	32,027	30,777
Investment earnings	90,000	90,000	139,333	49,333
Reimbursements	-	-	33,373	33,373
Grants and contracts	-	-	16,145	16,145
Other revenue	-	-	6,300	6,300
Total revenues	<u>12,426,810</u>	<u>12,926,810</u>	<u>13,880,168</u>	<u>953,358</u>
Expenditures:				
Personal services	2,095,665	2,133,665	2,071,060	62,605
Materials and services	9,889,576	9,756,883	9,462,937	293,946
Capital outlay	193,500	415,900	370,665	45,235
Internal service charges	862,926	1,495,619	1,495,619	-
Contingency	1,349,920	1,289,520	-	1,289,520
Total expenditures	<u>14,391,587</u>	<u>15,091,587</u>	<u>13,400,281</u>	<u>1,691,306</u>
Excess revenues over (under) expenditures	(1,964,777)	(2,164,777)	479,887	2,644,664
Other financing sources (uses):				
Transfers out	<u>(54,250)</u>	<u>(54,250)</u>	<u>(54,250)</u>	<u>-</u>
Net change in fund balance	(2,019,027)	(2,219,027)	425,637	2,644,664
Fund Balance:				
Beginning of year	<u>2,919,027</u>	<u>3,119,027</u>	<u>3,414,608</u>	<u>295,581</u>
End of year	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 3,840,245</u>	<u>\$ 2,940,245</u>
Fund Balance end of year			\$ 3,840,245	
Reconciliation to GAAP Basis:				
Inventory			550,220	
Capital assets, net			12,824,886	
Compensated absences			<u>(91,678)</u>	
GAAP Fund Balance - end of year			<u>\$ 17,123,673</u>	

CITY OF FOREST GROVE

SEWER FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 165,126	\$ 165,126	\$ 203,239	\$ 38,113
Charges for services	2,878,923	2,878,923	3,018,499	139,576
Sales	-	-	568	568
Investment earnings	32,000	32,000	66,385	34,385
Infrastructure charges	<u>-</u>	<u>-</u>	<u>50,141</u>	<u>50,141</u>
Total revenues	<u>3,076,049</u>	<u>3,076,049</u>	<u>3,338,832</u>	<u>262,783</u>
Expenditures:				
Personal services	261,146	261,146	238,066	23,080
Materials and services	2,533,437	2,533,437	2,549,246	(15,809)
Capital outlay	650,000	650,000	47,073	602,927
Internal service charges	404,003	404,003	404,003	-
Contingency	<u>637,765</u>	<u>637,765</u>	<u>-</u>	<u>637,765</u>
Total expenditures	<u>4,486,351</u>	<u>4,486,351</u>	<u>3,238,388</u>	<u>1,247,963</u>
Excess revenues over (under) expenditures	(1,410,302)	(1,410,302)	100,444	1,510,746
Other financing sources (uses):				
Transfers out	<u>(2,877)</u>	<u>(2,877)</u>	<u>(2,877)</u>	<u>-</u>
Net change in fund balance	(1,413,179)	(1,413,179)	97,567	1,510,746
Fund Balance:				
Beginning of year	<u>1,713,179</u>	<u>1,713,179</u>	<u>1,141,246</u>	<u>(571,933)</u>
End of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 1,238,813</u>	<u>\$ 938,813</u>
End of year			\$ 1,238,813	
Reconciliation to GAAP Basis:				
Inventory			7,636	
Capital assets, net			<u>7,454,029</u>	
GAAP Fund Balance - end of year			<u>\$ 8,700,478</u>	

CITY OF FOREST GROVE

WATER FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 255,620	\$ 255,620	\$ 302,677	\$ 47,057
Charges for services	2,163,881	2,473,381	2,818,169	344,788
Sales of materials	709,500	850,000	1,413,950	563,950
Investment earnings	88,000	88,000	127,640	39,640
Reimbursements	-	-	2	2
Grants and contracts	<u>60,000</u>	<u>60,000</u>	<u>58,471</u>	<u>(1,529)</u>
Total revenues	<u>3,277,001</u>	<u>3,727,001</u>	<u>4,720,909</u>	<u>993,908</u>
Expenditures:				
Personal services	731,508	801,508	797,189	4,319
Materials and services	1,006,366	1,323,225	1,342,466	(19,241)
Capital outlay	1,461,811	1,461,811	657,115	804,696
Debt service	487,928	502,936	487,928	15,008
Internal service charges	733,127	866,268	866,268	-
Contingency	<u>1,487,470</u>	<u>1,402,462</u>	<u>-</u>	<u>1,402,462</u>
Total expenditures	<u>5,908,210</u>	<u>6,358,210</u>	<u>4,150,966</u>	<u>2,207,244</u>
Excess revenues over (under) expenditures	(2,631,209)	(2,631,209)	569,943	3,201,152
Other financing sources (uses):				
Transfers out	<u>(5,477)</u>	<u>(5,477)</u>	<u>(5,477)</u>	<u>-</u>
Net change in fund balance	(2,636,686)	(2,636,686)	564,466	3,201,152
Fund Balance:				
Beginning of year	<u>2,886,686</u>	<u>2,886,686</u>	<u>2,756,231</u>	<u>(130,455)</u>
End of year	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 3,320,697</u>	<u>\$ 3,070,697</u>
Fund balance end of year			\$ 3,320,697	
Reconciliation to GAAP Basis:				
Inventory			107,789	
Investment in joint venture			9,465,221	
Capital assets, net			10,536,576	
Intangibles, net			873,356	
Accrued interest			(46,495)	
Compensated absences			(110,014)	
Long-term debt			<u>(5,832,943)</u>	
GAAP Fund Balance - end of year			<u>\$ 18,314,187</u>	

CITY OF FOREST GROVE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2007

	Sewer SDC Fund	Water SDC Fund	Surface Water Management Fund	SWM SDC Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 1,199,373	\$ 392,531	\$ 650,995	\$ 358,276	\$ 2,601,175
Accounts receivable, net	-	-	25,992	-	25,992
Total current assets	<u>1,199,373</u>	<u>392,531</u>	<u>676,987</u>	<u>358,276</u>	<u>2,627,167</u>
Capital assets, net of accumulated depreciation	-	-	4,785,861	-	4,785,861
Total assets	<u>\$ 1,199,373</u>	<u>\$ 392,531</u>	<u>\$ 5,462,848</u>	<u>\$ 358,276</u>	<u>\$ 7,413,028</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 57,240	\$ 623	\$ 15,045	\$ -	\$ 72,908
Accrued payroll and related expenses	-	-	1,955	-	1,955
Unearned revenue	-	-	25,992	-	25,992
Total current liabilities	<u>57,240</u>	<u>623</u>	<u>42,992</u>	<u>-</u>	<u>100,855</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	4,785,861	-	4,785,861
Unrestricted	1,142,133	391,908	633,995	358,276	2,526,312
Total net assets	<u>1,142,133</u>	<u>391,908</u>	<u>5,419,856</u>	<u>358,276</u>	<u>7,312,173</u>
Total liabilities and net assets	<u>\$ 1,199,373</u>	<u>\$ 392,531</u>	<u>\$ 5,462,848</u>	<u>\$ 358,276</u>	<u>\$ 7,413,028</u>

CITY OF FOREST GROVE
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	Sewer SDC Fund	Water SDC Fund	Surface Water Management Fund	SWM SDC Fund	Total
Operating revenues:					
Charges for services	\$ 440,725	\$ 505,948	\$ 533,751	\$ 42,295	\$ 1,522,719
Operating expenses:					
General fund admin charges	-	-	172,870	-	172,870
Payments in lieu of tax	-	-	19,133	-	19,133
General and administrative	368,472	683,179	369,189	4,330	1,425,170
Depreciation	-	-	119,647	-	119,647
Total operating expenses	<u>368,472</u>	<u>683,179</u>	<u>680,839</u>	<u>4,330</u>	<u>1,736,820</u>
Operating income (loss)	<u>72,253</u>	<u>(177,231)</u>	<u>(147,088)</u>	<u>37,965</u>	<u>(214,101)</u>
Nonoperating revenues					
Investment earnings	55,284	26,690	30,643	15,005	127,622
Income before transfers and contributions	127,537	(150,541)	(116,445)	52,970	(86,479)
Transfers out	-	-	(960)	-	(960)
Contributed capital	-	-	1,162,200	-	1,162,200
Change in net assets	127,537	(150,541)	1,044,795	52,970	1,074,761
Total net assets - beginning	1,014,596	542,449	4,375,061	305,306	6,237,412
Total net assets - ending	<u>\$ 1,142,133</u>	<u>\$ 391,908</u>	<u>\$ 5,419,856</u>	<u>\$ 358,276</u>	<u>\$ 7,312,173</u>

CITY OF FOREST GROVE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	Sewer SDC Fund	Water SDC Fund	Surface Water Management Fund	SWM SDC Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 440,725	\$ 505,948	\$ 533,751	\$ 42,295	\$ 1,522,719
Payments to suppliers	(334,952)	(682,555)	(361,820)	(4,330)	(1,383,657)
Payments to employees	-	-	(195,179)	-	(195,179)
Net cash provided (used) by operating activities	<u>105,773</u>	<u>(176,607)</u>	<u>(23,248)</u>	<u>37,965</u>	<u>(56,117)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	-	-	(960)	-	(960)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>(960)</u>	<u>-</u>	<u>(960)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	55,284	26,690	30,643	15,005	127,622
Net cash provided by investing activities	<u>55,284</u>	<u>26,690</u>	<u>30,643</u>	<u>15,005</u>	<u>127,622</u>
Net change in cash and cash equivalents	161,057	(149,917)	6,435	52,970	70,545
Cash and cash equivalents - beginning	1,038,316	542,448	644,560	305,306	2,530,630
Cash and cash equivalents - ending	<u>\$ 1,199,373</u>	<u>\$ 392,531</u>	<u>\$ 650,995</u>	<u>\$ 358,276</u>	<u>\$ 2,601,175</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 72,253	\$ (177,231)	\$ (147,088)	\$ 37,965	\$ (214,101)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	-	119,647	-	119,647
(Increase) decrease in accounts receivable	-	-	2,293	-	2,293
Increase (decrease) in accounts payable	33,520	624	2,238	-	36,382
Increase (decrease) in accrued payroll and related expenses	-	-	1,955	-	1,955
Increase (decrease) in deferred revenue	-	-	(2,293)	-	(2,293)
Total adjustments	33,520	624	123,840	-	157,984
Net cash provided (used) by operating activities	<u>\$ 105,773</u>	<u>\$ (176,607)</u>	<u>\$ (23,248)</u>	<u>\$ 37,965</u>	<u>\$ (56,117)</u>
Noncash Capital activity:					
Contributions of capital assets	\$ -	\$ -	\$ 1,162,200	\$ -	\$ 1,162,200

CITY OF FOREST GROVE

SEWER SDC FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ -	\$ -	\$ 4,500	\$ 4,500
Investment earnings	35,794	35,794	55,284	19,490
Infrastructure charges	<u>316,200</u>	<u>316,200</u>	<u>436,225</u>	<u>120,025</u>
Total revenues	<u>351,994</u>	<u>351,994</u>	<u>496,009</u>	<u>144,015</u>
Expenditures:				
Materials and services	10,000	430,000	351,074	78,926
Capital outlay	727,250	307,250	17,398	289,852
Contingency	<u>137,429</u>	<u>137,429</u>	<u>-</u>	<u>137,429</u>
Total expenditures	<u>874,679</u>	<u>874,679</u>	<u>368,472</u>	<u>506,207</u>
Net change in fund balance	(522,685)	(522,685)	127,537	650,222
Fund Balance:				
Beginning of year	<u>1,022,685</u>	<u>1,022,685</u>	<u>1,014,596</u>	<u>8,089</u>
End of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 1,142,133</u>	<u>\$ 642,133</u>

CITY OF FOREST GROVE

WATER SDC FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 23,021	\$ 23,021	\$ 26,690	\$ 3,669
Infrastructure charges	<u>342,360</u>	<u>342,360</u>	<u>505,948</u>	<u>163,588</u>
Total revenues	<u>365,381</u>	<u>365,381</u>	<u>532,638</u>	<u>167,257</u>
Expenditures:				
Capital outlay	923,830	923,830	683,179	240,651
Contingency	<u>159,304</u>	<u>159,304</u>	<u>-</u>	<u>159,304</u>
Total expenditures	<u>1,083,134</u>	<u>1,083,134</u>	<u>683,179</u>	<u>399,955</u>
Net change in fund balance	(717,753)	(717,753)	(150,541)	567,212
Fund Balance:				
Beginning of year	<u>717,753</u>	<u>717,753</u>	<u>542,449</u>	<u>(175,304)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 391,908</u>	<u>\$ 391,908</u>

CITY OF FOREST GROVE
SURFACE WATER MANAGEMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 108	\$ 108
Charges for services	522,196	522,196	533,643	11,447
Investment earnings	<u>15,000</u>	<u>15,000</u>	<u>30,643</u>	<u>15,643</u>
Total revenues	<u>537,196</u>	<u>537,196</u>	<u>564,394</u>	<u>27,198</u>
Expenditures:				
Personal services	201,487	209,988	197,134	12,854
Materials and services	184,948	185,615	172,056	13,559
Capital outlay	136,000	136,000	-	136,000
Internal service charges	172,870	192,003	192,003	-
Contingency	<u>111,531</u>	<u>83,230</u>	<u>-</u>	<u>83,230</u>
Total expenditures	<u>806,836</u>	<u>806,836</u>	<u>561,193</u>	<u>245,643</u>
Excess revenues over (under) expenditures	(269,640)	(269,640)	3,201	272,841
Other financing sources (uses):				
Transfers out	<u>(960)</u>	<u>(960)</u>	<u>(960)</u>	<u>-</u>
Net change in fund balance	(270,600)	(270,600)	2,241	272,841
Fund Balance:				
Beginning of year	<u>570,600</u>	<u>570,600</u>	<u>631,754</u>	<u>61,154</u>
End of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 633,995</u>	<u>\$ 333,995</u>
Fund balance end of year			\$ 633,995	
Reconciliation to GAAP Basis:				
Capital assets			<u>4,785,861</u>	
GAAP Fund Balance - end of year			<u>\$ 5,419,856</u>	

CITY OF FOREST GROVE

SWM SDC FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 6,000	\$ 6,000	\$ 15,005	\$ 9,005
Infrastructure charges	<u>27,000</u>	<u>27,000</u>	<u>42,295</u>	<u>15,295</u>
Total revenues	<u>33,000</u>	<u>33,000</u>	<u>57,300</u>	<u>24,300</u>
Expenditures:				
Materials and services	50,000	50,000	-	50,000
Capital outlay	150,000	150,000	4,330	145,670
Contingency	<u>4,661</u>	<u>4,661</u>	<u>-</u>	<u>4,661</u>
Total expenditures	<u>204,661</u>	<u>204,661</u>	<u>4,330</u>	<u>200,331</u>
Net change in fund balance	(171,661)	(171,661)	52,970	224,631
Fund Balance:				
Beginning of year	<u>171,661</u>	<u>171,661</u>	<u>305,306</u>	<u>133,645</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,276</u>	<u>\$ 358,276</u>

INTERNAL SERVICES FUNDS

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

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

CITY OF FOREST GROVE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Information Systems Fund	Equipment Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 384,392	\$ 365,560	\$ 749,952
Capital assets, net of accumulated depreciation	-	922,704	922,704
Total assets	\$ 384,392	\$ 1,288,264	\$ 1,672,656
LIABILITIES			
Current liabilities			
Accounts payable	\$ 17,954	\$ 6,119	\$ 24,073
Accrued payroll and related expenses	-	2,865	2,865
Compensated absences	-	4,017	4,017
Total current liabilities	17,954	13,001	30,955
NET ASSETS			
Invested in capital assets, net of related debt	-	922,704	922,704
Unrestricted	366,438	352,559	718,997
Total net assets	366,438	1,275,263	1,641,701
Total liabilities and net assets	\$ 384,392	\$ 1,288,264	\$ 1,672,656

CITY OF FOREST GROVE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	<u>\$ 188,718</u>	<u>\$ 534,103</u>	<u>\$ 722,821</u>
Operating expenses:			
Operations and maintenance	-	370,622	370,622
General fund admin charges	-	73,311	73,311
General and administrative costs	172,933	71,765	244,698
Depreciation and amortization	<u>-</u>	<u>144,742</u>	<u>144,742</u>
Total operating expenses	172,933	660,440	833,373
Operating income (loss)	15,785	(126,337)	(110,552)
Nonoperating revenues			
Loss on disposal of capital assets	-	(22,487)	(22,487)
Investment earnings	<u>19,479</u>	<u>16,475</u>	<u>35,954</u>
Income before contributions and transfers	35,264	(132,349)	(97,085)
Transfers out	<u>(24,500)</u>	<u>(16,375)</u>	<u>(40,875)</u>
Change in net assets	10,764	(148,724)	(137,960)
Total net assets - beginning	<u>355,674</u>	<u>1,423,987</u>	<u>1,779,661</u>
Total net assets - ending	<u><u>\$ 366,438</u></u>	<u><u>\$ 1,275,263</u></u>	<u><u>\$ 1,641,701</u></u>

CITY OF FOREST GROVE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Information Systems Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 188,718	\$ 534,103	\$ 722,821
Payments to employees	-	(165,620)	(165,620)
Payments to suppliers	(171,812)	(350,583)	(522,395)
Net cash provided (used) by operating activities	<u>16,906</u>	<u>17,900</u>	<u>34,806</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(24,500)</u>	<u>(16,375)</u>	<u>(40,875)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(57,936)	(57,936)
Proceeds from sale of capital assets	-	17,383	17,383
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(40,553)</u>	<u>(40,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	<u>19,479</u>	<u>16,475</u>	<u>35,954</u>
Net change in cash and cash equivalents	11,885	(22,553)	(10,668)
Cash and cash equivalents - beginning	<u>372,507</u>	<u>388,113</u>	<u>760,620</u>
Cash and cash equivalents - ending	<u>\$ 384,392</u>	<u>\$ 365,560</u>	<u>\$ 749,952</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ 15,785</u>	<u>\$ (126,337)</u>	<u>\$ (110,552)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	-	144,742	144,742
Increase (decrease) in accounts payable	1,121	(1,033)	88
Increase (decrease) in accrued payroll and related expenses	-	619	619
Increase (decrease) in compensated absences	-	(91)	(91)
Total adjustments	<u>1,121</u>	<u>144,237</u>	<u>145,358</u>
Net cash provided (used) by operating activities	<u>\$ 16,906</u>	<u>\$ 17,900</u>	<u>\$ 34,806</u>

CITY OF FOREST GROVE

INFORMATION SYSTEMS FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 188,719	\$ 188,719	\$ 188,718	\$ (1)
Investment earnings	<u>15,000</u>	<u>15,000</u>	<u>19,479</u>	<u>4,479</u>
Total revenues	<u>203,719</u>	<u>203,719</u>	<u>208,197</u>	<u>4,478</u>
Expenditures:				
Materials and services	181,169	181,169	142,164	39,005
Capital outlay	35,000	35,000	30,769	4,231
Contingency	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>221,169</u>	<u>221,169</u>	<u>172,933</u>	<u>48,236</u>
Excess revenues over (under) expenditures	(17,450)	(17,450)	35,264	52,714
Other financing sources (uses):				
Investment income	<u>(24,500)</u>	<u>(24,500)</u>	<u>(24,500)</u>	<u>-</u>
Net change in fund balance	(41,950)	(41,950)	10,764	52,714
Fund Balance:				
Beginning of year	<u>300,030</u>	<u>300,030</u>	<u>355,674</u>	<u>55,644</u>
End of year	<u>\$ 258,080</u>	<u>\$ 258,080</u>	<u>\$ 366,438</u>	<u>\$ 108,358</u>

CITY OF FOREST GROVE

EQUIPMENT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 7,082	\$ 7,082
Intergovernmental revenues	448,991	448,991	440,887	(8,104)
Charges for services	69,000	69,000	86,134	17,134
Investment earnings	<u>14,000</u>	<u>14,000</u>	<u>16,475</u>	<u>2,475</u>
Total revenues	<u>531,991</u>	<u>531,991</u>	<u>550,578</u>	<u>18,587</u>
Expenditures:				
Personal services	165,313	172,313	168,295	4,018
Materials and services	248,590	298,590	276,238	22,352
Capital outlay	121,500	94,500	55,880	38,620
Internal service charges	73,311	73,311	73,311	-
Contingency	<u>106,265</u>	<u>76,265</u>	<u>-</u>	<u>76,265</u>
Total expenditures	<u>714,979</u>	<u>714,979</u>	<u>573,724</u>	<u>141,255</u>
Excess revenues under expenditures	<u>(182,988)</u>	<u>(182,988)</u>	<u>(23,146)</u>	<u>159,842</u>
Other financing sources (uses):				
Transfers out	(16,375)	(16,375)	(16,375)	-
Sale of capital assets	<u>10,000</u>	<u>10,000</u>	<u>17,383</u>	<u>7,383</u>
Total other financing sources (uses)	<u>(6,375)</u>	<u>(6,375)</u>	<u>1,008</u>	<u>7,383</u>
Net change in fund balance	(189,363)	(189,363)	(22,138)	167,225
Fund Balance:				
Beginning of year	<u>421,363</u>	<u>421,363</u>	<u>378,714</u>	<u>(42,649)</u>
End of year	<u>\$ 232,000</u>	<u>\$ 232,000</u>	<u>\$ 356,576</u>	<u>\$ 124,576</u>
Fund Balance end of year			\$ 356,576	
Reconciliation to GAAP Basis:				
Capital assets			922,704	
Accrued payroll and related liabilities			<u>(4,017)</u>	
GAAP Fund Balance - end of year			<u>\$ 1,275,263</u>	

FIDUCIARY FUNDS

CITY OF FOREST GROVE

LIBRARY ENDOWMENT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	<u>\$ 1,900</u>	<u>\$ 1,900</u>	<u>\$ 1,733</u>	<u>\$ (167)</u>
Other financing sources (uses):				
Transfers out	<u>(1,900)</u>	<u>(1,900)</u>	<u>(1,746)</u>	<u>154</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(13)</u>	<u>(13)</u>
Fund Balance:				
Beginning of year	<u>41,187</u>	<u>41,187</u>	<u>41,759</u>	<u>572</u>
End of year	<u>\$ 41,187</u>	<u>\$ 41,187</u>	<u>\$ 41,746</u>	<u>\$ 559</u>

AGENCY FUND

CITY OF FOREST GROVE
Statement of Changes in Assets and Liabilities
Unsegregated Tax and Interest Agency Fund
For the Year Ended June 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Assets				
Cash and cash equivalents	<u>\$ 319,630</u>	<u>\$ 252,656</u>	<u>\$ 158,072</u>	<u>\$ 414,214</u>
Liabilities				
Money held for others	<u>\$ 319,630</u>	<u>\$ 252,656</u>	<u>\$ 158,072</u>	<u>\$ 414,214</u>

OTHER FINANCIAL SCHEDULES

CITY OF FOREST GROVE
Schedule of Property Tax Transactions
Year ended June 30, 2007

	Tax Year	Uncollected as of July 1, 2006	Levy as Extended by Assessor	Discounts Allowed	Interest	Adjustments	Collections	Uncollected as of June 30, 2007
Current year:	2007	-	5,436,546	(138,447)	1,708	(8,823)	(5,176,775)	112,501
Prior years	2006	99,116	-	48	4,231	80	(73,426)	25,818
	2005	25,175	-	41	1,964	(222)	(12,188)	12,806
	2004	12,105	-	63	2,048	(888)	(6,923)	4,357
	2003	4,107	-	4	884	606	(3,346)	1,371
	2002	1,216	-	-	170	111	(594)	733
	prior	1,875	-	-	236	210	(563)	1,522
Total		143,594	5,436,546	(138,291)	11,241	(8,926)	(5,273,815)	159,108

COMPLIANCE SECTION

COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITORS'
REQUIRED BY STATE STATUTE

Honorable Mayor and City Council
City of Forest Grove

Oregon Administrative Rules 162-10 through 162-16 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

Report on Internal Control

We have audited the basic financial statements of City of Forest Grove ("City"), as of and for the year ended June 30, 2007, and have issued our report thereon dated February 20, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

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

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including provisions of the Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-230 to 162-10-320, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

Compliance with Legal or Other Requirements -

Collateral - Pertaining to the amount and adequacy of collateral pledged by depositories to secure the deposit of public funds (see requirements for public fund deposits as specified in Oregon Revised Statutes (ORS) 295).

Indebtedness - Relating to debt and the limitation on the debt amount, liquidation of debt within the prescribed period of time, and compliance with provisions of indentures or agreements, including restrictions on the use of monies available to retire indebtedness.

Budget - Relating to the preparation, adoption and execution of the annual budget for the current fiscal year and the preparation and adoption of the budget for the next succeeding fiscal year (see ORS 294.305 to 294.565). The City exceeded budget appropriations as noted at footnote II.

Taxes on Motor Vehicle Use and Fuel and the use of a Road Fund - Pertaining to (as contained in Article IX, Section 3a of the Oregon constitution) the use of revenue from taxes on motor vehicle use and fuel and the use of a road fund (as contained in ORS 294 and 373).

Insurance - Relating to insurance and fidelity bond coverage.

Investments - Pertaining to the investment of public funds (see ORS Chapter 294.035 to 294.046).

Public Contracts and Purchasing - Pertaining to (as contained in ORS Chapter 279) the awarding of public contracts and the construction of public improvements.

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

- Overexpended appropriations as noted in footnote II. of the City's financial statements.

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

ISLER CPA

by: 

Paul Nielson, CPA, a member of the firm

Eugene, Oregon
February 20, 2008