

CITY OF FOREST GROVE, OREGON
FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION
YEAR ENDED JUNE 30, 2008
WITH
INDEPENDENT AUDITORS' REPORT

Prepared by:
Administrative Services Department

CITY OF FOREST GROVE

June 30, 2008

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, 2008

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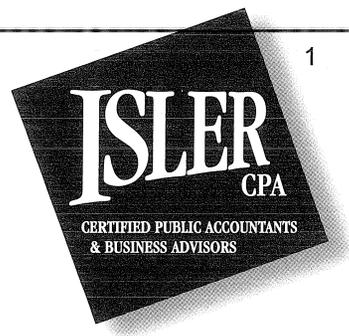
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FINANCIAL SECTION



Independent Auditors' Report

Honorable Mayor and City Council Members
City of Forest Grove

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Forest Grove, Oregon ("City") as of and for the year ended June 30, 2008, 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, 2008, 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 7 and 35 through 40 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The budgetary comparison information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

ISLER CPA

Paul R. Nielson

by Paul Nielson, a member of the firm
Eugene, Oregon
March 20, 2009

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, 2008. 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 \$92,760,384 at June 30, 2008.
- During the year, the City's net assets increased by \$9,871,586. The increase in Net Assets is primarily due to: 1) housing development infrastructure improvements which were dedicated to the City by the developers; 2) an overpayment refund payment from the Bonneville Power Administration to the Light Fund due to a Federal court ruling; and 3) the donation of park land to the City by a developer.
- The general fund reported a fund balance this year of \$3,160,115 which is an increase of \$557,424 from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

The City has the following types of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**CITY OF FOREST GROVE - NET ASSETS**
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
ASSETS:						
Current and Other Assets	\$ 16,436	\$ 15,470	\$ 23,710	\$ 22,099	\$ 40,146	\$ 37,569
Capital Assets	27,464	22,979	39,137	36,475	66,601	59,454
Total Assets	43,900	38,449	62,847	58,574	106,747	97,023
LIABILITIES						
Current and Other Liabilities	768	484	1,344	1,088	2,112	1,572
Long-Term Liabilities	4,414	4,809	7,461	7,753	11,875	12,562
Total Liabilities	5,182	5,293	8,805	8,841	13,987	14,134
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	23,645	19,159	31,891	34,757	55,536	53,916
Restricted	4,815	-	2,266	-	7,081	-
Unrestricted	10,258	13,997	19,885	14,976	30,143	28,973
Total Net Assets	\$ 38,718	\$ 33,156	\$ 54,042	\$ 49,733	\$ 92,760	\$ 82,889

Governmental Activities

Capital assets represent over 63% of the total governmental assets. The increase in Capital Assets is primarily due to the donation of park land to the City by a developer.

Business-type Activities

Capital assets represent over 62% of the total business type assets. The primary reason for the increase in Current and Other Assets is a an overpayment refund payment from the Bonneville Power Administration to the Light Fund due to a Federal court ruling. The increase in Capital Assets is due to the dedication of housing development infrastructure improvements by the developers.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
REVENUES:						
Program Revenues:						
Charges for Services	\$ 6,909	\$ 7,044	\$ 22,413	\$ 23,055	\$ 29,322	\$ 30,099
Operating Grants	1,085	80	39	16	1,124	96
Capital Grants	4,531	437	1,733	1,221	6,264	1,658
General Revenues:						
Taxes	7,380	6,937	-	-	7,380	6,937
Other	792	3,773	157	649	949	4,422
Total Revenues	<u>20,697</u>	<u>18,271</u>	<u>24,342</u>	<u>24,941</u>	<u>45,039</u>	<u>43,212</u>
EXPENSES:						
General Government	6,112	5,149	-	-	6,112	5,149
Public Safety	6,222	5,736	-	-	6,222	5,736
Highways and Streets	1,501	817	-	-	1,501	817
Culture and recreation	1,225	1,002	-	-	1,225	1,002
Light	-	-	12,439	12,163	12,439	12,163
Sewer	-	-	3,618	3,069	3,618	3,069
Water	-	-	3,537	4,027	3,537	4,027
Surface Water Management	-	-	326	685	326	685
Interest	190	192	-	240	190	432
Total Expenses	<u>15,250</u>	<u>12,896</u>	<u>19,920</u>	<u>20,184</u>	<u>35,170</u>	<u>33,080</u>
Changes in net assets before transfers	5,447	5,375	4,422	4,757	9,869	10,132
Internal transfers	115	63	(113)	(63)	2	357
Transfers from fiduciary fund	-	2	-	-	-	2
Changes in net assets	<u>5,562</u>	<u>5,440</u>	<u>4,309</u>	<u>4,694</u>	<u>9,871</u>	<u>10,491</u>
Prior-period adjustment	-	290	-	(1,718)	-	(1,428)
Reclassification of Internal Service Funds	-	338	-	(338)	-	-
Beginning net assets, as restated	33,156	27,088	49,733	47,095	82,889	74,183
Ending net assets	<u>\$ 38,718</u>	<u>\$ 33,156</u>	<u>\$ 54,042</u>	<u>\$ 49,733</u>	<u>\$ 92,760</u>	<u>\$ 83,246</u>

The City's total revenues were \$45,039,398. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 50% and 14% of total revenues, respectively. The total cost of all programs was \$35,168,200. The Net Assets increased by \$9,871,586 indicating an increase in the City's overall financial position. The reason for the increase in Net Assets was explained previously in this letter.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$17,103,488 in 2008 compared to \$18,832,276 in 2007. The increase is due to increased revenue due to growth. Governmental fund balances totaled \$14,321,825 at June 30, 2008 for an increase of \$663,316. A summary of changes in governmental fund balances follows:

CITY OF FOREST GROVE - CHANGES IN GOVERNMENTAL FUND BALANCES

	Balance at June 30, 2008	Balance at June 30, 2007	Change
General Fund	\$ 3,160,115	\$ 2,602,691	\$ 557,424
Street Fund	1,285,293	2,063,148	(777,855)
Capital Projects Fund	3,140,849	3,126,361	14,488
Special Public Works Debt Service Fund	229,124	251,552	(22,428)
Traffic Impact Fee Fund	3,012,320	2,674,566	337,754
Other Governmental Funds	3,494,124	2,940,191	553,933
Total	<u>\$ 14,321,825</u>	<u>\$ 13,658,509</u>	<u>\$ 663,316</u>

CITY OF FOREST GROVE - CHANGES IN PROPRIETARY NET ASSETS

	Balance at June 30, 2008	Balance at June 30, 2007	Change
Light Fund	\$ 19,068,857	\$ 17,123,673	\$ 1,945,184
Sewer Fund, as restated	8,084,642	6,982,493	1,102,149
Water Fund	18,006,328	18,314,187	(307,859)
Other Proprietary Funds	8,882,588	7,312,173	1,570,415
Total	<u>\$ 54,042,415</u>	<u>\$ 49,732,526</u>	<u>\$ 4,309,889</u>

General Fund Budgetary Highlights

The fund balance in the General Fund was increased by \$557,424. The Net Change in Fund Balance is due to: 1) higher than expected property tax and investment earnings revenue; and 2) departments not spending all their budgeted appropriations in order to have savings to carryover to the next fiscal year. The General Fund's original adopted budget was increased by \$150,000 during the year to allow for the payment to other jurisdictions of new construction taxes levied by other jurisdictions but collected by the City subsequent to the adoption of the original budget. Contingency transfers of \$214,000 were made in the General Fund for additional Personal Services changes of \$74,000 and additional engineering inspection services of \$140,000 for subdivision construction occurring in the City.

CAPITAL ASSETS

At June 30, 2008, the City had \$66,601,125 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets, net of accumulated depreciation increased by \$7,147,565 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, 2008, the City had \$7,815,000 in outstanding bonds payable, and \$3,249,516 in outstanding notes and contracts payable. The City has had not change in its credit rating. Included in the financial statements is a prior period adjustment of \$1,717,985 to record two notes payable issued to Clean Water Services (CWS), the County's regional public sanitary sewer and surface water management agency, for two public sanitary improvement projects that the agency constructed on behalf of the City. One project was to reline several thousand feet of sanitary sewer and the other project was to install several thousand feet of new sanitary sewer line. The City is to repay CWS for those projects over ten years with the final payment due in 2018. In 2008, the City issued no additional debt. More detailed information about the City's long term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Factors considered in preparing the City's budget for the 2009 fiscal year were, but not limited to the following:

- The increase in the City's local option levy of \$0.36 per thousand dollars of assessed value was effective for the 2009 fiscal year.
- The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City is starting to develop a plan to address that issue.
- With the current moderation in fuel prices, inflation is not adversely affecting the City's budget. However, contracted increases for police and fire personnel are above the inflation rate and will start to have a negative effect on the City's budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF FOREST GROVE
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business type Activities	Total
ASSETS			
Cash and investments	\$ 15,582,138	\$ 12,643,349	\$ 28,225,487
Receivables			
Taxes	193,946	-	193,946
Assessments	207,977	-	207,977
Accounts, net	428,911	1,079,738	1,508,649
Inventories	-	555,410	555,410
Prepaid expenses	23,209	-	23,209
Investment in joint ventures	-	9,431,622	9,431,622
Capital assets			
Land	5,544,284	884,378	6,428,662
Construction in progress	233,356	174,500	407,856
Other capital assets, net of accumulated depreciation	21,686,102	37,247,926	58,934,028
Intangible assets, net of accumulated amortization	-	830,579	830,579
Total assets	<u>\$ 43,899,923</u>	<u>\$ 62,847,502</u>	<u>\$ 106,747,425</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 503,361	\$ 1,000,926	\$ 1,504,287
Due to CWS	-	124,504	124,504
Payroll and related accruals	216,249	73,582	289,831
Accrued interest payable	23,819	63,337	87,156
Deposits	24,505	-	24,505
Unearned revenue	-	81,605	81,605
Liabilities payable from restricted assets:			-
Accounts payable			-
Noncurrent liabilities:			
Due within one year:			
Bonds payable	315,000	225,000	540,000
Contracts payable	62,586	179,975	242,561
Due in more than one year:			
Bonds payable	3,205,000	4,070,000	7,275,000
Contracts payable	235,892	2,771,063	3,006,955
Compensated absences	595,542	215,095	810,637
Total liabilities	<u>5,181,954</u>	<u>8,805,087</u>	<u>13,987,041</u>
NET ASSETS			
Invested in capital assets, net of related debt	23,645,264	31,891,345	55,536,609
Restricted for:			
Future system development	-	2,266,295	2,266,295
Highways and streets	4,392,752	-	4,392,752
Debt service	422,376	-	422,376
Unrestricted	10,257,577	19,884,775	30,142,352
Total net assets	<u>38,717,969</u>	<u>54,042,415</u>	<u>92,760,384</u>
Total liabilities and net assets	<u>\$ 43,899,923</u>	<u>\$ 62,847,502</u>	<u>\$ 106,747,425</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, 2008

Functions / Programs	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 6,111,582	\$ 940,890	\$ -	\$ (2,439,371)	\$ -	\$ (2,439,371)
Public safety	6,221,645	138,486	-	(5,127,766)	-	(5,127,766)
Highways and streets	1,500,746	-	2,361,092	1,656,909	-	1,656,909
Culture and recreation	1,224,611	5,495	2,169,790	3,375,937	-	3,375,937
Interest on long-term debt	189,309	-	-	(189,309)	-	(189,309)
Total governmental activities	15,247,893	1,084,871	4,530,882	(2,723,600)	-	(2,723,600)
Business-type activities:						
Power services	12,439,207	39,174	-	-	2,126,458	2,126,458
Sewer services	3,617,372	-	486,504	-	1,024,306	1,024,306
Water services	3,537,382	-	405,227	-	23,094	23,094
Surface water management	326,346	-	841,497	-	1,091,659	1,091,659
Total business-type activities	19,920,307	39,174	1,733,228	-	4,265,517	4,265,517
Total primary government	\$ 35,168,200	\$ 1,124,045	\$ 6,264,110	\$ (2,723,600)	\$ 4,265,517	\$ 1,541,917
General revenues:						
Property taxes				6,215,196	-	6,215,196
Other taxes				1,164,881	-	1,164,881
Interest income				792,245	430,777	1,223,022
Loss on disposal of capital assets				(2,016)	(240,219)	(242,235)
Loss on investment in joint venture				-	(33,599)	(33,599)
Transfers				114,991	(112,587)	2,404
Total general revenues and transfers				8,285,297	44,372	8,329,669
Change in net assets				5,561,697	4,309,889	9,871,586
Net assets - beginning, as restated				33,156,272	49,732,526	82,888,798
Net assets - ending				\$ 38,717,969	\$ 54,042,415	\$ 92,760,384

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

CITY OF FOREST GROVE
Balance Sheet
Governmental Funds
June 30, 2008

	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	\$ 3,382,921	\$ 1,303,020	\$ 3,178,599	\$ 229,124	\$ 3,040,495	\$ 3,615,799	\$ 14,749,958
Receivables							
Taxes	177,866	-	-	-	-	16,080	193,946
Assessments	-	-	-	198,846	-	9,131	207,977
Accounts receivable	314,926	-	-	-	-	113,985	428,911
Prepaid expenditures	23,209	-	-	-	-	-	23,209
Total assets	<u>\$ 3,898,922</u>	<u>\$ 1,303,020</u>	<u>\$ 3,178,599</u>	<u>\$ 427,970</u>	<u>\$ 3,040,495</u>	<u>\$ 3,754,995</u>	<u>\$ 15,604,001</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 150,258	\$ 10,973	\$ 37,750	\$ -	\$ 28,175	\$ 194,738	\$ 421,894
Accrued payroll and related expenses	195,520	6,754	-	-	-	10,244	212,518
Deposits	-	-	-	-	-	24,505	24,505
Deferred revenue	393,029	-	-	198,846	-	31,384	623,259
Total liabilities	<u>738,807</u>	<u>17,727</u>	<u>37,750</u>	<u>198,846</u>	<u>28,175</u>	<u>260,871</u>	<u>1,282,176</u>
Fund Balances:							
Reserved for:							
Highways and streets	-	1,285,293	-	-	3,012,320	95,139	4,392,752
Public safety	-	-	-	-	-	914,108	914,108
Culture and recreation	-	-	-	-	-	1,689,346	1,689,346
Debt service	-	-	-	229,124	-	193,252	422,376
Prepaid expenditures	23,209	-	-	-	-	-	23,209
Unreserved, reported in							
General fund	3,136,906	-	-	-	-	-	3,136,906
Capital projects fund	-	-	3,140,849	-	-	-	3,140,849
Special revenue funds	-	-	-	-	-	602,279	602,279
Total fund balances	<u>3,160,115</u>	<u>1,285,293</u>	<u>3,140,849</u>	<u>229,124</u>	<u>3,012,320</u>	<u>3,494,124</u>	<u>14,321,825</u>
Total liabilities and fund balances	<u>\$ 3,898,922</u>	<u>\$ 1,303,020</u>	<u>\$ 3,178,599</u>	<u>\$ 427,970</u>	<u>\$ 3,040,495</u>	<u>\$ 3,754,995</u>	<u>\$ 15,604,001</u>

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

CITY OF FOREST GROVE
 Reconciliation of the Balance Sheet
 Governmental Funds to Statement of Net Assets
 June 30, 2008

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

Fund Balances - Governmental Funds		\$ 14,321,825
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets, cost	40,145,845	
Less accumulated depreciation	<u>(13,758,939)</u>	26,386,906

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

Deferred revenue		623,259
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due. These liabilities consist of:

Accrued interest payable	(23,819)	
Compensated absences	(589,225)	
Bonds payable	(3,520,000)	
Contracts payable	<u>(298,478)</u>	(4,431,522)

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

		<u>1,817,501</u>
Net assets of governmental activities		<u><u>\$ 38,717,969</u></u>

CITY OF FOREST GROVE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2008

	General Fund	Street Fund	Capital Projects Fund	Special Public Works Debt Service Fund	Traffic Impact Fee Fund	Other Governmental Funds	Total
REVENUES							
Property taxes	\$ 5,067,885	\$ -	\$ -	\$ -	\$ -	\$ 619,448	\$ 5,687,333
Franchise taxes	543,474	-	-	-	-	-	543,474
Other taxes	118,594	-	-	-	-	-	118,594
Licenses, permits, and fees	126,792	-	-	-	-	627,995	754,787
Internal charges	3,277,433	-	-	-	-	-	3,277,433
Intergovernmental	1,481,682	1,010,828	659,673	-	-	558,192	3,710,375
Charges for services	503,450	-	-	-	323,226	657,766	1,484,442
Grants and contributions	149,623	78,069	-	-	-	-	227,692
Special Assessments	-	-	-	6,554	-	-	6,554
Fines and penalties	327,039	-	-	-	-	-	327,039
Investment earnings	244,917	59,768	128,815	47,448	130,103	142,978	754,029
Miscellaneous revenue	77,952	-	-	-	-	-	77,952
Total revenues	<u>11,918,841</u>	<u>1,148,665</u>	<u>788,488</u>	<u>54,002</u>	<u>453,329</u>	<u>2,606,379</u>	<u>16,969,704</u>
EXPENDITURES							
Current							
General government	4,948,919	-	35,223	-	-	98,894	5,083,036
Public safety	5,947,893	-	-	-	-	160,223	6,108,116
Highways and streets	-	902,284	-	-	-	315,926	1,218,210
Culture and recreation	429,225	-	-	-	-	532,218	961,443
Debt service							
Principal	-	-	-	54,672	-	300,000	354,672
Interest	-	-	-	21,758	-	179,926	201,684
Capital outlay	-	1,024,236	738,777	-	115,575	448,010	2,326,598
Total expenditures	<u>11,326,037</u>	<u>1,926,520</u>	<u>774,000</u>	<u>76,430</u>	<u>115,575</u>	<u>2,035,197</u>	<u>16,253,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>592,804</u>	<u>(777,855)</u>	<u>14,488</u>	<u>(22,428)</u>	<u>337,754</u>	<u>571,182</u>	<u>715,945</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	6,000	-	-	-	-	127,784	133,784
Transfers out	(41,380)	-	-	-	-	(145,033)	(186,413)
Total other financing sources (uses)	<u>(35,380)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,249)</u>	<u>(52,629)</u>
Net change in fund balances	557,424	(777,855)	14,488	(22,428)	337,754	553,933	663,316
Fund balance - beginning	<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>
Fund balance - ending	<u>\$ 3,160,115</u>	<u>\$ 1,285,293</u>	<u>\$ 3,140,849</u>	<u>\$ 229,124</u>	<u>\$ 3,012,320</u>	<u>\$ 3,494,124</u>	<u>\$ 14,321,825</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, 2008

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

Net change in fund balance - governmental funds	\$	663,316
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Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeds capital outlay in the current period is:

Capital expenditures	1,040,354	
Less current year depreciation	<u>(1,160,393)</u>	(120,039)

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

Contributed capital assets	4,452,813	
Net book value of assets disposed of	<u>(2,016)</u>	4,450,797

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		(17,857)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences		42,633
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of those differences in the treatment of long-term debt and related items:

Change in accrued interest	12,375	
Principal payments	<u>354,672</u>	367,047

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

		<u>175,800</u>
Change in net assets of governmental activities	<u>\$</u>	<u>5,561,697</u>

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

CITY OF FOREST GROVE
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Light Fund	Sewer Fund	Water Fund	Nonmajor Enterprise Funds		
ASSETS						
Current assets:						
Cash and investments	\$ 5,283,538	\$ 1,735,985	\$ 2,641,654	\$ 2,982,172	\$ 12,643,349	\$ 832,180
Accounts receivable, net	752,305	168,973	131,246	27,214	1,079,738	-
Inventory	379,771	7,138	168,501	-	555,410	-
Total current assets	<u>6,415,614</u>	<u>1,912,096</u>	<u>2,941,401</u>	<u>3,009,386</u>	<u>14,278,497</u>	<u>832,180</u>
Investment in joint venture	-	-	9,431,622	-	9,431,622	-
Capital assets, net of accumulated depreciation	13,260,745	8,225,554	10,774,501	6,046,004	38,306,804	1,076,836
Intangible assets, net of accumulated amortization	-	-	830,579	-	830,579	-
Total assets	<u>\$ 19,676,359</u>	<u>\$ 10,137,650</u>	<u>\$ 23,978,103</u>	<u>\$ 9,055,390</u>	<u>\$ 62,847,502</u>	<u>\$ 1,909,016</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 392,134	\$ 239,454	\$ 226,070	\$ 143,268	\$ 1,000,926	\$ 81,467
Due to CWS	-	124,504	-	-	124,504	-
Accrued payroll and related expenses	50,761	5,608	14,893	2,320	73,582	3,731
Unearned revenue	54,391	-	-	27,214	81,605	-
Accrued interest payable	-	18,502	44,835	-	63,337	-
Current portion of bonds payable	-	-	225,000	-	225,000	-
Current portion of contracts payable	-	152,192	27,783	-	179,975	-
Total current liabilities	<u>497,286</u>	<u>540,260</u>	<u>538,581</u>	<u>172,802</u>	<u>1,748,929</u>	<u>85,198</u>
Long-term liabilities						
Bonds payable, less current portion	-	-	4,070,000	-	4,070,000	-
Contracts payable, less current portion	-	1,512,748	1,258,315	-	2,771,063	-
Compensated absences	110,216	-	104,879	-	215,095	6,317
Total long-term liabilities	<u>110,216</u>	<u>1,512,748</u>	<u>5,433,194</u>	<u>-</u>	<u>7,056,158</u>	<u>6,317</u>
Total liabilities	<u>607,502</u>	<u>2,053,008</u>	<u>5,971,775</u>	<u>172,802</u>	<u>8,805,087</u>	<u>91,515</u>
NET ASSETS						
Invested in capital assets, net of related debt	13,260,745	6,560,614	5,193,403	6,046,004	31,060,766	1,076,836
Restricted for systems development	-	-	-	2,266,295	2,266,295	-
Investment of municipality	-	-	9,431,622	-	9,431,622	-
Unrestricted	5,808,112	1,524,028	3,381,303	570,289	11,283,732	740,665
Total net assets	<u>19,068,857</u>	<u>8,084,642</u>	<u>18,006,328</u>	<u>8,882,588</u>	<u>54,042,415</u>	<u>1,817,501</u>
Total liabilities and net assets	<u>\$ 19,676,359</u>	<u>\$ 10,137,650</u>	<u>\$ 23,978,103</u>	<u>\$ 9,055,390</u>	<u>\$ 62,847,502</u>	<u>\$ 1,909,016</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, 2008

	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	\$ 12,607,665	\$ 3,474,226	\$ 2,189,092	\$ 1,551,881	\$ 19,822,864	\$ 757,406
Licenses and permits	1,864,832	164,384	278,705	-	2,307,921	4,177
Intergovernmental revenues	-	-	-	-	-	440,252
Operating grants	39,174	-	-	-	39,174	7,806
Miscellaneous	53,994	-	228,643	-	282,637	-
Total operating revenues	<u>14,565,665</u>	<u>3,638,610</u>	<u>2,696,440</u>	<u>1,551,881</u>	<u>22,452,596</u>	<u>1,209,641</u>
Operating expenses:						
System operation and maintenance	2,767,457	2,368,518	1,477,293	115,976	6,729,244	897,445
Electricity and water purchases	7,582,555	-	49,391	-	7,631,946	-
General fund administration charges	859,011	368,882	745,645	-	1,973,538	73,013
Payments in lieu of taxes	648,953	45,762	175,041	20,305	890,061	-
General and administrative costs	166,723	14,886	338,466	654,894	1,174,969	118,137
Depreciation and amortization	414,508	225,293	433,929	147,764	1,221,494	151,082
Total operating expenses	<u>12,439,207</u>	<u>3,023,341</u>	<u>3,219,765</u>	<u>938,939</u>	<u>19,621,252</u>	<u>1,239,677</u>
Operating income (loss)	<u>2,126,458</u>	<u>615,269</u>	<u>(523,325)</u>	<u>612,942</u>	<u>2,831,344</u>	<u>(30,036)</u>
Nonoperating revenues and (expenses)						
Investment earnings	146,488	59,837	108,476	115,976	430,777	38,216
Gain (loss) on sale of capital assets	(240,219)	-	-	-	(240,219)	-
Gain (loss) on investment in joint venture	-	-	(33,599)	-	(33,599)	-
Interest expense	-	(59,461)	(239,594)	-	(299,055)	-
Total nonoperating revenues and expenses	<u>(93,731)</u>	<u>376</u>	<u>(164,717)</u>	<u>115,976</u>	<u>(142,096)</u>	<u>38,216</u>
Income (loss) before contributions and transfers	<u>2,032,727</u>	<u>615,645</u>	<u>(688,042)</u>	<u>728,918</u>	<u>2,689,248</u>	<u>8,180</u>
Contributions and transfers						
Capital contributions	-	486,504	405,227	841,497	1,733,228	-
Transfers in	-	-	-	-	-	173,620
Transfers out	(87,543)	-	(25,044)	-	(112,587)	(6,000)
Total contributions and transfers	<u>(87,543)</u>	<u>486,504</u>	<u>380,183</u>	<u>841,497</u>	<u>1,620,641</u>	<u>167,620</u>
Change in net assets	1,945,184	1,102,149	(307,859)	1,570,415	4,309,889	175,800
Total net assets - beginning, as restated, Note IV. F.	17,123,673	6,982,493	18,314,187	7,312,173	49,732,526	1,641,701
Total net assets - ending	<u>\$ 19,068,857</u>	<u>\$ 8,084,642</u>	<u>\$ 18,006,328</u>	<u>\$ 8,882,588</u>	<u>\$ 54,042,415</u>	<u>\$ 1,817,501</u>

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

CITY OF FOREST GROVE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	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	\$ 14,463,305	\$ 3,625,049	\$ 2,706,582	\$ 1,551,881	\$ 22,346,817	\$ -
Receipt from interfund services provided	-	-	-	-	-	1,209,641
Payments to employees	(2,138,135)	(236,021)	(800,602)	(199,175)	(3,373,934)	(291,255)
Payments to suppliers	(9,697,540)	(2,521,300)	(1,979,517)	(521,275)	(14,719,632)	(736,780)
Net cash provided (used) by operating activities	<u>2,627,630</u>	<u>867,728</u>	<u>(73,537)</u>	<u>831,431</u>	<u>4,253,252</u>	<u>181,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds	-	-	-	-	-	173,620
Transfers to other funds	(87,543)	-	(25,044)	-	(112,587)	(6,000)
Net cash provided (used) by noncapital financing activities	<u>(87,543)</u>	<u>-</u>	<u>(25,044)</u>	<u>-</u>	<u>(112,587)</u>	<u>167,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Principal payments	-	(53,045)	(251,845)	-	(304,890)	-
Interest payments	-	(40,959)	(241,254)	-	(282,213)	-
Proceeds from sale of capital assets	3,328	-	-	-	3,328	-
Acquisition and construction of capital assets	(1,093,914)	(510,314)	(223,850)	(566,410)	(2,394,488)	(305,214)
Net cash provided (used) by capital and related financing activities	<u>(1,090,586)</u>	<u>(604,318)</u>	<u>(716,949)</u>	<u>(566,410)</u>	<u>(2,978,263)</u>	<u>(305,214)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	146,488	59,837	108,476	115,976	430,777	38,216
Net change in cash and cash equivalents	1,595,989	323,247	(707,054)	380,997	1,593,179	82,228
Cash and cash equivalents - beginning	3,687,549	1,412,738	3,348,708	2,601,175	11,050,170	749,952
Cash and cash equivalents - ending	<u>\$ 5,283,538</u>	<u>\$ 1,735,985</u>	<u>\$ 2,641,654</u>	<u>\$ 2,982,172</u>	<u>\$ 12,643,349</u>	<u>\$ 832,180</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,126,458	\$ 615,269	\$ (523,325)	\$ 612,942	2,831,344	\$ (30,036)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense and amortization	414,508	225,293	433,929	147,764	1,221,494	151,082
(Increase) decrease in accounts receivable	(156,751)	(13,561)	10,142	(1,222)	(161,392)	-
(Increase) decrease in inventories	170,449	498	(60,712)	-	110,235	-
Increase (decrease) in accounts payable	(13,231)	30,952	70,369	70,360	158,450	57,394
Increase (decrease) in accrued payroll and related expenses	13,268	2,316	1,195	365	17,144	-
Increase (decrease) in compensated absences	18,538	-	(5,135)	1,222	14,625	2,300
Increase (decrease) in deposits	54,391	-	-	-	54,391	-
Increase (decrease) in due to CWS	-	6,961	-	-	6,961	-
Total adjustments	501,172	252,459	449,788	218,489	1,421,908	210,776
Net cash provided (used) by operating activities	<u>\$ 2,627,630</u>	<u>\$ 867,728</u>	<u>\$ (73,537)</u>	<u>\$ 831,431</u>	<u>\$ 4,253,252</u>	<u>\$ 180,740</u>
Schedule of noncash capital, investment, and financing activities						
Contributions of capital assets	\$ -	\$ 486,504	\$ 405,227	\$ 841,497	\$ 1,733,228	\$ -
Gain (loss) on joint ventures	\$ -	\$ -	\$ (33,599)	\$ -	\$ (33,599)	\$ -

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, 2008

	<u>Agency Fund</u>	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>	<u>Total</u>
ASSETS				
Cash and investments	<u>\$ 318,011</u>	<u>\$ 21,031,579</u>	<u>\$ 41,313</u>	<u>\$ 21,390,903</u>
LIABILITIES				
Amounts held in trust	<u>\$ 318,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 318,011</u>
NET ASSETS				
Amounts held in trust:				
Library endowment	-	-	41,313	41,313
Pension benefits	<u>-</u>	<u>21,031,579</u>	<u>-</u>	<u>21,031,579</u>
Total net assets	<u>-</u>	<u>21,031,579</u>	<u>41,313</u>	<u>21,072,892</u>
Total liabilities and net assets	<u>\$ 318,011</u>	<u>\$ 21,031,579</u>	<u>\$ 41,313</u>	<u>\$ 21,390,903</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, 2008

	Pension Trust Fund	Private Purpose Trust Fund	Total
Additions			
Contributions	\$ 1,580,254	\$ -	\$ 1,580,254
Investment income (loss)	(577,249)	1,971	(575,278)
Total additions	<u>1,003,005</u>	<u>1,971</u>	<u>1,004,976</u>
Deductions			
Payments to retirees	1,083,379	-	1,083,379
Administrative expenses	55,029	-	55,029
Miscellaneous expenses	16,325	-	16,325
Investment expenses	22,918	-	22,918
Total deductions	<u>1,177,651</u>	<u>-</u>	<u>1,177,651</u>
Change in net assets before transfers	(174,646)	1,971	(172,675)
Transfers out	<u>-</u>	<u>(2,404)</u>	<u>(2,404)</u>
Change in net assets	(174,646)	(433)	(175,079)
Total net assets - beginning	21,206,225	41,746	21,247,971
Total net assets - ending	<u>\$ 21,031,579</u>	<u>\$ 41,313</u>	<u>\$ 21,072,892</u>

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

Notes to the Financial Statements

June 30, 2008

Note I - Summary of significant accounting policies**A. Reporting Entity**

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. These statements do not include fiduciary funds because their resources are not available to support the City's programs. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements

June 30, 2008

Note I - Summary of significant accounting policies, continued**C. Measurement focus, basis of accounting, and financial statement presentation, continued**

All other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

The government reports the following major governmental funds:

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

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

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

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

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

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

Notes to the Financial Statements

June 30, 2008

Note I - Summary of significant accounting policies, continued**C. Measurement focus, basis of accounting, and financial statement presentation, continued**

Fiduciary Funds are reported as follows:

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

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

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

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are payments in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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

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

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

D. Use of estimates

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

E. Assets, liabilities and net assets**1. Cash and investments**

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

Notes to the Financial Statements

June 30, 2008

Note I - Summary of significant accounting policies, continued**2. Receivables and payables**

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

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

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

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

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

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

3. Inventories and prepaid items

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

4. Capital assets

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

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

Notes to the Financial Statements

June 30, 2008

Note I - Summary of significant accounting policies, continued

4. Capital assets, continued

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

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

5. Intangible assets

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

6. Compensated absences

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

7. Long-term obligations

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

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

8. Fund equity

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

9. Reclassifications

Certain items for 2007 have been reclassified in the accompanying financial statements to conform to the presentation for 2008. The reclassification has no effect on the change in fund balance or net assets for the year ended June 30, 2007.

Notes to the Financial Statements

June 30, 2008

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, 2008.

General Fund: Library Department, \$6,781

Water Fund: Debt Service, \$6,220

Community Enhancement Fund: Materials and services, \$155

Sewer System Development Charges Fund: Materials and services, \$17,695

Note III - Detailed notes on all funds**A. Cash and investments***1. Cash and investments*

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

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.

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued**A. Cash and investments, continued**

As of June 30, 2008, the City's cash and investment balances were reported as follows:

Petty cash	\$ 1,400
Deposits with financial institutions	995,869
Certificates of deposit	4,261,733
U.S. Treasury strips	211,294
Investments in LGIP	23,114,515
Pension Trust Fund	<u>21,031,579</u>
Total cash and investments	49,616,390
Less cash and investments in trust and agency funds	<u>(21,390,903)</u>
Cash and investment, as reported in Primary Government Statement of Net Assets	<u>\$ 28,225,487</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, 2008, \$2,881,894 of the City's bank balance was exposed to custodial risk.

Investments. The City's investment in the State of Oregon Local Government Investment Pool ("Pool") is valued at the Pool's share price which is the price the investment could be sold for on June 30, 2008, the fair market value under GASB Statement 31.

Interest rate risk. As a 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. All funds must be invested in short-term investments except for reserves for capital projects, funded depreciation, funds held for debt retirement, claims and endowment funds. These funds are limited to maturities not exceeding 7 years. At year end, the City's investments consisted of LGIP, U.S. Treasury Strip and certificates of deposit. As of June 30, 2008, 77% of the investments in LGIP mature within 93 days, 3% mature within 94 days to one year and 20% mature within one to three years. As of June 30, 2008, 25% of the investments in the U.S. Treasury Strip matures in 138 days and the remaining 75% matures in one to three years.

Concentration of Credit Risk. The LGIP's portfolio concentration of credit risk at June 30, 2008 included: U.S. Agency securities (52.7%), Corporate bonds (26.2%), Commercial Paper (16.4%), Bank Notes (3.2%) and Certificates of Deposits (1.5%). The credit risk associated with the investments was: AAA rating (53.6%), AA rating (24.9%), A rating (18.4%), and not rated (3.1%).

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

The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and the investments managed as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short Term Funds Board, which establish diversification percentages and specify the types of maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually.

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued

A. Cash and investments, continued

2. Cash and investments - Pension Trust Fund:

The City of Forest Grove's Retirement Plan Trust plan assets are invested with Union Bank of California. As of June 30, 2008, the Pension Trust Fund's cash and investment balances were reported as follows:

Interest bearing cash	\$ 103,401
U.S. treasury notes	1,770,392
Mutual funds	<u>19,157,786</u>
Total cash and investments	<u>\$ 21,031,579</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates the City limits investments to maturities not exceeding seven years. As of June 30, 2008, 100% of the investments in U.S. treasury notes mature within seven years on June 30, 2012.

Custodial Credit Risk: 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, 2008, \$3,401 of the City's cash balance was exposed to custodial risk.

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	\$ 177,866	\$ -	\$ 16,080	\$ -	\$ -	\$ -	\$ -	\$ 193,946
Assessments	-	198,846	9,131	-	-	-	-	207,977
Accounts	<u>314,926</u>	<u>-</u>	<u>113,985</u>	<u>885,394</u>	<u>181,425</u>	<u>146,419</u>	<u>27,214</u>	<u>1,669,363</u>
Gross receivables	492,792	198,846	139,196	885,394	181,425	146,419	27,214	2,071,286
Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,089)</u>	<u>(12,452)</u>	<u>(15,173)</u>	<u>-</u>	<u>(160,714)</u>
Net receivables	<u>\$ 492,792</u>	<u>\$ 198,846</u>	<u>\$ 139,196</u>	<u>\$ 752,305</u>	<u>\$ 168,973</u>	<u>\$ 131,246</u>	<u>\$ 27,214</u>	<u>\$ 1,910,572</u>

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued**C. Deferred revenue**

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. These deferred revenue amounts are not reported in the statement of net assets, as the revenue is recognized in the government-wide Statement of Net Assets. As of June 30, 2008, the various components of deferred revenue in the governmental funds were as follows:

Property taxes	\$	141,357
Assessments receivable		207,977
Other		<u>273,925</u>
Total	\$	<u>623,259</u>

D. Capital assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,643,849	\$ 2,900,435	\$ -	\$ 5,544,284
Construction in progress	<u>21,025</u>	<u>217,331</u>	<u>(5,000)</u>	<u>233,356</u>
Total capital assets, not being depreciated	<u>2,664,874</u>	<u>3,117,766</u>	<u>(5,000)</u>	<u>5,777,640</u>
Capital assets, being depreciated:				
Buildings and improvements	11,336,552	17,719	-	11,354,271
Fixtures and equipment	5,068,121	370,728	(14,946)	5,423,903
Infrastructure	<u>17,735,305</u>	<u>2,297,168</u>	<u>-</u>	<u>20,032,473</u>
Total capital assets, being depreciated	34,139,978	2,685,615	(14,946)	36,810,647
Less accumulated depreciation	<u>(13,826,000)</u>	<u>(1,311,475)</u>	<u>12,930</u>	<u>(15,124,545)</u>
Total capital assets, being depreciated, net	<u>20,313,978</u>	<u>1,374,140</u>	<u>(2,016)</u>	<u>21,686,102</u>
Governmental activities capital assets, net	<u>\$ 22,978,852</u>	<u>\$ 4,491,906</u>	<u>\$ (7,016)</u>	<u>\$ 27,463,742</u>

Notes to the Financial Statements

June 30, 2008

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>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 884,378	\$ -	\$ -	\$ 884,378
Construction in progress	<u>463,930</u>	<u>1,046,085</u>	<u>(1,335,515)</u>	<u>174,500</u>
Total capital assets, not being depreciated	<u>1,348,308</u>	<u>1,046,085</u>	<u>(1,335,515)</u>	<u>1,058,878</u>
Capital assets, being depreciated:				
Buildings and improvements	8,785,557	-	-	8,785,557
Fixtures and equipment	18,011,871	1,425,902	(257,998)	19,179,775
Infrastructure	34,165,935	2,991,244	-	37,157,179
Intangible - water rights	<u>1,707,484</u>	<u>-</u>	<u>-</u>	<u>1,707,484</u>
Total capital assets, being depreciated	62,670,847	4,417,146	(257,998)	66,829,995
Less accumulated depreciation and amortization:				
Accumulated depreciation	(26,710,319)	(1,178,717)	14,451	(27,874,585)
Accumulated amortization	<u>(834,128)</u>	<u>(42,777)</u>	<u>-</u>	<u>(876,905)</u>
Total accumulated depreciation	<u>(27,544,447)</u>	<u>(1,221,494)</u>	<u>14,451</u>	<u>(28,751,490)</u>
Total capital assets, being depreciated, net	<u>35,126,400</u>	<u>3,195,652</u>	<u>(243,547)</u>	<u>38,078,505</u>
Business-type activities capital assets, net	<u>\$ 36,474,708</u>	<u>\$ 4,241,737</u>	<u>\$ (1,579,062)</u>	<u>\$ 39,137,383</u>

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

Governmental activities:	
General government	\$ 229,185
Public safety	156,162
Highways and streets	662,960
Culture and recreation	<u>263,168</u>
Total depreciation expense - governmental activities	<u>\$ 1,311,475</u>
Business-type activities:	
Light	\$ 414,508
Sewer	225,293
Water	433,929
Surface water management	<u>147,764</u>
Total depreciation expense - business-type activities	<u>\$ 1,221,494</u>

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued

E. Long-term debt

Bonds and contracts outstanding at year end are as follows:

<u>Description</u>	<u>Amount</u>
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.	\$ 395,000
Improvement bond issued in 1999, original amount of \$5,000,000 with interest rates ranging from 4.00% to 4.85%, matures in 2018	3,125,000
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%	144,522
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>153,956</u>
Total governmental activities	<u>3,818,478</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	4,295,000
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%.	1,286,098
Contract payable to Clean Water Services related to the Forest Grove Rehabilitation project; annual payments through 2016 of \$94,004 including interest of 3.77%	677,105
Contract payable to Clean Water Services related to the Forest Grove Sunset Drive Sanitary Sewer project; annual payments through 2018 of \$121,995 including interest of 4.20%	<u>987,835</u>
Total business-type activities	<u>7,246,038</u>
Total bonds and contracts	<u>\$ 11,064,516</u>

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

<u>Year ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 377,586	\$ 184,384	\$ 404,976	\$ 29,115
2010	395,694	165,975	420,384	219,061
2011	404,007	146,391	437,724	262,572
2012	362,886	126,144	455,355	245,141
2013	1,893,305	362,167	468,290	226,687
2014 - 2018	385,000	18,672	2,399,145	842,470
2019 - 2023	-	-	1,910,159	396,170
2024 - 2027	-	-	249,604	114,381
2028 - 2032	-	-	296,452	67,533
2033 - 2036	-	-	203,949	14,440
Total	<u>\$ 3,818,478</u>	<u>\$ 1,003,733</u>	<u>\$ 7,246,038</u>	<u>\$ 2,417,570</u>

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued**E. Long-term debt, continued**

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

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,820,000	\$ -	\$ (300,000)	\$ 3,520,000	\$ 315,000
Contracts payable	353,150	-	(54,672)	298,478	62,586
Total bonds and contracts payable	4,173,150	-	(354,672)	3,818,478	377,586
Compensated absences	635,875	-	(40,333)	595,542	-
Governmental activity long-term liabilities	<u>\$ 4,809,025</u>	<u>\$ -</u>	<u>\$ (395,005)</u>	<u>\$ 4,414,020</u>	<u>\$ 377,586</u>
Business-type activities					
Revenue bonds	\$ 4,520,000	\$ -	\$ (225,000)	\$ 4,295,000	\$ 225,000
Contracts payable	3,030,928	-	(79,890)	2,951,038	179,975
Total bonds and contracts payable	7,550,928	-	(304,890)	7,246,038	404,975
Compensated absences	201,692	13,403	-	215,095	-
Business-type activity long-term liabilities	<u>\$ 7,752,620</u>	<u>\$ 13,403</u>	<u>\$ (304,890)</u>	<u>\$ 7,461,133</u>	<u>\$ 404,975</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$3,731 of internal service funds compensated absences are included in the above amounts. Also for governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

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:

Description	Amount
Revenue bond issued by Pacific University on September 1, 2005 for \$41,000,000 to improve campus facilities, maturing May 1, 2036.	\$ 41,000,000
Revenue bond issued by Pacific University on September 1, 2005 for \$5,625,000 to improve campus facilities, maturing May 1, 2012.	3,925,000
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>\$ 75,385,000</u>

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued

G. Interfund transfers

Transfers out:	Transfers in:			Total
	General fund	Nonmajor governmental funds	Internal service funds	
General fund	\$ -	\$ 41,380	\$ -	\$ 41,380
Light fund	-	-	87,543	87,543
Water fund	-	-	25,044	25,044
Nonmajor governmental funds	-	84,000	61,033	145,033
Internal service funds	6,000	-	-	6,000
Fiduciary funds	-	2,404	-	2,404
Total	\$ 6,000	\$ 127,784	\$ 173,620	\$ 307,404

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

H. Pension plan

The City has a defined benefit single employer retirement plan covering substantially all employees. Employees are divided into two groups: Public Safety Members (consisting of 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. Beginning July 1, 2003, the employee groups were combined for reporting purposes. Early retirement is available after age 50, with reduced benefits except for public safety employees with at least 25 years of service or general members with at least 30 years of service. As of July 1, 2008, the plan consisted of 128 active members and 90 inactive members, which consist of 64 retired members, 17 members who have terminated with vested accounts, and 9 terminated nonvested members with account balances.

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

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

Notes to the Financial Statements

June 30, 2008

Note III - Detailed notes on all funds, continued

H. Pension plan, continued

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
2008	\$ 21,031,579	\$ 29,772,076	\$ 8,740,497	71 %	\$ 7,652,811	114 %
2007	21,206,225	27,291,995	6,085,770	78 %	7,904,747	77 %
2006	17,745,264	24,620,703	6,875,439	72 %	7,263,639	95 %
2005	15,772,703	22,469,766	6,697,063	70 %	6,853,015	98 %
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 %

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

Year ended June 30,	Annual Pension Cost	Annual Required Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation/ (Surplus)
2008	827,154	832,428	123 %	(442,022)
2007	816,146	817,960	101 %	(248,616)
2006	736,164	734,571	121 %	(82,136)
2005	790,508	790,589	91 %	67,560
2004	670,170	670,113	100 %	(3,249)
2003	523,121	523,085	100 %	(2,189)

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

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

Notes to the Financial Statements

June 30, 2008

Note IV - Other information**A. Risk management**

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

B. Transactions with Clean Water Services of Washington County

The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1% of sewer service charges collected, 20% of connection charges collected, and 75% of surface water management fees collected in accordance with agreements between the City and CWS. The amount collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2008 was \$3,084,205. The amount due to and payable to CWS at June 30, 2008 is \$124,504.

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, 2008 is \$8,659,433. 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, 2008 is \$772,189. 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.

Notes to the Financial Statements

June 30, 2008

Note IV - Other information, continued**E. Commitments and contingencies**

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

F. Prior period adjustment

1. During the fiscal year ending 2007 two agreements were finalized with Clean Water Services (CWS), but the contracts for repayment were not recorded. Therefore, the City's beginning Business-type Activities and Sewer Enterprise Fund net assets were adjusted to properly record two contracts with Clean Water Services at June 30, 2007.

Sewer Fund

Net assets, June 30, 2007, as previously reported	\$ 8,700,478
Adjustment to correct	<u>(1,717,985)</u>
Net assets, July 1, 2007, as restated	<u>\$ 6,982,493</u>

Business-type Activities

Net assets, June 30, 2007, as previously reported	\$ 51,450,511
Adjustment to correct	<u>(1,717,985)</u>
Net assets, July 1, 2007, as restated	<u>\$ 49,732,526</u>

2. The City's Governmental Activities beginning net assets in the statement of activities were adjusted to record revenues on a full accrual basis at June 30, 2007.

Governmental Activities

Net assets, June 30, 2007, as previously reported	\$ 32,866,389
Adjustment to correct	<u>289,883</u>
Net assets, July 1, 2007, as restated	<u>\$ 33,156,272</u>

G. Subsequent event - financial crisis effect of the City's investments

The City's Primary Government investment in the Local Government Investment Pool through the Oregon Short-Term Fund (OSTF) has exposure to the financial crisis, in particular, the bankruptcy filing by Lehman Brothers Holdings, Inc. The OSTF has exposure to Lehman bonds representing about 2% of the total fund. The OSTF expects to amortize the Lehman bonds at a recovery value to their respective maturity dates based on current expected recovery information, resulting in rate reduction adjustment to the OSTF. The OSTF expects to adjust rates based on general market conditions.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FOREST GROVE

GENERAL FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Property taxes	\$ 4,987,044	\$ 4,987,044	\$ 5,067,885	\$ 80,841
Franchise taxes	545,480	545,480	543,474	(2,006)
Internal charges	3,256,926	3,256,926	3,277,433	20,507
Other taxes	129,000	129,000	118,594	(10,406)
Licenses and permits	150,550	150,550	126,792	(23,758)
Intergovernmental revenues	1,554,013	1,554,013	1,481,682	(72,331)
Other services	387,300	387,300	503,450	116,150
Fines and penalties	331,500	331,500	327,039	(4,461)
Investment earnings	175,000	175,000	244,917	69,917
Other revenue	31,650	31,650	77,952	46,302
Grants and contributions	<u>210,112</u>	<u>210,112</u>	<u>149,623</u>	<u>(60,489)</u>
Total revenues	<u>11,758,575</u>	<u>11,758,575</u>	<u>11,918,841</u>	<u>160,266</u>
Expenditures:				
Legislative and Executive				
Personal Services	\$ 378,892	\$ 383,892	\$ 381,676	\$ 2,216
Materials and Services	<u>65,060</u>	<u>65,060</u>	<u>61,924</u>	<u>3,136</u>
Total Legislative and Executive	<u>443,952</u>	<u>448,952</u>	<u>443,600</u>	<u>5,352</u>
Administrative Services				
Personal Services	1,159,878	1,159,878	1,175,976	(16,098)
Materials and Services	<u>584,645</u>	<u>584,645</u>	<u>541,943</u>	<u>42,702</u>
Total Administrative Services	<u>1,744,523</u>	<u>1,744,523</u>	<u>1,717,919</u>	<u>26,604</u>
Library				
Personal Services	621,337	646,337	648,042	(1,705)
Materials and Services	<u>115,096</u>	<u>115,096</u>	<u>120,172</u>	<u>5,076</u>
Total Library	<u>736,433</u>	<u>761,433</u>	<u>768,214</u>	<u>(6,781)</u>
Planning				
Personal Services	262,346	276,346	281,416	(5,070)
Materials and Services	<u>80,101</u>	<u>230,101</u>	<u>147,810</u>	<u>82,291</u>
Total Planning	<u>342,447</u>	<u>506,447</u>	<u>429,226</u>	<u>77,221</u>
Fire				
Personal Services	1,814,704	1,814,704	1,854,336	(39,632)
Materials and Services	426,383	426,383	413,814	12,569
Capital Outlay	194,998	194,998	135,510	59,488
Total Fire	<u>2,436,085</u>	<u>2,436,085</u>	<u>2,403,660</u>	<u>32,425</u>
Engineering				
Personal Services	685,463	685,463	687,507	(2,044)
Materials and Services	<u>58,136</u>	<u>198,136</u>	<u>184,959</u>	<u>13,177</u>
Total Engineering	<u>743,599</u>	<u>883,599</u>	<u>872,466</u>	<u>11,133</u>
Police				
Personal Services	3,091,757	3,091,757	3,090,137	1,620
Materials and Services	417,866	417,866	421,005	(3,139)
Capital Outlay	58,292	58,292	33,087	25,205
Total Police	<u>3,567,915</u>	<u>3,567,915</u>	<u>3,544,229</u>	<u>23,686</u>
Aquatics				
Personal Services	306,191	326,191	333,404	(7,213)
Materials and Services	<u>190,247</u>	<u>190,247</u>	<u>169,867</u>	<u>20,380</u>
Total Aquatics	<u>496,438</u>	<u>516,438</u>	<u>503,271</u>	<u>13,167</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Parks and Recreation				
Personal Services	340,652	350,652	351,136	(484)
Materials and Services	<u>96,004</u>	<u>96,004</u>	<u>93,735</u>	<u>2,269</u>
Total Parks and Recreation	<u>436,656</u>	<u>446,656</u>	<u>444,871</u>	<u>1,785</u>
Municipal Court				
Personal Services	116,249	116,249	112,091	4,158
Materials and Services	<u>104,686</u>	<u>104,686</u>	<u>80,345</u>	<u>24,341</u>
Total Municipal Court	<u>220,935</u>	<u>220,935</u>	<u>192,436</u>	<u>28,499</u>
Nondepartmental				
Personal Services	15,000	15,000	6,145	8,855
Contingency	<u>865,000</u>	<u>651,000</u>	<u>-</u>	<u>651,000</u>
Total expenditures	<u>12,048,983</u>	<u>12,198,983</u>	<u>11,326,037</u>	<u>872,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(267,408)</u>	<u>(440,408)</u>	<u>592,804</u>	<u>1,033,212</u>
Other financing sources (uses):				
Transfers in	22,375	22,375	6,000	(16,375)
Transfers out	<u>(61,380)</u>	<u>(61,380)</u>	<u>(41,380)</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(39,005)</u>	<u>(39,005)</u>	<u>(35,380)</u>	<u>3,625</u>
Net change in fund balance	(306,413)	(479,413)	557,424	1,036,837
Fund Balance:				
Beginning of year	<u>2,332,336</u>	<u>2,332,336</u>	<u>2,602,691</u>	<u>270,355</u>
End of year	<u>\$ 2,025,923</u>	<u>\$ 1,852,923</u>	<u>\$ 3,160,115</u>	<u>\$ 1,307,192</u>

CITY OF FOREST GROVE
STREET FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 1,152,212	\$ 1,152,211	\$ 1,010,828	\$ (141,383)
Investment earnings	77,127	77,127	59,768	(17,359)
Grants and contributions	<u>227,950</u>	<u>227,950</u>	<u>78,069</u>	<u>(149,881)</u>
Total revenues	<u>1,457,289</u>	<u>1,457,288</u>	<u>1,148,665</u>	<u>(308,623)</u>
Expenditures:				
Personal services	204,681	228,681	221,001	7,680
Materials and services	399,513	399,513	300,859	98,654
Capital outlay	1,165,821	1,253,125	1,024,236	228,889
Internal service charges	380,424	380,424	380,424	-
Contingency	<u>635,031</u>	<u>523,726</u>	<u>-</u>	<u>523,726</u>
Total expenditures	<u>2,785,470</u>	<u>2,785,469</u>	<u>1,926,520</u>	<u>858,949</u>
Net change in fund balance	(1,328,181)	(1,328,181)	(777,855)	550,326
Fund Balance:				
Beginning of year	<u>1,928,181</u>	<u>1,928,181</u>	<u>2,063,148</u>	<u>134,967</u>
End of year	<u>\$ 600,000</u>	<u>\$ 600,000</u>	<u>\$ 1,285,293</u>	<u>\$ 685,293</u>

CITY OF FOREST GROVE
CAPITAL PROJECTS FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 604,474	\$ 604,474	\$ 659,673	\$ 55,199
Investment earnings	142,500	142,500	128,815	(13,685)
Grants and contributions	<u>70,000</u>	<u>70,000</u>	<u>-</u>	<u>(70,000)</u>
Total revenues	<u>816,974</u>	<u>816,974</u>	<u>788,488</u>	<u>(28,486)</u>
Expenditures:				
Materials and services	70,000	70,000	35,223	34,777
Capital outlay	<u>3,858,025</u>	<u>3,858,025</u>	<u>738,777</u>	<u>3,119,248</u>
Total expenditures	<u>3,928,025</u>	<u>3,928,025</u>	<u>774,000</u>	<u>3,154,025</u>
Net change in fund balance	(3,111,051)	(3,111,051)	14,488	3,125,539
Fund Balance:				
Beginning of year	<u>3,111,051</u>	<u>3,111,051</u>	<u>3,126,361</u>	<u>15,310</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,140,849</u>	<u>\$ 3,140,849</u>

CITY OF FOREST GROVE
SPECIAL PUBLIC WORKS DEBT SERVICE FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 36,500	\$ 36,500	\$ 47,448	\$ 10,948
Special assessments	4,000	4,000	6,554	2,554
Total revenues	<u>40,500</u>	<u>40,500</u>	<u>54,002</u>	<u>13,502</u>
Expenditures:				
Materials and services	1,000	1,000	-	1,000
Debt service	<u>76,430</u>	<u>76,430</u>	<u>76,430</u>	<u>-</u>
Total expenditures	<u>77,430</u>	<u>77,430</u>	<u>76,430</u>	<u>1,000</u>
Net change in fund balance	(36,930)	(36,930)	(22,428)	14,502
Fund Balance:				
Beginning of year	<u>119,027</u>	<u>119,027</u>	<u>251,552</u>	<u>132,525</u>
End of year	<u>\$ 82,097</u>	<u>\$ 82,097</u>	<u>\$ 229,124</u>	<u>\$ 147,027</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 1,000,000	\$ 1,000,000	\$ -	\$ (1,000,000)
Charges for services	447,650	447,650	323,226	(124,424)
Investment earnings	<u>94,301</u>	<u>94,301</u>	<u>130,103</u>	<u>35,802</u>
Total revenues	<u>1,541,951</u>	<u>1,541,951</u>	<u>453,329</u>	<u>(1,088,622)</u>
Expenditures:				
Capital outlay	<u>4,236,262</u>	<u>4,236,262</u>	<u>115,575</u>	<u>4,120,687</u>
Net change in fund balance	(2,694,311)	(2,694,311)	337,754	3,032,065
Fund balance:				
Beginning of year	<u>2,694,311</u>	<u>2,694,311</u>	<u>2,674,566</u>	<u>(19,745)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,012,320</u>	<u>\$ 3,012,320</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF FOREST GROVE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Capital Projects Funds	General Debt Service Fund	Total
ASSETS				
Cash and investments	\$ 1,042,125	\$ 2,384,782	\$ 188,892	\$ 3,615,799
Taxes receivable	-	-	16,080	16,080
Accounts receivable, net	112,583	10,533	-	123,116
Total assets	\$ 1,154,708	\$ 2,395,315	\$ 204,972	\$ 3,754,995
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 148,771	\$ 45,967	\$ -	\$ 194,738
Accrued payroll and related expenses	10,244	-	-	10,244
Deferred revenue	9,131	10,533	11,720	31,384
Deposits	24,505	-	-	24,505
Total liabilities	192,651	56,500	11,720	260,871
Fund Balances:				
Reserved for:				
Highways and streets	95,139	-	-	95,139
Public safety	61,419	852,689	-	914,108
Culture and recreation	203,220	1,486,126	-	1,689,346
Debt service	-	-	193,252	193,252
Unreserved	602,279	-	-	602,279
Total fund balances	962,057	2,338,815	193,252	3,494,124
Total liabilities and fund balances	\$ 1,154,708	\$ 2,395,315	\$ 204,972	\$ 3,754,995

CITY OF FOREST GROVE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Funds	Capital Projects Funds	General Debt Service Fund	Total
REVENUES				
Taxes	\$ 160,223	\$ -	\$ 459,225	\$ 619,448
Charges for services	-	657,766	-	657,766
Intergovernmental revenues	531,685	26,507	-	558,192
Licenses and permits	627,995	-	-	627,995
Investment earnings	30,253	96,610	16,115	142,978
Total revenues	<u>1,350,156</u>	<u>780,883</u>	<u>475,340</u>	<u>2,606,379</u>
EXPENDITURES				
Current				
General government	98,894	-	-	98,894
Public safety	160,223	-	-	160,223
Highways and streets	315,926	-	-	315,926
Community development	532,218	-	-	532,218
Debt service				
Principal	-	-	300,000	300,000
Interest	-	-	179,926	179,926
Capital outlay	-	448,010	-	448,010
Total expenditures	<u>1,107,261</u>	<u>448,010</u>	<u>479,926</u>	<u>2,035,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>242,895</u>	<u>332,873</u>	<u>(4,586)</u>	<u>571,182</u>
OTHER FINANCING SOURCES				
Transfers in	2,404	125,380	-	127,784
Transfers out	-	(145,033)	-	(145,033)
Total other financing sources (uses)	<u>2,404</u>	<u>(19,653)</u>	<u>-</u>	<u>(17,249)</u>
Net change in fund balances	245,299	313,220	(4,586)	553,933
Fund balance - beginning	716,758	2,025,595	197,838	2,940,191
Fund balance - ending	<u>\$ 962,057</u>	<u>\$ 2,338,815</u>	<u>\$ 193,252</u>	<u>\$ 3,494,124</u>

CITY OF FOREST GROVE
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2008

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Assessment Fund	Library Donations Fund	Community Enhancement Fund	Trail System Fund	Transportation Services Fund	Total
ASSETS										
Cash and investments	\$ 617,379	\$ 95,139	\$ 27,647	\$ 85,924	\$ -	\$ 4,150	\$ 44,912	\$ 156,272	\$ 10,702	\$ 1,042,125
Accounts receivable, net	-	-	-	-	9,131	-	-	-	103,452	112,583
Total assets	<u>\$ 617,379</u>	<u>\$ 95,139</u>	<u>\$ 27,647</u>	<u>\$ 85,924</u>	<u>\$ 9,131</u>	<u>\$ 4,150</u>	<u>\$ 44,912</u>	<u>\$ 156,272</u>	<u>\$ 114,154</u>	<u>\$ 1,154,708</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 4,856	\$ -	\$ 27,647	\$ -	\$ -	\$ -	\$ 2,114	\$ -	\$ 114,154	\$ 148,771
Accrued payroll and related expenses	10,244	-	-	-	-	-	-	-	-	10,244
Unearned revenue	-	-	-	-	9,131	-	-	-	-	9,131
Deposits	-	-	-	24,505	-	-	-	-	-	24,505
Total liabilities	<u>15,100</u>	<u>-</u>	<u>27,647</u>	<u>24,505</u>	<u>9,131</u>	<u>-</u>	<u>2,114</u>	<u>-</u>	<u>114,154</u>	<u>192,651</u>
Fund Balances:										
Reserved for:										
Highways and streets	-	95,139	-	-	-	-	-	-	-	95,139
Public safety	-	-	-	61,419	-	-	-	-	-	61,419
Culture and recreation	-	-	-	-	-	4,150	42,798	156,272	-	203,220
Unreserved	602,279	-	-	-	-	-	-	-	-	602,279
Total fund balances	<u>602,279</u>	<u>95,139</u>	<u>-</u>	<u>61,419</u>	<u>-</u>	<u>4,150</u>	<u>42,798</u>	<u>156,272</u>	<u>-</u>	<u>962,057</u>
Total liabilities and fund balances	<u>\$ 617,379</u>	<u>\$ 95,139</u>	<u>\$ 27,647</u>	<u>\$ 85,924</u>	<u>\$ 9,131</u>	<u>\$ 4,150</u>	<u>\$ 44,912</u>	<u>\$ 156,272</u>	<u>\$ 114,154</u>	<u>\$ 1,154,708</u>

CITY OF FOREST GROVE
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Special Revenue Funds
 For the Year Ended June 30, 2008

	Building Permits Fund	Street Tree Fund	911 Emergency Fund	Forfeiture Sharing Fund	Library Donations Fund	Community Enhancement Fund	Trail System Fund	Transportation Services Fund	Total
REVENUES									
Taxes	\$ -	\$ -	\$ 160,223	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,223
Intergovernmental revenues	-	-	-	-	-	79,164	156,123	296,398	531,685
Licenses and permits	594,115	33,880	-	-	-	-	-	-	627,995
Investment earnings	24,300	3,191	-	2,414	-	199	149	-	30,253
Total revenues	618,415	37,071	160,223	2,414	-	79,363	156,272	296,398	1,350,156
EXPENDITURES									
Current									
General government	-	-	-	-	-	98,894	-	-	98,894
Public safety	-	-	160,223	-	-	-	-	-	160,223
Highways and streets	-	19,528	-	-	-	-	-	296,398	315,926
Culture and recreation	532,218	-	-	-	-	-	-	-	532,218
Total expenditures	532,218	19,528	160,223	-	-	98,894	-	296,398	1,107,261
Excess (deficiency) of revenues over (under) expenditures	86,197	17,543	-	2,414	-	(19,531)	156,272	-	242,895
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	2,404	-	-	-	2,404
Net change in fund balances	86,197	17,543	-	2,414	2,404	(19,531)	156,272	-	245,299
Fund balance - beginning	516,082	77,596	-	59,005	1,746	62,329	-	-	716,758
Fund balance - ending	\$ 602,279	\$ 95,139	\$ -	\$ 61,419	\$ 4,150	\$ 42,798	\$ 156,272	\$ -	\$ 962,057

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)
Licenses and permits	560,522	560,522	594,115	33,593
Investment earnings	<u>25,000</u>	<u>25,000</u>	<u>24,300</u>	<u>(700)</u>
Total revenues	<u>645,522</u>	<u>645,522</u>	<u>618,415</u>	<u>(27,107)</u>
Expenditures:				
Personal services	450,226	450,226	415,073	35,153
Materials and services	209,445	209,445	63,195	146,250
Internal service charges	53,950	53,950	53,950	-
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>813,621</u>	<u>813,621</u>	<u>532,218</u>	<u>281,403</u>
Excess (deficiency) of revenues over (under) expenditures	(168,099)	(168,099)	86,197	254,296
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	(148,099)	(148,099)	86,197	234,296
Fund Balance:				
Beginning of year	<u>562,423</u>	<u>562,423</u>	<u>516,082</u>	<u>(46,341)</u>
End of year	<u>\$ 414,324</u>	<u>\$ 414,324</u>	<u>\$ 602,279</u>	<u>\$ 187,955</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 74,732	\$ 74,732	\$ 33,880	\$ (40,852)
Investment earnings	<u>2,700</u>	<u>2,700</u>	<u>3,191</u>	<u>491</u>
Total revenues	<u>77,432</u>	<u>77,432</u>	<u>37,071</u>	<u>(40,361)</u>
Expenditures:				
Materials and services	<u>142,368</u>	<u>142,368</u>	<u>19,528</u>	<u>122,840</u>
Net change in fund balance	(64,936)	(64,936)	17,543	82,479
Fund Balance:				
Beginning of year	<u>64,936</u>	<u>64,936</u>	<u>77,596</u>	<u>12,660</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,139</u>	<u>\$ 95,139</u>

CITY OF FOREST GROVE
911 EMERGENCY FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other taxes	<u>\$ 125,000</u>	<u>\$ 161,000</u>	<u>\$ 160,223</u>	<u>\$ (777)</u>
Expenditures:				
Materials and services	<u>125,000</u>	<u>161,000</u>	<u>160,223</u>	<u>777</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,414</u>	<u>\$ 2,414</u>
Expenditures:				
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2,414</u>	<u>2,414</u>
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>59,005</u>	<u>59,005</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,419</u>	<u>\$ 61,419</u>

CITY OF FOREST GROVE
LIBRARY DONATIONS FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Materials and services	<u>2,404</u>	<u>2,404</u>	<u>-</u>	<u>2,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,404)</u>	<u>(2,404)</u>	<u>-</u>	<u>2,404</u>
Other financing sources (uses):				
Transfers in	<u>2,404</u>	<u>2,404</u>	<u>2,404</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>2,404</u>	<u>2,404</u>
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>1,746</u>	<u>(1,746)</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,150</u>	<u>\$ 4,150</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 84,250	\$ 84,250	\$ 79,164	\$ (5,086)
Investment earnings	<u>1,300</u>	<u>1,300</u>	<u>199</u>	<u>(1,101)</u>
Total revenues	<u>85,550</u>	<u>85,550</u>	<u>79,363</u>	<u>(6,187)</u>
Expenditures:				
Materials and services	<u>98,739</u>	<u>98,739</u>	<u>98,894</u>	<u>(155)</u>
Net change in fund balance	(13,189)	(13,189)	(19,531)	(6,342)
Fund Balance:				
Beginning of year	<u>52,757</u>	<u>52,757</u>	<u>62,329</u>	<u>9,572</u>
End of year	<u>\$ 39,568</u>	<u>\$ 39,568</u>	<u>\$ 42,798</u>	<u>\$ 3,230</u>

CITY OF FOREST GROVE
TRAIL SYSTEM FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 51,000	\$ 51,000	\$ 156,123	\$ 105,123
Investment earnings	-	-	149	149
Total revenues	<u>51,000</u>	<u>51,000</u>	<u>156,272</u>	<u>105,272</u>
Expenditures:				
Materials and services	6,000	6,000	-	6,000
Capital outlay	45,000	45,000	-	45,000
Total expenditures	<u>51,000</u>	<u>51,000</u>	<u>-</u>	<u>51,000</u>
Net change in fund balance	-	-	156,272	156,272
Fund Balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,272</u>	<u>\$ 156,272</u>

CITY OF FOREST GROVE
TRANSPORTATION SERVICES FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 900,000	\$ 900,000	\$ 296,398	\$ (603,602)
Expenditures:				
Materials and services	900,000	900,000	296,398	603,602
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUNDS

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

Funds included in the category are:

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

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

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

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

CITY OF FOREST GROVE
Combining Balance Sheet
Capital Projects Funds
June 30, 2008

	Park Development Fund	Fire Equipment Replacement Fund	Bikeway Development Fund	CIP Excise Tax Fund	Total
ASSETS					
Cash and cash equivalents	\$ 1,508,026	\$ 716,630	\$ 58,087	\$ 102,039	\$ 2,384,782
Accounts receivable, net	-	-	-	10,533	10,533
Total assets	<u>\$ 1,508,026</u>	<u>\$ 716,630</u>	<u>\$ 58,087</u>	<u>\$ 112,572</u>	<u>\$ 2,395,315</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,900	\$ 24,067	\$ -	\$ -	\$ 45,967
Deferred revenue	-	-	-	10,533	10,533
Total liabilities	<u>21,900</u>	<u>24,067</u>	<u>-</u>	<u>10,533</u>	<u>56,500</u>
Fund Balances:					
Reserved for:					
Public safety	\$ -	\$ 692,563	\$ 58,087	\$ 102,039	\$ 852,689
Culture and recreation	1,486,126	-	-	-	1,486,126
Total fund balances	<u>1,486,126</u>	<u>692,563</u>	<u>58,087</u>	<u>102,039</u>	<u>2,338,815</u>
Total liabilities and fund balances	<u>\$ 1,508,026</u>	<u>\$ 716,630</u>	<u>\$ 58,087</u>	<u>\$ 112,572</u>	<u>\$ 2,395,315</u>

CITY OF FOREST GROVE
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance
Capital Projects Funds
For the Year Ended June 30, 2008

	Park Development Fund	Fire Equipment Replacement Fund	Bikeway Development Fund	CIP Excise Tax Fund	Total
REVENUES					
Intergovernmental revenues	\$ -	\$ 17,431	\$ 9,076	\$ -	\$ 26,507
Charges for services	453,000	-	-	204,766	657,766
Investment earnings	63,418	29,849	2,417	926	96,610
Total revenues	<u>516,418</u>	<u>47,280</u>	<u>11,493</u>	<u>205,692</u>	<u>780,883</u>
EXPENDITURES					
Current					
Capital outlay	293,120	92,131	62,759	-	448,010
Excess (deficiency) of revenues over (under) expenditures	223,298	(44,851)	(51,266)	205,692	332,873
OTHER FINANCING SOURCES (USES)					
Transfers in	-	84,000	-	41,380	125,380
Transfers out	-	-	-	(145,033)	(145,033)
Total other financing sources (uses)	<u>-</u>	<u>84,000</u>	<u>-</u>	<u>(103,653)</u>	<u>(19,653)</u>
Net change in fund balances	223,298	39,149	(51,266)	102,039	313,220
Fund balance - beginning	1,262,828	653,414	109,353	-	2,025,595
Fund balance - ending	<u>\$ 1,486,126</u>	<u>\$ 692,563</u>	<u>\$ 58,087</u>	<u>\$ 102,039</u>	<u>\$ 2,338,815</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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 447,000	\$ 447,000	\$ 453,000	\$ 6,000
Investment earnings	<u>65,000</u>	<u>65,000</u>	<u>63,418</u>	<u>(1,582)</u>
Total revenues	<u>512,000</u>	<u>512,000</u>	<u>516,418</u>	<u>4,418</u>
Expenditures:				
Capital outlay	<u>1,691,366</u>	<u>1,691,366</u>	<u>293,120</u>	<u>1,398,246</u>
Net change in fund balance	(1,179,366)	(1,179,366)	223,298	1,402,664
Fund balance:				
Beginning of year	<u>1,179,366</u>	<u>1,179,366</u>	<u>1,262,828</u>	<u>83,462</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,486,126</u>	<u>\$ 1,486,126</u>

CITY OF FOREST GROVE
FIRE EQUIPMENT REPLACEMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 45,655	\$ 45,655	\$ 17,431	\$ (28,224)
Investment earnings	<u>32,000</u>	<u>32,000</u>	<u>29,849</u>	<u>(2,151)</u>
Total revenues	<u>77,655</u>	<u>77,655</u>	<u>47,280</u>	<u>(30,375)</u>
Expenditures:				
Capital outlay	266,310	266,310	92,131	174,179
Contingency	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total expenditures	<u>306,310</u>	<u>306,310</u>	<u>92,131</u>	<u>214,179</u>
Excess (deficiency) of revenues over (under) expenditures	(228,655)	(228,655)	(44,851)	183,804
Other financing sources (uses):				
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Net change in fund balance	(312,655)	(312,655)	39,149	351,804
Fund Balance:				
Beginning of year	<u>637,802</u>	<u>637,802</u>	<u>653,414</u>	<u>15,612</u>
End of year	<u>\$ 325,147</u>	<u>\$ 325,147</u>	<u>\$ 692,563</u>	<u>\$ 367,416</u>

CITY OF FOREST GROVE
BIKEWAY DEVELOPMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 9,689	\$ 9,689	\$ 9,076	\$ (613)
Investment earnings	<u>4,351</u>	<u>4,351</u>	<u>2,417</u>	<u>(1,934)</u>
Total revenues	<u>14,040</u>	<u>14,040</u>	<u>11,493</u>	<u>(2,547)</u>
Expenditures:				
Capital outlay	<u>122,826</u>	<u>122,826</u>	<u>62,759</u>	<u>60,067</u>
Net change in fund balance	(108,786)	(108,786)	(51,266)	57,520
Fund Balance:				
Beginning of year	<u>108,786</u>	<u>108,786</u>	<u>109,353</u>	<u>567</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,087</u>	<u>\$ 58,087</u>

CITY OF FOREST GROVE

CIP EXCISE TAX FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 196,000	\$ 196,000	\$ 204,766	\$ 8,766
Investment earnings	<u>2,000</u>	<u>2,000</u>	<u>926</u>	<u>(1,074)</u>
Total revenues	<u>198,000</u>	<u>198,000</u>	<u>205,692</u>	<u>7,692</u>
Expenditures:				
Capital outlay	<u>94,347</u>	<u>94,347</u>	<u>-</u>	<u>94,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>103,653</u>	<u>103,653</u>	<u>205,692</u>	<u>102,039</u>
Other financing sources (uses):				
Transfers in	41,380	41,380	41,380	-
Transfers out	<u>(145,033)</u>	<u>(145,033)</u>	<u>(145,033)</u>	<u>-</u>
Total other financing sources (uses)	<u>(103,653)</u>	<u>(103,653)</u>	<u>(103,653)</u>	<u>-</u>
Net change in fund balance	-	-	102,039	102,039
Fund Balance:				
Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,039</u>	<u>\$ 102,039</u>

DEBT SERVICES FUND

The General Debt Service Fund has 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
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Property taxes	\$ 461,426	\$ 461,426	\$ 459,225	\$ (2,201)
Investment earnings	18,500	18,500	16,115	(2,385)
Total revenues	<u>479,926</u>	<u>479,926</u>	<u>475,340</u>	<u>(4,586)</u>
Expenditures:				
Debt service	<u>479,926</u>	<u>479,926</u>	<u>479,926</u>	-
Net change in fund balance	-	-	(4,586)	(4,586)
Fund Balance:				
Beginning of year	<u>201,555</u>	<u>201,555</u>	<u>197,838</u>	<u>(3,717)</u>
End of year	<u>\$ 201,555</u>	<u>\$ 201,555</u>	<u>\$ 193,252</u>	<u>\$ (8,303)</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 System Development Charges Fund – established to provide a revenue source for capital expansion that is necessary to meet the service requirements of the expanding customer base.

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

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

CITY OF FOREST GROVE

LIGHT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 1,900,000	\$ 1,900,000	\$ 1,864,832	\$ (35,168)
Charges for services	11,200,188	11,200,188	12,607,665	1,407,477
Sale of materials	11,000	11,000	15,206	4,206
Investment earnings	90,000	90,000	146,488	56,488
Reimbursements	200,000	200,000	13,118	(186,882)
Grants and contributions	65,000	65,000	39,174	(25,826)
Other revenue	<u>26,000</u>	<u>26,000</u>	<u>25,670</u>	<u>(330)</u>
Total revenues	<u>13,492,188</u>	<u>13,492,188</u>	<u>14,712,153</u>	<u>1,219,965</u>
Expenditures:				
Personal services	2,389,899	2,389,899	2,169,941	219,958
Materials and services	9,546,858	9,516,814	9,020,676	496,138
Capital outlay	664,000	664,000	231,045	432,955
Internal service charges	1,477,920	1,507,964	1,507,964	-
Contingency	<u>1,633,086</u>	<u>1,633,086</u>	<u>-</u>	<u>1,633,086</u>
Total expenditures	<u>15,711,763</u>	<u>15,711,763</u>	<u>12,929,626</u>	<u>2,782,137</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,219,575)</u>	<u>(2,219,575)</u>	<u>1,782,527</u>	<u>4,002,102</u>
Other financing sources (uses):				
Transfers out	(90,499)	(90,499)	(87,543)	2,956
Sale of capital assets	<u>-</u>	<u>-</u>	<u>3,328</u>	<u>3,328</u>
Total other financing sources (uses)	<u>(90,499)</u>	<u>(90,499)</u>	<u>(84,215)</u>	<u>6,284</u>
Net change in fund balance	(2,310,074)	(2,310,074)	1,698,312	4,008,386
Fund Balance:				
Beginning of year	<u>3,210,074</u>	<u>3,210,074</u>	<u>3,840,245</u>	<u>630,171</u>
End of year	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 5,538,557</u>	<u>\$ 4,638,557</u>
Reconciliation to GAAP Basis:				
Inventory			379,771	
Capital assets, net			13,260,745	
Compensated absences			<u>(110,216)</u>	
Total net assets - end of year			<u>\$ 19,068,857</u>	

CITY OF FOREST GROVE
SEWER FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 150,392	\$ 150,392	\$ 164,384	\$ 13,992
Charges for services	3,364,529	3,364,529	3,474,226	109,697
Investment earnings	<u>40,000</u>	<u>40,000</u>	<u>59,837</u>	<u>19,837</u>
Total revenues	<u>3,554,921</u>	<u>3,554,921</u>	<u>3,698,447</u>	<u>143,526</u>
Expenditures:				
Personal services	280,218	280,218	238,337	41,881
Materials and services	2,759,866	2,747,119	2,577,844	169,275
Capital outlay	90,000	90,000	77,039	12,961
Debt service	141,007	141,007	94,004	47,003
Internal service charges	401,897	414,644	414,644	-
Contingency	<u>861,485</u>	<u>861,485</u>	<u>-</u>	<u>861,485</u>
Total expenditures	<u>4,534,473</u>	<u>4,534,473</u>	<u>3,401,868</u>	<u>1,132,605</u>
Net change in fund balance	(979,552)	(979,552)	296,579	1,276,131
Fund Balance:				
Beginning of year	<u>1,279,552</u>	<u>1,279,552</u>	<u>1,238,813</u>	<u>(40,739)</u>
End of year	<u>\$ 300,000</u>	<u>\$ 300,000</u>	\$ 1,535,392	<u>\$ 1,235,392</u>
Reconciliation to GAAP Basis:				
Inventory			7,138	
Capital assets, net			8,225,554	
Accrued interest			(18,502)	
Long-term debt			<u>(1,664,940)</u>	
Total net assets - end of year			<u>\$ 8,084,642</u>	

CITY OF FOREST GROVE

WATER FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ 309,917	\$ 309,917	\$ 278,705	\$ (31,212)
Charges for services	2,434,741	2,434,741	2,189,092	(245,649)
Sales of materials	1,036,624	1,036,624	228,643	(807,981)
Investment earnings	123,932	123,932	108,476	(15,456)
Total revenues	<u>3,905,214</u>	<u>3,905,214</u>	<u>2,804,916</u>	<u>(1,100,298)</u>
Expenditures:				
Personal services	783,263	813,263	796,662	16,601
Materials and services	1,175,214	1,151,129	1,082,880	68,249
Capital outlay	1,101,883	1,101,883	275,305	826,578
Debt service	486,879	486,879	493,099	(6,220)
Internal service charges	896,601	920,686	920,686	-
Contingency	1,022,131	992,131	-	992,131
Total expenditures	<u>5,465,971</u>	<u>5,465,971</u>	<u>3,568,632</u>	<u>1,897,339</u>
Excess (deficiency) of revenues over (under) expenditures	(1,560,757)	(1,560,757)	(763,716)	797,041
Other financing sources (uses):				
Transfers out	<u>(37,543)</u>	<u>(37,543)</u>	<u>(25,044)</u>	<u>12,499</u>
Net change in fund balance	(1,598,300)	(1,598,300)	(788,760)	809,540
Fund Balance:				
Beginning of year	<u>3,098,300</u>	<u>3,098,300</u>	<u>3,320,697</u>	<u>222,397</u>
End of year	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	<u>\$ 2,531,937</u>	<u>\$ 1,031,937</u>
Reconciliation to GAAP Basis:				
Inventory			168,501	
Investment in joint venture			9,431,622	
Capital assets, net			10,774,501	
Intangibles, net			830,579	
Accrued interest			(44,835)	
Compensated absences			(104,879)	
Long-term debt			<u>(5,581,098)</u>	
Total net assets - end of year			<u>\$ 18,006,328</u>	

CITY OF FOREST GROVE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008

	Sewer System Development Charges Fund	Water System Development Charges Fund	Surface Water Management Fund	Surface Water Management System Development Charges Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 1,221,130	\$ 799,177	\$ 610,317	\$ 351,548	\$ 2,982,172
Accounts receivable, net	-	-	27,214	-	27,214
Total current assets	<u>1,221,130</u>	<u>799,177</u>	<u>637,531</u>	<u>351,548</u>	<u>3,009,386</u>
Capital assets, net of accumulated depreciation	-	-	6,046,004	-	6,046,004
Total assets	<u>\$ 1,221,130</u>	<u>\$ 799,177</u>	<u>\$ 6,683,535</u>	<u>\$ 351,548</u>	<u>\$ 9,055,390</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 42,840	\$ 2,185	\$ 37,708	\$ 60,535	\$ 143,268
Accrued payroll and related expenses	-	-	2,320	-	2,320
Unearned revenue	-	-	27,214	-	27,214
Total current liabilities	<u>42,840</u>	<u>2,185</u>	<u>67,242</u>	<u>60,535</u>	<u>172,802</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	6,046,004	-	6,046,004
Restricted for systems development	1,178,290	796,992	-	291,013	2,266,295
Unrestricted	-	-	570,289	-	570,289
Total net assets	<u>1,178,290</u>	<u>796,992</u>	<u>6,616,293</u>	<u>291,013</u>	<u>8,882,588</u>
Total liabilities and net assets	<u>\$ 1,221,130</u>	<u>\$ 799,177</u>	<u>\$ 6,683,535</u>	<u>\$ 351,548</u>	<u>\$ 9,055,390</u>

CITY OF FOREST GROVE
Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	Sewer System Development Charges Fund	Water System Development Charges Fund	Surface Water Management Fund	Surface Water Management System Development Charges Fund	Total
Operating revenues:					
Charges for services	\$ 516,564	\$ 458,809	\$ 542,437	\$ 34,071	\$ 1,551,881
Operating expenses:					
System operation and maintenance	-	-	-	115,976	115,976
Payments in lieu of taxes	-	-	20,305	-	20,305
General and administrative costs	534,570	78,023	42,301	-	654,894
Depreciation and amortization	-	-	147,764	-	147,764
Total operating expenses	<u>534,570</u>	<u>78,023</u>	<u>210,370</u>	<u>115,976</u>	<u>938,939</u>
Operating income (loss)	<u>(18,006)</u>	<u>380,786</u>	<u>332,067</u>	<u>(81,905)</u>	<u>612,942</u>
Nonoperating revenues					
Investment earnings	<u>54,163</u>	<u>24,298</u>	<u>22,873</u>	<u>14,642</u>	<u>115,976</u>
Income before transfers and contributions	36,157	405,084	354,940	(67,263)	728,918
Contributed capital	<u>-</u>	<u>-</u>	<u>841,497</u>	<u>-</u>	<u>841,497</u>
Change in net assets	36,157	405,084	1,196,437	(67,263)	1,570,415
Total net assets - beginning	1,142,133	391,908	5,419,856	358,276	7,312,173
Total net assets - ending	<u>\$ 1,178,290</u>	<u>\$ 796,992</u>	<u>\$ 6,616,293</u>	<u>\$ 291,013</u>	<u>\$ 8,882,588</u>

CITY OF FOREST GROVE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008

	Sewer System Development Charges Fund	Water System Development Charges Fund	Surface Water Management Fund	Surface Water Management System Development Charges Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 516,564	\$ 458,809	\$ 542,437	\$ 34,071	\$ 1,551,881
Payments to suppliers	(548,970)	(76,461)	159,597	(55,441)	(521,275)
Payments to employees	-	-	(199,175)	-	(199,175)
Net cash provided (used) by operating activities	<u>(32,406)</u>	<u>382,348</u>	<u>502,859</u>	<u>(21,370)</u>	<u>831,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of fixed assets	-	-	(566,410)	-	(566,410)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>54,163</u>	<u>24,298</u>	<u>22,873</u>	<u>14,642</u>	<u>115,976</u>
Net change in cash and cash equivalents	21,757	406,646	(40,678)	(6,728)	380,997
Cash and cash equivalents - beginning	1,199,373	392,531	650,995	358,276	2,601,175
Cash and cash equivalents - ending	<u>\$ 1,221,130</u>	<u>799,177</u>	<u>\$ 610,317</u>	<u>\$ 351,548</u>	<u>\$ 2,982,172</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (18,006)	\$ 380,786	\$ 332,067	\$ (81,905)	\$ 612,942
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	-	147,764	-	147,764
(Increase) decrease in accounts receivable	-	-	(1,222)	-	(1,222)
Increase (decrease) in accounts payable	(14,400)	1,562	22,663	60,535	70,360
Increase (decrease) in accrued payroll and related expenses	-	-	365	-	365
Increase (decrease) in deferred revenue	-	-	1,222	-	1,222
Total adjustments	(14,400)	1,562	170,792	60,535	218,489
Net cash provided (used) by operating activities	<u>\$ (32,406)</u>	<u>\$ 382,348</u>	<u>\$ 502,859</u>	<u>\$ (21,370)</u>	<u>\$ 831,431</u>
Noncash Capital activity:					
Contributions of capital assets	\$ -	\$ -	\$ 841,497	\$ -	\$ 841,497

CITY OF FOREST GROVE
SEWER SYSTEM DEVELOPMENT CHARGES FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 375,000	\$ 375,000	\$ 516,564	\$ 141,564
Investment earnings	37,315	37,315	54,163	16,848
Total revenues	<u>412,315</u>	<u>412,315</u>	<u>570,727</u>	<u>158,412</u>
Expenditures:				
Materials and services	300,000	390,000	407,695	(17,695)
Capital outlay	240,000	240,000	126,875	113,125
Debt service	181,441	181,441	-	181,441
Contingency	257,035	167,035	-	167,035
Total expenditures	<u>978,476</u>	<u>978,476</u>	<u>534,570</u>	<u>443,906</u>
Net change in fund balance	(566,161)	(566,161)	36,157	602,318
Fund Balance:				
Beginning of year	<u>1,066,161</u>	<u>1,066,161</u>	<u>1,142,133</u>	<u>(75,972)</u>
End of year	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 1,178,290</u>	<u>\$ 678,290</u>

CITY OF FOREST GROVE
WATER SYSTEM DEVELOPMENT CHARGES FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 308,433	\$ 308,433	\$ 458,809	\$ 150,376
Investment earnings	11,655	11,655	24,298	12,643
Total revenues	<u>320,088</u>	<u>320,088</u>	<u>483,107</u>	<u>163,019</u>
Expenditures:				
Materials and services	90,000	90,000	8,927	81,073
Capital outlay	<u>181,472</u>	<u>181,472</u>	<u>69,096</u>	<u>112,376</u>
Total expenditures	<u>271,472</u>	<u>271,472</u>	<u>78,023</u>	<u>193,449</u>
Net change in fund balance	48,616	48,616	405,084	356,468
Fund Balance:				
Beginning of year	<u>301,384</u>	<u>301,384</u>	<u>391,908</u>	<u>90,524</u>
End of year	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 796,992</u>	<u>\$ 446,992</u>

CITY OF FOREST GROVE
SURFACE WATER MANAGEMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 530,029	\$ 530,029	\$ 542,437	\$ 12,408
Investment earnings	23,464	23,464	22,873	(591)
Total revenues	<u>553,493</u>	<u>553,493</u>	<u>565,310</u>	<u>11,817</u>
Expenditures:				
Personal services	221,925	221,925	199,540	22,385
Materials and services	168,326	224,420	214,556	9,864
Capital outlay	303,500	303,500	18,045	285,455
Internal service charges	195,969	196,875	196,875	-
Contingency	100,362	43,362	-	43,362
Total expenditures	<u>990,082</u>	<u>990,082</u>	<u>629,016</u>	<u>361,066</u>
Net change in fund balance	(436,589)	(436,589)	(63,706)	372,883
Fund Balance:				
Beginning of year	<u>586,589</u>	<u>586,589</u>	<u>633,995</u>	<u>47,406</u>
End of year	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 570,289</u>	<u>\$ 420,289</u>
Reconciliation to GAAP Basis:				
Capital assets, net			<u>6,046,004</u>	
Total net assets - end of year			<u>\$ 6,616,293</u>	

CITY OF FOREST GROVE
SURFACE WATER MANAGEMENT SYSTEM DEVELOPMENT CHARGES FUND
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 21,532	\$ 21,532	\$ 34,071	\$ 12,539
Investment earnings	11,422	11,422	14,642	3,220
Total revenues	<u>32,954</u>	<u>32,954</u>	<u>48,713</u>	<u>15,759</u>
Expenditures:				
Capital outlay	<u>318,500</u>	<u>318,500</u>	<u>115,976</u>	<u>202,524</u>
Net change in fund balance	(285,546)	(285,546)	(67,263)	218,283
Fund Balance:				
Beginning of year	<u>285,546</u>	<u>285,546</u>	<u>358,276</u>	<u>72,730</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,013</u>	<u>\$ 291,013</u>

INTERNAL SERVICES FUNDS

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

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

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

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

CITY OF FOREST GROVE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

	Information Systems Fund	Equipment Fund	City Utility Fund	Risk Management Fund	Total
ASSETS					
Current assets:					
Cash and investments	\$ 450,140	\$ 128,422	\$ -	\$ 253,618	\$ 832,180
Capital assets, net of accumulated depreciation	-	1,076,836	-	-	1,076,836
Total assets	<u>\$ 450,140</u>	<u>\$ 1,205,258</u>	<u>\$ -</u>	<u>\$ 253,618</u>	<u>\$ 1,909,016</u>
LIABILITIES					
Current liabilities					
Accounts payable	\$ 28,918	\$ 7,213	\$ -	\$ 45,336	\$ 81,467
Accrued payroll and related expenses	-	3,731	-	-	3,731
Compensated absences	-	6,317	-	-	6,317
Total current liabilities	<u>28,918</u>	<u>17,261</u>	<u>-</u>	<u>45,336</u>	<u>91,515</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	1,076,836	-	-	1,076,836
Unrestricted	421,222	111,161	-	208,282	740,665
Total net assets	<u>421,222</u>	<u>1,187,997</u>	<u>-</u>	<u>208,282</u>	<u>1,817,501</u>
Total liabilities and net assets	<u>\$ 450,140</u>	<u>\$ 1,205,258</u>	<u>\$ -</u>	<u>\$ 253,618</u>	<u>\$ 1,909,016</u>

CITY OF FOREST GROVE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008

	Information Systems Fund	Equipment Fund	City Utility Fund	Risk Management Fund	Total
Operating revenues:					
Charges for services	\$ -	\$ 261,878	\$ -	\$ 495,528	\$ 757,406
Licenses and permits	-	4,177	-	-	4,177
Intergovernmental revenues	196,986	243,266	-	-	440,252
Operating grant	7,806	-	-	-	7,806
Total operating revenues	<u>204,792</u>	<u>509,321</u>	<u>-</u>	<u>495,528</u>	<u>1,209,641</u>
Operating expenses:					
Operations and maintenance	163,495	443,801	112,587	177,562	897,445
General fund administrative charges	-	73,013	-	-	73,013
General and administrative costs	-	-	-	118,137	118,137
Depreciation and amortization	-	151,082	-	-	151,082
Total operating expenses	<u>163,495</u>	<u>667,896</u>	<u>112,587</u>	<u>295,699</u>	<u>1,239,677</u>
Operating income (loss)	41,297	(158,575)	(112,587)	199,829	(30,036)
Nonoperating revenues					
Investment earnings	19,487	10,276	-	8,453	38,216
Income before contributions and transfers	60,784	(148,299)	(112,587)	208,282	8,180
Transfers in	-	61,033	112,587	-	173,620
Transfers out	(6,000)	-	-	-	(6,000)
Change in net assets	54,784	(87,266)	-	208,282	175,800
Total net assets - beginning	366,438	1,275,263	-	-	1,641,701
Total net assets - ending	<u>\$ 421,222</u>	<u>\$ 1,187,997</u>	<u>\$ -</u>	<u>\$ 208,282</u>	<u>\$ 1,817,501</u>

CITY OF FOREST GROVE
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008

	Information Systems Fund	Equipment Fund	City Utility Fund	Risk Management Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 204,792	\$ 509,321	\$ -	\$ 495,528	\$ 1,209,641
Payments to employees	-	(173,118)	-	(118,137)	(291,255)
Payments to suppliers	(152,531)	(339,436)	(112,587)	(132,226)	(736,780)
Net cash provided (used) by operating activities	<u>52,261</u>	<u>(3,233)</u>	<u>(112,587)</u>	<u>245,165</u>	<u>181,606</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	61,033	112,587	-	173,620
Transfers to other funds	(6,000)	-	-	-	(6,000)
Net cash provided (used) by noncapital financing activities	<u>(6,000)</u>	<u>61,033</u>	<u>112,587</u>	<u>-</u>	<u>167,620</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	(305,214)	-	-	(305,214)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends received	19,487	10,276	-	8,453	38,216
Net change in cash and cash equivalents	65,748	(237,138)	-	253,618	82,228
Cash and cash equivalents - beginning	384,392	365,560	-	-	749,952
Cash and cash equivalents - ending	<u>\$ 450,140</u>	<u>\$ 128,422</u>	<u>\$ -</u>	<u>\$ 253,618</u>	<u>\$ 832,180</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 41,297	\$ (158,575)	\$ (112,587)	\$ 199,829	\$ (30,036)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	151,082	-	-	151,082
Increase (decrease) in accounts payable	10,964	1,094	-	45,336	57,394
Increase (decrease) in accrued payroll and related expenses	-	866	-	-	866
Increase (decrease) in compensated absences	-	2,300	-	-	2,300
Total adjustments	<u>10,964</u>	<u>155,342</u>	<u>-</u>	<u>45,336</u>	<u>211,642</u>
Net cash provided (used) by operating activities	<u>\$ 52,261</u>	<u>\$ (3,233)</u>	<u>\$ (112,587)</u>	<u>\$ 245,165</u>	<u>181,606</u>

CITY OF FOREST GROVE
INFORMATION SYSTEMS FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Intergovernmental revenues	\$ 196,988	\$ 196,988	\$ 196,986	\$ (2)
Investment earnings	20,000	20,000	19,487	(513)
Grants and contributions	<u>3,200</u>	<u>3,200</u>	<u>7,806</u>	<u>4,606</u>
Total revenues	<u>220,188</u>	<u>220,188</u>	<u>224,279</u>	<u>4,091</u>
Expenditures:				
Materials and services	221,839	221,839	144,125	77,714
Capital outlay	80,000	80,000	19,370	60,630
Contingency	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
Total expenditures	<u>316,839</u>	<u>316,839</u>	<u>163,495</u>	<u>153,344</u>
Excess (deficiency) of revenues over (under) expenditures	(96,651)	(96,651)	60,784	157,435
Other financing sources (uses):				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>
Net change in fund balance	(102,651)	(102,651)	54,784	157,435
Fund Balance:				
Beginning of year	<u>355,350</u>	<u>355,350</u>	<u>366,438</u>	<u>11,088</u>
End of year	<u>\$ 252,699</u>	<u>\$ 252,699</u>	<u>\$ 421,222</u>	<u>\$ 168,523</u>

CITY OF FOREST GROVE

EQUIPMENT FUND

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual

For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 4,177	\$ 4,177
Intergovernmental revenues	397,008	397,008	243,266	(153,742)
Charges for services	92,500	92,500	261,878	169,378
Investment earnings	<u>14,292</u>	<u>14,292</u>	<u>10,276</u>	<u>(4,016)</u>
Total revenues	<u>503,800</u>	<u>503,800</u>	<u>519,597</u>	<u>15,797</u>
Expenditures:				
Personal services	177,443	180,443	176,285	4,158
Materials and services	276,040	348,040	336,391	11,649
Capital outlay	242,559	242,559	234,039	8,520
Internal service charges	73,013	73,013	73,013	-
Contingency	<u>111,683</u>	<u>36,683</u>	<u>-</u>	<u>36,683</u>
Total expenditures	<u>880,738</u>	<u>880,738</u>	<u>819,728</u>	<u>61,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(376,938)</u>	<u>(376,938)</u>	<u>(300,131)</u>	<u>76,807</u>
Other financing sources (uses):				
Transfers in	61,033	61,033	61,033	-
Transfers out	<u>(16,375)</u>	<u>(16,375)</u>	<u>-</u>	<u>16,375</u>
Total other financing sources (uses)	<u>44,658</u>	<u>44,658</u>	<u>61,033</u>	<u>16,375</u>
Net change in fund balance	(332,280)	(332,280)	(239,098)	93,182
Fund Balance:				
Beginning of year	<u>357,280</u>	<u>357,280</u>	<u>356,576</u>	<u>(704)</u>
End of year	<u>\$ 25,000</u>	<u>\$ 25,000</u>	\$ 117,478	<u>\$ 92,478</u>
Reconciliation to GAAP Basis:				
Capital assets, net			1,076,836	
Compensated absences			<u>(6,317)</u>	
Total net assets - end of year			<u>\$ 1,187,997</u>	

CITY OF FOREST GROVE
CITY UTILITY FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Materials and services	123,117	123,117	112,587	10,530
Excess (deficiency) of revenues over (under) expenditures	(123,117)	(123,117)	(112,587)	10,530
Other financing sources (uses):				
Transfers in	123,117	123,117	112,587	(10,530)
Net change in fund balance	-	-	-	-
Fund Balance:				
Beginning of year	-	-	-	-
End of year	\$ -	\$ -	\$ -	\$ -

CITY OF FOREST GROVE
RISK MANAGEMENT FUND
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 473,430	\$ 473,430	\$ 495,528	\$ 22,098
Investment earnings	-	-	8,453	8,453
Total revenues	<u>473,430</u>	<u>473,430</u>	<u>503,981</u>	<u>30,551</u>
Expenditures:				
Personal services	260,084	260,084	118,137	141,947
Materials and services	<u>213,346</u>	<u>213,346</u>	<u>177,562</u>	<u>35,784</u>
Total expenditures	<u>473,430</u>	<u>473,430</u>	<u>295,699</u>	<u>177,731</u>
Net change in fund balance	-	-	208,282	208,282
Fund Balance:				
Beginning of year	-	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,282</u>	<u>\$ 208,282</u>

FIDUCIARY FUNDS

CITY OF FOREST GROVE
PRIVATE PURPOSE TRUST - LIBRARY ENDOWMENT FUND
 Schedule of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Investment earnings	\$ 2,000	\$ 2,000	\$ 1,971	\$ (29)
Other financing sources (uses):				
Transfers out	(2,404)	(2,404)	(2,404)	-
Net change in fund balance	(404)	(404)	(433)	(29)
Fund Balance:				
Beginning of year	41,591	41,591	41,746	155
End of year	<u>\$ 41,187</u>	<u>\$ 41,187</u>	<u>\$ 41,313</u>	<u>\$ 126</u>

AGENCY FUND

CITY OF FOREST GROVE
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2008

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Assets				
Cash and cash equivalents	<u>\$ 414,214</u>	<u>\$ 879,863</u>	<u>\$ 976,066</u>	<u>\$ 318,011</u>
Liabilities				
Money held for others	<u>\$ 414,214</u>	<u>\$ 879,863</u>	<u>\$ 976,066</u>	<u>\$ 318,011</u>

OTHER FINANCIAL SCHEDULES

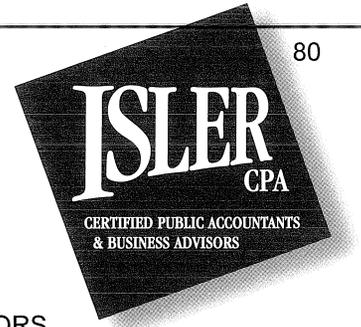
CITY OF FOREST GROVE

Schedule of Property Tax Transactions

Year ended June 30, 2008

	<u>Tax Year</u>	<u>Uncollected as of July 1, 2007</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowed</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected as of June 30, 2008</u>
Current year:	2008	-	5,705,314	(144,860)	(6,596)	(5,415,240)	138,618
Prior years	2007	112,501	-	(28)	(3,575)	(74,970)	33,928
	2006	25,818	-	(62)	(2,610)	(10,887)	12,259
	2005	12,806	-	(23)	(1,145)	(6,612)	5,026
	2004	4,357	-	(23)	(744)	(2,249)	1,341
	2003	1,371	-	-	(110)	(247)	1,014
	prior	2,255	-	-	(16)	(479)	1,760
Total		<u>\$ 159,108</u>	<u>\$ 5,705,314</u>	<u>\$ (144,996)</u>	<u>\$ (14,796)</u>	<u>\$ (5,510,684)</u>	<u>\$ 193,946</u>

COMPLIANCE SECTION



COMMENTS AND DISCLOSURES OF INDEPENDENT AUDITORS
REQUIRED BY STATE STATUTE

Honorable Mayor and City Council
City of Forest Grove

Oregon Administrative Rules 162-10-230 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

REPORT ON ACCOUNTING AND INTERNAL CONTROL STRUCTURE

We have audited the financial statements of the City of Forest Grove, Oregon ("City") as of and for the year ended June 30, 2008, and have issued our report thereon dated March 20, 2009. 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 the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

COMPLIANCE

Compliance with laws, regulations, contracts and grants applicable to the City is the responsibility of the City's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. Certain areas covered, as required by Oregon Administrative Rules 162-10-230 through 162-10-320, included but were not limited to the following:

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

Compliance with Legal or Other Requirements

Collateral - 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).

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 provision referred to above except for the following:

1. Over-expended appropriation as reported in note II. of the City's financial statements.
2. Insufficient collateral as reported in note III. A. of the City's financial statements.

We noted certain matters that we reported to management of the City, in a separate letter dated March 20, 2009.

There are no elected officials who are collecting or receiving money in the City.

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

Isler CPA

Paul R. Nielson

By: Paul Nielson, CPA, a member of the firm
Eugene, Oregon
March 20, 2009