



**Forest Grove, Oregon**  
**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2016**

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**CITY OF FOREST GROVE  
OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2016**

**CITY MANAGER**

Jesse VanderZanden

**MAYOR**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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**, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF FOREST GROVE**, as of June 30, 2016, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General, Street and Urban Renewal Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through f and the schedules of net pension liability and changes in net pension liability, employer contributions and investment rate of return on pages 47-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

#### **Other Reporting Required by Oregon State Regulations**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 31, 2017, on our consideration of the City's compliance with certain provisions of laws and regulation, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 31, 2017

By:



Bradley G. Bingenheimer, Member

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

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

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

### **FINANCIAL HIGHLIGHTS**

- Total assets of the City exceeded its liabilities by \$105.1 million at June 30, 2016. Of this amount, \$18.4 million is reported as unrestricted net position which may be used to meet the City's obligations.
- During the year, the City's net position increased by \$0.5 million in governmental activities and \$2.4 million in business-type activities for a total increase of \$2.9 million.
- The General Fund reported an ending fund balance this year of \$6,407,078 which is an increase of \$250,272 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 *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 *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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Government-wide Statements

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

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

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

### Fund Financial Statements

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

The City has the following types of funds:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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

**NET POSITION – As of JUNE 30, 2016 and 2015  
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and other assets	\$ 26,734	\$ 24,665	\$ 30,340	\$ 26,128	\$ 57,074	\$ 50,793
Capital assets, net	<u>29,905</u>	<u>30,263</u>	<u>45,252</u>	<u>43,291</u>	<u>75,157</u>	<u>73,554</u>
Total assets	<u>56,639</u>	<u>54,928</u>	<u>75,592</u>	<u>69,419</u>	<u>132,231</u>	<u>124,347</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	\$ 7,378	\$ 2,341	\$ 2,862	\$ 910	\$ 10,240	\$ 3,251
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>34</u>	<u>38</u>	<u>34</u>	<u>38</u>
Total Deferred Outflows of Resources	<u>7,378</u>	<u>2,341</u>	<u>2,896</u>	<u>948</u>	<u>10,274</u>	<u>3,289</u>
<b>LIABILITIES</b>						
Current and other liabilities	\$ 1,471	\$ 1,400	\$ 1,937	\$ 2,144	\$ 3,408	\$ 3,544
Long-term obligations	<u>19,005</u>	<u>11,536</u>	<u>14,763</u>	<u>8,289</u>	<u>33,768</u>	<u>19,825</u>
Total liabilities	<u>20,476</u>	<u>12,936</u>	<u>16,700</u>	<u>10,433</u>	<u>37,176</u>	<u>23,369</u>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Pension related items	<u>127</u>	<u>1,421</u>	<u>49</u>	<u>553</u>	<u>176</u>	<u>1,974</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 29,905	\$ 29,735	\$ 37,825	\$ 39,184	\$ 67,730	\$ 68,919
Restricted	13,288	11,734	5,729	5,635	19,017	17,369
Unrestricted	<u>222</u>	<u>1,443</u>	<u>18,185</u>	<u>14,562</u>	<u>18,407</u>	<u>16,005</u>
Total net position	<u>\$ 43,415</u>	<u>\$ 42,912</u>	<u>\$ 61,739</u>	<u>\$ 59,381</u>	<u>\$ 105,154</u>	<u>\$ 102,293</u>

Governmental capital assets represent 53.0% of the total governmental assets and total capital assets are relatively unchanged from 2015. Total governmental activities capital assets decreased slightly due to ongoing depreciation expense compared to a relatively small amount of capital assets purchased.

Business-type capital assets represent 60.0% of the total business-type assets and increased by \$2.0 million from the prior year. An ongoing project to renovate two of the City's three electric substations and smaller improvements at the City's water treatment plant were the principal reasons for the increase in business-type capital assets.

The increase in net position is due primarily to the purchase of the above capital assets and funds received from system development charges on new development.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)**

**STATEMENT OF ACTIVITIES for FISCAL YEARS ENDING JUNE 30, 2016 and 2015**

*(In thousands of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 8,278	\$ 7,044	\$ 23,758	\$ 21,422	\$ 32,036	\$ 28,466
Operating grants	118	318	-	266	118	584
Capital grants	2,467	2,174	1,917	1,068	4,384	3,242
General revenues:						
Taxes	10,398	9,939	-	-	10,398	9,939
Other	72	804	1,456	556	1,528	1,360
Total revenues	<u>21,333</u>	<u>20,279</u>	<u>27,131</u>	<u>23,312</u>	<u>48,464</u>	<u>43,591</u>
<b>EXPENSES:</b>						
General government	8,648	7,262	-	-	8,648	7,262
Public safety	9,438	8,301	-	-	9,438	8,301
Highways and streets	2,177	1,868	-	-	2,177	1,868
Culture and recreation	2,256	2,063	-	-	2,256	2,063
Power services	-	-	16,209	14,781	16,209	14,781
Sewer services	-	-	1,482	1,444	1,482	1,444
Water services	-	-	4,482	3,443	4,482	3,443
Surface water management	-	-	907	679	907	679
Interest on long-term debt	4	5	-	-	4	5
Total expenses	<u>22,523</u>	<u>19,499</u>	<u>23,080</u>	<u>20,347</u>	<u>45,603</u>	<u>39,846</u>
Change in net position before transfers	(1,190)	781	4,051	2,965	2,861	3,745
Transfers	<u>1,693</u>	<u>1,252</u>	<u>(1,693)</u>	<u>(1,252)</u>	<u>-</u>	<u>-</u>
Change in net position	503	1,788	2,358	1,714	2,861	3,745
Net position at beginning of year	42,912	49,536	59,381	61,023	102,293	110,559
Prior period adjustment	-	(8,656)	-	(3,355)	-	(12,011)
Net position at end of year	<u>\$ 43,415</u>	<u>\$ 42,912</u>	<u>\$ 61,739</u>	<u>\$ 59,381</u>	<u>\$ 105,154</u>	<u>\$ 102,293</u>

The City's total revenues were \$48.4 million which is increased significantly from 2015. The major sources of revenues are business-type activity charges for services and capital grants for projects, which account for 66.5% and 9.2% of total revenues, respectively. The total cost of all programs was \$45.6 million which is a significant increase from 2015. Net position increased by \$2.9 million indicating an increase in the City's overall financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental fund balances totaled \$22,740,736 at June 30, 2016 for an increase of \$2,026,431. Proprietary net position totaled \$61,738,970 for an overall increase of \$2,357,385. The principal reasons for the changes are explained in the preceding section. A summary of changes in governmental and proprietary fund balances is as follows:

#### CHANGE IN GOVERNMENTAL FUND BALANCES

<u>Fund</u>	<u>Balance at June 30, 2016</u>	<u>Balance at June 30, 2015</u>	<u>Change</u>
General	\$ 6,407,078	\$ 6,156,806	\$ 250,272
Street	1,436,721	1,052,781	383,940
Urban Renewal Agency	(1,091,590)	-	(1,091,590)
Transportation Development Tax	5,407,193	4,399,571	1,007,622
Non-major governmental	10,581,334	9,105,147	1,476,187
Totals	<u>\$ 23,840,736</u>	<u>\$ 20,714,305</u>	<u>\$ 2,026,431</u>

#### CHANGE IN PROPRIETARY NET POSITION

<u>Fund</u>	<u>Balance at June 30, 2016</u>	<u>Balance at June 30, 2015</u>	<u>Change</u>
Light	\$ 19,647,518	\$ 20,018,076	\$ (370,558)
Sewer	10,952,145	9,528,269	1,423,876
Water	19,007,550	17,826,695	1,180,855
Surface Water Management	6,402,489	6,373,364	29,125
Non-major proprietary	5,729,268	5,635,181	94,087
Totals	<u>\$ 61,738,970</u>	<u>\$ 59,381,585</u>	<u>\$ 2,357,385</u>

#### City Fund's Highlights

The fund balance in the General Fund decreased by \$250,272 as the actual revenues and expenditures closely followed budget. The overall increase in governmental fund balances was primarily due to system development fees collected for parks and traffic. The Transportation Development Tax Fund became a major fund in 2016.

The overall increase in proprietary net position is due to capital purchases in the Light, Sewer, and Water Funds and system development charges within the Sewer and Water Funds. The Light Fund's net position declined slightly due to capital purchases and higher than expected power purchase costs.

The Urban Renewal Agency is new for the City of Forest Grove and 2016 was the first year of operations for this Agency. The major financial activity for this Fund was the purchase of property from the City that was held for resale to a developer for a project to help revitalize the downtown area.

#### CAPITAL ASSETS

At June 30, 2016, the City had \$75,156,963 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets, net of accumulated depreciation increased by \$1,601,594. More detailed information about the City's capital assets is presented in the notes to the financial statements.

#### LONG TERM DEBT

At June 30, 2016, the City had \$2,275,000 in outstanding bonds payable, and \$5,130,607 in outstanding notes and contracts payable. During the year, the City borrowed \$3,822,000 in a bank loan to fund substation improvements. The City has had no change in its credit rating. More detailed information about the City's long term debt is presented in the notes to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Factors considered in preparing the City's General Fund budget for the 2016-17 fiscal year were, but not limited to the following:

- Residential development continues to occur at high pace allowing the City's taxable assessed value to increase at 5.2% resulting in higher than projected property tax revenue. Other revenue in the General Fund are increasing at a slower rate,
- The costs of the City's private defined benefit retirement plan will increase significantly over the next three years as the City implements changes to the Plan's actuarial assumption. The costs of the actuarial changes will be implemented over three-year period and the contributions to the City's private plan will increase from \$2.3 million annually to \$3.6 million annually by the end of the three-year implementation period.
- The City is putting new police officers and firefighters into the Oregon Public Employers' Retirement System (PERS) which has its own financial challenges but is projected to be more cost effective than putting those new employees into the City's private defined benefit plan. New general employees go into a defined contribution plan sponsored by the City which has a maximum City contribution rate of 12%.
- Healthcare costs continue to increase and are anticipated to continue to escalate. The City's insurance carrier is replacing two of its high cost plans with slightly less expensive plans. That change is expected to provide some relief in the increase in the year of the change but then costs are projected to continue to increase.
- Electric and water rates are expected to increase for the next several years as the City continues to address updating aging infrastructure for both of those utilities and adding additional capacity to address future electric and water needs. However, due to changes in some long-term capital projects, the City has been able to reduce the amount of projected increases over what was originally forecast.

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

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF FOREST GROVE**

**STATEMENT OF NET POSITION**

**June 30, 2016**

	Governmental Activities	Business-type Activities	Totals
<b><u>ASSETS</u></b>			
Cash and investments	\$ 25,452,766	\$ 20,469,330	\$ 45,922,096
Receivables, net	1,253,661	2,982,557	4,236,218
Inventory	-	623,230	623,230
Prepaid items	28,048	3,310	31,358
Investment in joint ventures	-	6,261,723	6,261,723
Capital assets:			
Land and construction in progress	8,211,790	3,556,674	11,768,464
Other capital assets, net	21,692,850	41,695,649	63,388,499
<b>TOTAL ASSETS</b>	<b>56,639,115</b>	<b>75,592,473</b>	<b>132,231,588</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related items	7,378,445	2,861,789	10,240,234
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	33,632	33,632
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,378,445</b>	<b>2,895,421</b>	<b>10,273,866</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	863,884	1,586,711	2,450,595
Payroll related liabilities	600,746	221,494	822,240
Accrued interest payable	-	43,823	43,823
Deposits	6,683	62,471	69,154
Long-term obligations:			
Due within one year	906,480	1,083,984	1,990,464
Due in more than one year:	18,098,304	13,701,334	31,799,638
<b>TOTAL LIABILITIES</b>	<b>20,476,097</b>	<b>16,699,817</b>	<b>37,175,914</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related items	126,608	49,107	175,715
<b><u>NET POSITION</u></b>			
Net investment in capital assets	29,904,640	37,824,634	67,729,274
Restricted for:			
Highways and streets	1,491,759	-	1,491,759
Building operations	1,538,041	-	1,538,041
Community enhancement	54,219	-	54,219
Capital projects	10,067,723	5,729,268	15,796,991
Debt service	135,590	-	135,590
Other purposes	756	-	756
Unrestricted	222,127	18,185,068	18,407,195
<b>TOTAL NET POSITION</b>	<b>\$ 43,414,855</b>	<b>\$ 61,738,970</b>	<b>\$ 105,153,825</b>

*See accompanying notes*

**CITY OF FOREST GROVE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities</b>							
General government	\$ 8,648,539	\$ 6,566,116	\$ 5,601	\$ 360,701	\$ (1,716,121)		\$ (1,716,121)
Public safety	9,438,190	958,499	103,978	-	(8,375,713)		(8,375,713)
Highways and streets	2,176,629	161,192	-	1,738,956	(276,481)		(276,481)
Culture and recreation	2,255,642	591,936	8,650	367,508	(1,287,548)		(1,287,548)
Interest on long-term obligations	4,126	-	-	-	(4,126)		(4,126)
Total governmental activities	<u>22,523,126</u>	<u>8,277,743</u>	<u>118,229</u>	<u>2,467,165</u>	<u>(11,659,989)</u>		<u>(11,659,989)</u>
<b>Business-type activities</b>							
Light	16,209,477	16,744,904	-	-		\$ 535,427	535,427
Sewer	1,481,869	1,454,340	315	1,308,932		1,281,718	1,281,718
Water	4,482,437	4,572,067	-	576,831		666,461	666,461
Surface water management	906,859	986,189	-	31,324		110,654	110,654
Total business-type activities	<u>23,080,642</u>	<u>23,757,500</u>	<u>315</u>	<u>1,917,087</u>		<u>2,594,260</u>	<u>2,594,260</u>
Totals	<u>\$ 45,603,768</u>	<u>\$ 32,035,243</u>	<u>\$ 118,544</u>	<u>\$ 4,384,252</u>	<u>(11,659,989)</u>	<u>2,594,260</u>	<u>(9,065,729)</u>
<b>General revenues</b>							
Property taxes, levied for:							
General purposes					7,778,734	-	7,778,734
Other					504,799	-	504,799
Franchise taxes					566,434	-	566,434
Transient room tax					103,747	-	103,747
Grants and contributions not restricted to specific programs					581,097	-	581,097
Fuel taxes					1,443,813	-	1,443,813
Unrestricted investment earnings					181,455	101,897	283,352
Rents					-	36,050	36,050
Miscellaneous					82,858	1,471,687	1,554,545
(Loss) on investment in joint ventures					-	(153,201)	(153,201)
<b>Special item - (loss) on sale of capital assets</b>					(773,298)	-	(773,298)
<b>Transfers</b>					1,693,308	(1,693,308)	-
Total general revenues, special items and transfers					<u>12,162,947</u>	<u>(236,875)</u>	<u>11,926,072</u>
Change in net position					502,958	2,357,385	2,860,343
Net position - beginning					<u>42,911,897</u>	<u>59,381,585</u>	<u>102,293,482</u>
Net position - ending					<u>\$ 43,414,855</u>	<u>\$ 61,738,970</u>	<u>\$ 105,153,825</u>

*See accompanying notes*

**CITY OF FOREST GROVE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016**

	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
Cash and investments	\$ 6,890,564	\$ 1,151,015	\$ 8,410	\$ 5,407,193	\$ 9,618,795	\$ 23,075,977
Receivables, net	550,013	340,112	-	-	363,536	1,253,661
Prepaid items	28,048	-	-	-	-	28,048
Due from other funds	-	-	-	-	1,100,000	1,100,000
<b>TOTAL ASSETS</b>	<b><u>\$ 7,468,625</u></b>	<b><u>\$ 1,491,127</u></b>	<b><u>\$ 8,410</u></b>	<b><u>\$ 5,407,193</u></b>	<b><u>\$ 11,082,331</u></b>	<b><u>\$ 25,457,686</u></b>
<b><u>LIABILITIES</u></b>						
Accounts payable and accrued liabilities	\$ 197,814	\$ 18,371	\$ -	\$ -	\$ 288,922	\$ 505,107
Payroll related liabilities	555,560	14,036	-	-	21,316	590,912
Deposits	-	-	-	-	6,683	6,683
Due to other funds	-	-	1,100,000	-	-	1,100,000
<b>TOTAL LIABILITIES</b>	<b><u>753,374</u></b>	<b><u>32,407</u></b>	<b><u>1,100,000</u></b>	<b><u>-</u></b>	<b><u>316,921</u></b>	<b><u>2,202,702</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Unavailable revenue	308,173	21,999	-	-	184,076	514,248
<b><u>FUND BALANCES</u></b>						
Nonspendable	28,048	-	-	-	41,186	69,234
Restricted	-	1,436,721	-	5,407,193	6,294,293	13,138,207
Committed	-	-	-	-	671,487	671,487
Assigned	-	-	-	-	3,574,368	3,574,368
Unassigned	6,379,030	-	(1,091,590)	-	-	5,287,440
<b>TOTAL FUND BALANCES</b>	<b><u>6,407,078</u></b>	<b><u>1,436,721</u></b>	<b><u>(1,091,590)</u></b>	<b><u>5,407,193</u></b>	<b><u>10,581,334</u></b>	<b><u>22,740,736</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 7,468,625</u></b>	<b><u>\$ 1,491,127</u></b>	<b><u>\$ 8,410</u></b>	<b><u>\$ 5,407,193</u></b>	<b><u>\$ 11,082,331</u></b>	

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,904,640
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	514,248
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	\$ 3,976,040
Plus: Compensated absences of the internal service fund included below	6,035
Plus: pension related liabilities, deferred outflows and deferred inflows	122,938
Less: Capital assets of the internal service fund included above	<u>(2,096,835)</u>
Deferred outflows related to the pension plan are not current financial resources and therefore are not reported in the funds	7,378,445
The net post-employment benefits obligation is reported in the statement of net position but is not reported in the funds	(1,096,455)
The net pension liability is reported in the statement of net position but is not reported in the funds	(17,001,849)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(906,480)
Deferred inflows related to the pension plan are reported in the statement of net position but are not reported in the funds	<u>(126,608)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 43,414,855</u></b>

*See accompanying notes*

CITY OF FOREST GROVE

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 7,742,667	\$ -	\$ 27,079	\$ -	\$ 477,338	\$ 8,247,084
Other taxes	113,809	-	-	977,123	-	1,090,932
Licenses and permits	147,879	-	-	-	797,784	945,663
Intergovernmental	2,038,637	1,748,239	-	-	691,210	4,478,086
System development charges	-	-	-	-	366,000	366,000
Fees and fines	452,421	-	-	-	4,638	457,059
Franchise fees	566,434	-	-	-	-	566,434
Interest	66,560	4,339	131	30,499	69,498	171,027
Grants	51,847	-	-	-	71,515	123,362
Charges for services	3,910,512	168,233	-	-	355,919	4,434,664
Miscellaneous	244,128	12,670	-	-	7,170	263,968
<b>TOTAL REVENUES</b>	<b>15,334,894</b>	<b>1,933,481</b>	<b>27,210</b>	<b>1,007,622</b>	<b>2,841,072</b>	<b>21,144,279</b>
<b>EXPENDITURES</b>						
General government	5,295,950	-	5,050	-	692,668	5,993,668
Public safety	8,729,188	-	-	-	66,903	8,796,091
Highways and streets	-	1,185,943	-	-	449,696	1,635,639
Culture and recreation	1,786,074	-	-	-	146,589	1,932,663
Capital outlay	27,843	363,598	1,100,000	-	1,142,532	2,633,973
Debt service	-	-	13,750	-	548,168	561,918
<b>TOTAL EXPENDITURES</b>	<b>15,839,055</b>	<b>1,549,541</b>	<b>1,118,800</b>	<b>-</b>	<b>3,046,556</b>	<b>21,553,952</b>
Excess (deficiency) of revenues over expenditures	(504,161)	383,940	(1,091,590)	1,007,622	(205,484)	(409,673)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	-	-	-	-	1,132,450	1,132,450
Transfers in	1,205,394	-	-	-	879,764	2,085,158
Transfers out	(450,961)	-	-	-	(330,543)	(781,504)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>754,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,681,671</b>	<b>2,436,104</b>
Net change in fund balances	250,272	383,940	(1,091,590)	1,007,622	1,476,187	2,026,431
Fund balances at beginning of year	6,156,806	1,052,781	-	4,399,571	9,105,147	20,714,305
Fund balances at end of year	\$ 6,407,078	\$ 1,436,721	\$ (1,091,590)	\$ 5,407,193	\$ 10,581,334	\$ 22,740,736

See accompanying notes

**CITY OF FOREST GROVE**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,026,431

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

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

Capitalized expenditures	\$ 1,343,804	
Depreciation	(1,436,530)	(92,726)

The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position (794,327)

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

Property taxes	36,449	
Assessments	(10,377)	
Fees	8,259	
Other	(4,691)	29,640

In the statement of activities, the changes in net pension liability, deferred inflows of resources and deferred outflows of resources related to the entity's defined benefit retirement plan are reported as additional expenses for increases and a reduction of expenses for decreases (1,593,170)

The change in other post-employment benefits are reported as additional expenses in the statement of activities (132,565)

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position,

Amortization of bond premium	26,307	
Accrued interest	2,227	
Principal payments	528,610	557,144

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

Compensated absences		54,111
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Net income of internal service funds after eliminating transfers and income reported above 448,420

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 502,958

*See accompanying notes*

**CITY OF FOREST GROVE**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 7,716,658	\$ 7,716,658	\$ 7,742,667	\$ 26,009
Transient room tax	85,000	85,000	103,747	18,747
Licenses and permits	129,100	129,100	147,879	18,779
Intergovernmental	1,942,001	1,990,795	2,038,637	47,842
Construction excise tax	7,200	7,200	10,062	2,862
Fees and fines	445,840	445,840	452,421	6,581
Franchise fees	570,000	570,000	566,434	(3,566)
Interest	65,000	65,000	66,560	1,560
Grants	25,433	25,433	51,847	26,414
Charges for services	3,894,789	3,894,789	3,910,512	15,723
Miscellaneous	173,848	173,848	244,128	70,280
<b>TOTAL REVENUES</b>	<u>15,054,869</u>	<u>15,103,663</u>	<u>15,334,894</u>	<u>231,231</u>
<b>EXPENDITURES</b>				
Legislative and executive				
Personal services	467,488	467,488	410,285	57,203
Materials and services	101,771	101,771	93,702	8,069
Total legislative and executive	<u>569,259</u>	<u>569,259</u>	<u>503,987</u>	<u>65,272</u>
Administrative services				
Personal services	1,912,584	1,912,584	1,855,712	56,872
Materials and services	721,394	721,394	688,791	32,603
Total administrative services	<u>2,633,978</u>	<u>2,633,978</u>	<u>2,544,503</u>	<u>89,475</u>
Library				
Personal services	940,647	940,647	920,802	19,845
Materials and services	170,843	170,843	163,974	6,869
Capital outlay	-	48,794	-	48,794
Total library	<u>1,111,490</u>	<u>1,160,284</u>	<u>1,084,776</u>	<u>75,508</u>

*Continued on next page*

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

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Planning				
Personal services	\$ 368,744	\$ 383,744	\$ 367,747	\$ 15,997
Materials and services	87,489	102,489	100,215	2,274
Total planning	456,233	486,233	467,962	18,271
Fire				
Personal services	2,995,580	3,135,580	3,027,493	108,087
Materials and services	710,633	710,633	685,385	25,248
Total fire	3,706,213	3,846,213	3,712,878	133,335
Engineering				
Personal services	726,623	726,623	715,210	11,413
Materials and services	118,966	118,966	88,892	30,074
Total engineering	845,589	845,589	804,102	41,487
Police				
Personal services	4,474,027	4,474,027	4,195,592	278,435
Materials and services	811,149	811,149	820,718	(9,569)
Capital outlay	25,000	25,000	27,843	(2,843)
Total police	5,310,176	5,310,176	5,044,153	266,023
Aquatics				
Personal services	462,365	462,365	444,829	17,536
Materials and services	180,960	180,960	160,271	20,689
Total aquatics	643,325	643,325	605,100	38,225
Parks and recreation				
Personal services	588,066	588,066	556,143	31,923
Materials and services	180,399	180,399	156,869	23,530
Total parks and recreation	768,465	768,465	713,012	55,453

*Continued on next page*

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

	Budget		Actual	Variance
	Original	Final		
<b>EXPENDITURES (continued)</b>				
Municipal court				
Personal services	\$ 198,314	\$ 198,314	\$ 189,995	\$ 8,319
Materials and services	172,062	172,062	168,587	3,475
Total municipal court	370,376	370,376	358,582	11,794
Operating contingency	750,000	580,000	-	580,000
<b>TOTAL EXPENDITURES</b>	<b>17,165,104</b>	<b>17,213,898</b>	<b>15,839,055</b>	<b>1,374,843</b>
Excess (deficiency) of revenues over expenditures	(2,110,235)	(2,110,235)	(504,161)	1,606,074
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,204,894	1,204,894	1,205,394	500
Transfers out	(457,500)	(457,500)	(450,961)	6,539
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>747,394</b>	<b>747,394</b>	<b>754,433</b>	<b>7,039</b>
Net change in fund balance	(1,362,841)	(1,362,841)	250,272	1,613,113
Fund balance at beginning of year	5,942,538	5,942,538	6,156,806	214,268
Fund balance at end of year	\$ 4,579,697	\$ 4,579,697	\$ 6,407,078	\$ 1,827,381

*See accompanying notes*

**CITY OF FOREST GROVE**

**STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,380,653	\$ 1,380,653	\$ 1,748,239	\$ 367,586
Interest	3,500	3,500	4,339	839
Charges for services	146,400	146,400	168,233	21,833
Miscellaneous	123,100	123,100	12,670	(110,430)
TOTAL REVENUES	1,653,653	1,653,653	1,933,481	279,828
<b>EXPENDITURES</b>				
Personal services	318,769	318,769	339,013	(20,244)
Materials and services	948,933	948,933	846,930	102,003
Capital outlay	758,314	758,314	363,598	394,716
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	2,126,016	2,126,016	1,549,541	576,475
Net change in fund balance	(472,363)	(472,363)	383,940	856,303
Fund balance at beginning of year	854,706	854,706	1,052,781	198,075
Fund balance at end of year	\$ 382,343	\$ 382,343	\$ 1,436,721	\$ 1,054,378

*See accompanying notes*

**CITY OF FOREST GROVE**

**URBAN RENEWAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Property Taxes	\$ 43,021	\$ 43,021	\$ 27,079	\$ (15,942)
Interest	50	50	131	81
TOTAL REVENUES	43,071	43,071	27,210	(15,861)
<b>EXPENDITURES</b>				
Materials and services	22,446	22,446	5,050	17,396
Debt service	20,625	20,625	13,750	6,875
Capital outlay	-	-	1,100,000	(1,100,000)
TOTAL EXPENDITURES	43,071	43,071	1,118,800	(1,075,729)
Excess (deficiency) of revenues over expenditures	-	-	(1,091,590)	(1,091,590)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term obligations	-	-	1,100,000	1,100,000
Net change in fund balance	-	-	8,410	8,410
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	8,410	\$ 8,410
<b>Reconciliation to generally accepted accounting principles</b>				
Advances from other funds			(1,100,000)	
			\$ (1,091,590)	

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 5,584,343	\$ 2,766,777	\$ 5,904,517	\$ 467,612	\$ 5,746,081	\$20,469,330	\$ 2,376,789
Receivables, net	1,690,308	592,547	558,919	140,783	-	2,982,557	-
Inventory	474,821	6,630	141,779	-	-	623,230	-
Prepaid expense	2,218	596	364	132	-	3,310	-
Total current assets	<u>7,751,690</u>	<u>3,366,550</u>	<u>6,605,579</u>	<u>608,527</u>	<u>5,746,081</u>	<u>24,078,427</u>	<u>2,376,789</u>
Investment in joint ventures	-	-	6,261,723	-	-	6,261,723	-
Capital assets and intangibles							
Land	721,723	81,022	373,686	-	-	1,176,431	-
Construction in progress	2,380,243	-	-	-	-	2,380,243	-
Other capital assets and intangibles, net	16,667,677	8,516,856	10,348,182	6,162,934	-	41,695,649	2,096,835
Total capital assets	<u>19,769,643</u>	<u>8,597,878</u>	<u>10,721,868</u>	<u>6,162,934</u>	<u>-</u>	<u>45,252,323</u>	<u>2,096,835</u>
<b>TOTAL ASSETS</b>	<u>27,521,333</u>	<u>11,964,428</u>	<u>23,589,170</u>	<u>6,771,461</u>	<u>5,746,081</u>	<u>75,592,473</u>	<u>4,473,624</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related items	1,942,135	157,087	552,219	210,348	-	2,861,789	93,035
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	-	33,632	-	-	33,632	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,942,135</u>	<u>157,087</u>	<u>585,851</u>	<u>210,348</u>	<u>-</u>	<u>2,895,421</u>	<u>93,035</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	785,139	496,069	250,607	38,083	16,813	1,586,711	358,763
Payroll related liabilities	147,862	10,681	44,272	18,679	-	221,494	9,848
Accrued interest payable	23,496	4,999	15,328	-	-	43,823	-
Customer deposits	62,471	-	-	-	-	62,471	-
Total current liabilities	<u>1,018,968</u>	<u>511,749</u>	<u>310,207</u>	<u>56,762</u>	<u>16,813</u>	<u>1,914,499</u>	<u>368,611</u>
Long-term obligations							
Due within one year	412,765	158,099	513,120	-	-	1,083,984	6,035
Due in more than one year							
Bonds and loans	3,609,000	115,895	2,991,955	-	-	6,716,850	-
Net other post-employment benefits	266,709	18,961	70,257	34,253	-	390,180	-
Net pension liability	4,475,182	361,970	1,272,456	484,696	-	6,594,304	214,377
Total long-term obligations	<u>8,763,656</u>	<u>654,925</u>	<u>4,847,788</u>	<u>518,949</u>	<u>-</u>	<u>14,785,318</u>	<u>220,412</u>
<b>TOTAL LIABILITIES</b>	<u>9,782,624</u>	<u>1,166,674</u>	<u>5,157,995</u>	<u>575,711</u>	<u>16,813</u>	<u>16,699,817</u>	<u>589,023</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related items	33,326	2,696	9,476	3,609	-	49,107	1,596
<b>NET POSITION</b>							
Net investment in capital assets	15,947,643	8,323,884	7,390,173	6,162,934	-	37,824,634	2,096,835
Restricted for capital projects	-	-	-	-	5,729,268	5,729,268	-
Unrestricted	3,699,875	2,628,261	11,617,377	239,555	-	18,185,068	1,879,205
<b>TOTAL NET POSITION</b>	<u>\$ 19,647,518</u>	<u>\$10,952,145</u>	<u>\$ 19,007,550</u>	<u>\$ 6,402,489</u>	<u>\$ 5,729,268</u>	<u>\$61,738,970</u>	<u>\$ 3,976,040</u>

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 16,427,809	\$ 1,450,667	\$ 4,401,807	\$ 986,189	\$ -	\$ 23,266,472	\$ 1,791,875
Conservation incentive	201,343	-	-	-	-	201,343	-
Licenses, permits, and fees	115,752	3,673	9,547	-	-	128,972	-
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 16,744,904</b>	<b>\$ 1,454,340</b>	<b>\$ 4,411,354</b>	<b>\$ 986,189</b>	<b>\$ -</b>	<b>\$ 23,596,787</b>	<b>\$ 1,791,875</b>
<b>OPERATING EXPENSES</b>							
System operation and maintenance	4,364,319	226,725	2,178,407	541,283	363,499	7,674,233	1,527,942
Electricity purchases	9,350,782	-	-	-	-	9,350,782	-
General Fund administration charges	1,343,234	598,194	1,078,655	180,468	-	3,200,551	-
General and administrative costs	43,006	26,255	701,381	12,079	-	782,721	-
Depreciation and amortization	703,703	262,691	416,795	162,749	-	1,545,938	229,601
<b>TOTAL OPERATING EXPENSES</b>	<b>15,805,044</b>	<b>1,113,865</b>	<b>4,375,238</b>	<b>896,579</b>	<b>363,499</b>	<b>22,554,225</b>	<b>1,757,543</b>
<b>OPERATING INCOME (LOSS)</b>	<b>939,860</b>	<b>340,475</b>	<b>36,116</b>	<b>89,610</b>	<b>(363,499)</b>	<b>1,042,562</b>	<b>34,332</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest earned	24,682	14,774	29,268	244	32,929	101,897	11,637
Interest	(69,148)	(987)	(118,174)	-	(13,083)	(201,392)	-
Rents	-	-	36,050	-	-	36,050	-
Grants	-	-	-	-	315	315	49,210
Miscellaneous	8,789	-	1,619,111	-	4,500	1,632,400	57,042
(Loss) on sale of capital assets	(335,285)	(715)	10,975	-	-	(325,025)	(93,455)
(Loss) on investment in joint ventures	-	-	(153,201)	-	-	(153,201)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(370,962)</b>	<b>13,072</b>	<b>1,424,029</b>	<b>244</b>	<b>24,661</b>	<b>1,091,044</b>	<b>24,434</b>
Income (loss) before capital contributions and transfers	568,898	353,547	1,460,145	89,854	(338,838)	2,133,606	58,766
Capital contributions	-	556,123	-	-	1,360,964	1,917,087	-
Transfers in	-	665,036	-	-	-	665,036	429,654
Transfers out	(939,456)	(150,830)	(279,290)	(60,729)	(928,039)	(2,358,344)	(40,000)
Change in net position	(370,558)	1,423,876	1,180,855	29,125	94,087	2,357,385	448,420
Net position at beginning of year	20,018,076	9,528,269	17,826,695	6,373,364	5,635,181	59,381,585	3,527,620
Net position at end of year	<u>\$ 19,647,518</u>	<u>\$ 10,952,145</u>	<u>\$ 19,007,550</u>	<u>\$ 6,402,489</u>	<u>\$ 5,729,268</u>	<u>\$ 61,738,970</u>	<u>\$ 3,976,040</u>

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-type Activities						Governmental
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 16,633,116	\$ 1,341,669	\$ 4,326,863	\$ 958,640	\$ -	\$ 23,260,288	\$ 1,823,875
Cash paid to employees	(3,157,728)	(280,705)	(924,501)	(441,849)	-	(4,804,783)	(235,018)
Cash paid to suppliers	(11,624,341)	(625,755)	(2,794,301)	(244,994)	(417,548)	(15,706,939)	(1,289,194)
Net cash provided by (used in) operating activities	1,851,047	435,209	608,061	271,797	(417,548)	2,748,566	299,663
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	-	-	-	-	201,474
Transfers out	(939,456)	(150,830)	(279,290)	(60,729)	(1,200)	(1,431,505)	(40,000)
Net cash provided by (used in) non-capital financing activities	(939,456)	(150,830)	(279,290)	(60,729)	(1,200)	(1,431,505)	161,474
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from long-term obligations	3,822,000	-	-	-	-	3,822,000	-
Transfers in	-	-	-	-	-	-	228,180
Sale of capital assets	21,917	-	-	-	-	21,917	68,801
System development charges received	-	-	-	-	1,360,964	1,360,964	-
Transfers out	-	-	-	-	(261,803)	(261,803)	-
Grants	-	-	-	-	315	315	49,210
Other	8,789	-	1,655,161	-	4,500	1,668,450	57,042
Acquisition of capital assets	(2,039,844)	(149,982)	(375,589)	(175,787)	(556,124)	(3,297,326)	(919,935)
Principal paid on long-term obligations	-	(89,780)	(334,902)	-	(108,912)	(533,594)	-
Interest paid on long-term obligations	(45,652)	(4,224)	(108,924)	-	(13,083)	(171,883)	-
Net cash provided by (used in) capital and related financing activities	1,767,210	(243,986)	835,746	(175,787)	425,857	2,609,040	(516,702)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest	24,682	14,774	29,268	244	32,929	101,897	11,637
Net increase (decrease) in cash and cash equivalents	2,703,483	55,167	1,193,785	35,525	40,038	4,027,998	(43,928)
Cash and cash equivalents at beginning of year	2,880,860	2,711,610	4,710,732	432,087	5,706,043	16,441,332	2,420,717
Cash and cash equivalent at end of year	\$ 5,584,343	\$ 2,766,777	\$ 5,904,517	\$ 467,612	\$ 5,746,081	\$ 20,469,330	\$ 2,376,789
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 939,860	\$ 340,475	\$ 36,116	\$ 89,610	\$ (363,499)	\$ 1,042,562	\$ 34,332
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	703,703	262,691	416,795	162,749	-	1,545,938	229,601
Net other post-employment benefits	35,807	893	5,496	8,775	-	50,971	-
Net pension liability	2,075,215	166,621	604,291	214,752	-	3,060,879	68,840
Decrease (increase) in assets and deferred outflows							
Receivables, net	(113,215)	(112,671)	(84,491)	(27,549)	-	(337,926)	32,000
Inventory	8,918	645	(6,294)	-	-	3,269	-
Prepaid expense	(2,218)	(596)	(364)	(132)	-	(3,310)	-
Pension related items	(1,323,788)	(106,756)	(380,068)	(140,798)	-	(1,951,410)	(55,538)
Increase (decrease) in liabilities and deferred inflows							
Accounts payable and accrued liabilities	(195,371)	(90,110)	82,138	(6,534)	(54,049)	(263,926)	9,055
Payroll related liabilities	22,130	1,870	5,709	9,530	-	39,239	2,537
Customer deposits	1,427	-	-	-	-	1,427	-
Compensated absences payable	40,569	-	23,747	-	-	64,316	-
Pension related items	(341,990)	(27,853)	(95,014)	(38,606)	-	(503,463)	(21,164)
Net cash provided by (used in) operating activities	\$ 1,851,047	\$ 435,209	\$ 608,061	\$ 271,797	\$ (417,548)	\$ 2,748,566	\$ 299,663
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>							
Capital asset donation	\$ -	\$ 556,123	\$ -	\$ -	\$ -	\$ 556,123	\$ -
Transfers in	-	665,036	-	-	-	665,036	-
Transfers out	-	-	-	-	(665,036)	(665,036)	-
Total noncash transactions	\$ -	\$ 1,221,159	\$ -	\$ -	\$ (665,036)	\$ 556,123	\$ -

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2016**

	City of Forest Grove Retirement Plan	
	Trust Fund	Agency Fund
<b><u>ASSETS</u></b>		
Cash and investments	\$ 35,322,381	\$ 191,135
Accounts receivable	76,726	-
 TOTAL ASSETS	 35,399,107	 191,135
 <b><u>LIABILITIES</u></b>		
Amounts held in trust	-	\$ 191,135
 <b><u>NET POSITION</u></b>		
Pension benefits	\$ 35,399,107	

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2016**

	City of Forest Grove Retirement Plan Trust Fund <hr/>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,089,399
Investment earnings	<u>1,180,542</u>
Total additions	<u>3,269,941</u>
<b>DEDUCTIONS</b>	
Benefits	1,784,224
Administrative expenses	<u>209,816</u>
Total deductions	<u>1,994,040</u>
Change in net position	1,275,901
Net position - beginning of year	<u>34,123,206</u>
Net position - end of year	<u><u>\$ 35,399,107</u></u>

*See accompanying notes*

## CITY OF FOREST GROVE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

#### 1. Summary of significant accounting policies

##### A. Organization (reporting entity)

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

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

The accompanying financial statements present all activities and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government.

The City Council serves as the governing board of the Forest Grove Urban Renewal Agency. Therefore, the accounts of the agency are included in the financial statements of the City.

Complete financial statements for the Forest Grove Urban Renewal Agency may be obtained from the City's finance department.

##### B. Government-wide financial statements and financial statement presentation

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

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

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

The City reports the following major governmental funds:

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

*Street* - accounts for the building and maintaining of streets and related infrastructure within the City. The principal revenue source is state gasoline taxes apportioned by the State of Oregon.

*Urban renewal* – accounts for projects identified in the Urban Renewal agency plan. The principal revenue source is property taxes.

*Transportation development tax* – accounts for improvements to the City's transportation network to meet the impacts of growth. The principal revenue source is transportation development taxes.

The City reports the following major proprietary funds:

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

#### D. Budget policies and budgetary control

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### E. Cash and cash equivalents

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

#### F. User charges and fines

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

The City has uncollected municipal court fines and fees, however due to the uncertainty of collection these amounts are not reported in the financial statements. The City maintains a listing of receivables they believe are collectible as of June 30, 2016.

#### G. Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption.

#### H. Capital assets

##### *i.* Fund financial statements

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

##### *ii.* Government-wide statements

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### H. Capital assets (continued)

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

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

#### I. Long-term obligations

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

#### J. Compensated absences

##### iii. *Vacation leave*

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

##### iv. *Sick leave*

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

#### K. Deferred outflows / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. These include refunded debt charges and pension related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents amount that apply to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. Pension related items which are amortized over specified periods are reported as deferred inflows of resources.

The balance sheet of governmental funds will report as deferred inflows unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### L. Retirement plan

Substantially all of the City's employees are participants in the City of Forest Grove Retirement Plan (the Plan). Contributions to the Plan are made on a current basis as required by the Plan and are charged to expenditures or expenses when due and the employer has made a formal commitment to provide the contribution.

The assets of the Plan are invested in various mutual funds. The City pays the administrative expenses of the Plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the net position of the Plan and additions to/deductions from the net position of the Plan have been determined on the same basis as reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### M. Equity classification

##### i. Government-wide and proprietary fund financial statements

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

***Net investment in capital assets*** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

***Restricted*** – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

***Unrestricted*** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### M. Equity classification (continued)

##### i. Government-wide and proprietary fund financial statements (continued)

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

##### ii. Governmental fund type fund balance reporting

Governmental type fund balance amounts are to be reported within one of the fund balance categories list below:

***Non-spendable*** — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

***Restricted*** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

***Committed*** — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

***Assigned*** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Manager or Director of Administrative Services has authority to assign fund balance amounts.

***Unassigned*** — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

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

#### N. Special items

Significant transactions which are unusual or infrequent, but within the control of management are reported as special items.

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

**2. Deposits and investments**

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

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

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

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

*Investments:* As of June 30, 2016, the City held the following investments and maturities:

Investment Type	Carrying Value	Weighted Average Maturity in Months	% of Investment Portfolio
LGIP	\$ 41,436,870	5.91	99%
Certificates of deposit	361,353	24	1%
	\$ 41,798,223		100%

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

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

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

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

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Rating from Moody's or S&amp;P Corporation</u>
LGIP	\$ 41,436,870	Aa2/AA
Certificates of deposit	<u>361,353</u>	Not Rated
	<u>\$ 41,798,223</u>	

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

*Cash and Investments – Pension Trust Fund:* The City of Forest Grove Retirement Plan and Trust's assets are invested with Wells Fargo. As of June 30, 2016, the Trust's cash and investment balances were reported as follows:

<u>Investment Type</u>	<u>Market Value</u>
Interest bearing cash	\$ 189,420
Mutual funds (unrated)	<u>35,132,961</u>
	<u>\$ 35,322,381</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

*Custodial Credit Risk – Deposits:* This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2016, \$4,423,876 of the City's bank balances were exposed to custodial risk.

A. The City's deposits and investments at June 30, 2016 are as follows:

Investments	\$ 76,831,184
Deposits with financial institutions	4,603,013
Cash on hand	<u>1,415</u>
Total deposits and investments	<u>\$ 81,435,612</u>

B. Cash and investments by fund:

Governmental activities/funds	
General	\$ 6,890,564
Street	1,151,015
Urban renewal	8,410
Transportation development tax	5,407,193
Nonmajor funds	<u>9,618,795</u>
Total governmental funds	23,075,977
Internal service funds	<u>2,376,789</u>
Total governmental activities	<u>25,452,766</u>
Business-type activities/Enterprise funds	
Light	5,584,343
Sewer	2,766,777
Water	5,904,517
Surface water management	467,612
Nonmajor funds	<u>5,746,081</u>
Total business-type activities/enterprise funds	<u>20,469,330</u>
Fiduciary funds	
Pension trust	35,322,381
Agency	<u>191,135</u>
Total fiduciary funds	<u>35,513,516</u>
Total cash and investments	<u>\$ 81,435,612</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Fair Value Measurements

The Governmental Accounting Standards Board (GASB) Statement No. 72 *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations based on observable inputs or value drivers.

Level 3 – Unobservable inputs that are supported by little or not market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

There were no transfers of assets or liabilities amount the three levels of the fair value hierarchy for the year ended June 30, 2016.

*Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:*

Description	Carrying Values	Quoted prices in active markets for identical assets (Level 1)
Mutual funds	<u>\$ 35,132,961</u>	<u>\$ 35,132,961</u>

### 4. Receivables

A. The City's receivables at June 30, 2016 are shown below:

	Governmental Activities/Funds				Business-type Activities/Enterprise Funds				
	General	Street	Nonmajor	Totals	Light	Sewer	Water	Surface Water Management	Totals
Property taxes	\$ 353,390	\$ -	\$ 21,706	\$ 375,096	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts	196,623	320,158	218,815	735,596	88,109	-	2,783	-	90,892
Assessments	-	1,277	98,917	100,194	-	-	-	-	-
User charges	-	18,616	-	18,616	1,701,028	603,933	576,605	145,135	3,026,701
Interest	-	61	24,098	24,159	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	(98,829)	(11,386)	(20,469)	(4,352)	(135,036)
	<u>\$ 550,013</u>	<u>\$ 340,112</u>	<u>\$ 363,536</u>	<u>\$ 1,253,661</u>	<u>\$ 1,690,308</u>	<u>\$ 592,547</u>	<u>\$ 558,919</u>	<u>\$ 140,783</u>	<u>\$ 2,982,557</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Receivables (continued)

#### B. Property taxes

##### i. Collection procedures

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

##### iii. Ensuing year's levies

The permanent tax rate is \$3.9554 per \$1,000 of assessed value.

The Urban Renewal Agency will levy 100 percent of the amount of its authority under option one of ORS 457.435(2)(a) for the retirement of long-term obligations principal and interest without making a special levy in 2016-17.

Also, a local option operating tax levy of \$1.6000 per \$1,000 of assessed value, approved by voters, will also be levied.

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

### 5. Capital assets

#### A. Activity for governmental activities for the year ended June 30, 2016 was as follows:

	Balances July 01, 2015	Additions	Deletions	Balances June 30, 2016
Capital assets not being depreciated				
Land and land improvements	\$ 7,972,848	\$ -	\$ -	\$ 7,972,848
Construction in progress	3,255	235,687	-	238,942
Total capital assets not being depreciated	<u>7,976,103</u>	<u>235,687</u>	<u>-</u>	<u>8,211,790</u>
Capital assets being depreciated				
Buildings and improvements	12,678,217	370,480	(833,991)	12,214,706
Machinery and equipment	7,955,528	1,015,345	(844,432)	8,126,441
Infrastructure	26,335,771	642,227	-	26,977,998
Total capital assets being depreciated	<u>46,969,516</u>	<u>2,028,052</u>	<u>(1,678,423)</u>	<u>47,319,145</u>
Less accumulated depreciation				
Buildings and improvements	7,219,528	232,393	(64,694)	7,387,227
Machinery and equipment	4,491,512	520,607	(657,146)	4,354,973
Infrastructure	12,970,964	913,131	-	13,884,095
Total accumulated depreciation	<u>24,682,004</u>	<u>1,666,131</u>	<u>(721,840)</u>	<u>25,626,295</u>
Total capital assets being depreciated, net	<u>22,287,512</u>	<u>361,921</u>	<u>(956,583)</u>	<u>21,692,850</u>
Governmental activities capital assets, net	<u>\$ 30,263,615</u>	<u>\$ 597,608</u>	<u>\$ (956,583)</u>	<u>\$ 29,904,640</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Capital assets (continued)

B. Activity for business-type activities for the year ended June 30, 2016 was as follows:

	Balances July 01, 2015	Additions	Deletions	Balances June 30, 2016
Capital assets not being depreciated				
Land	\$ 1,176,431	\$ -	\$ -	\$ 1,176,431
Work in progress	1,415,385	2,300,963	(1,336,105)	2,380,243
Total capital assets not being depreciated	<u>2,591,816</u>	<u>2,300,963</u>	<u>(1,336,105)</u>	<u>3,556,674</u>
Capital assets, being depreciated and amortized				
Buildings and improvements	10,323,147	-		10,323,147
Machinery and equipment	26,013,383	1,375,765	(500,063)	26,889,085
Infrastructure	40,695,255	1,512,826		42,208,081
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated and amortized	<u>78,739,269</u>	<u>2,888,591</u>	<u>(500,063)</u>	<u>81,127,797</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	5,291,061	179,057	-	5,470,118
Machinery and equipment	11,847,386	645,874	(153,121)	12,340,139
Infrastructure	19,724,540	678,234	-	20,402,774
Intangible-water rights	1,176,344	42,773	-	1,219,117
Total accumulated depreciation and amortization	<u>38,039,331</u>	<u>1,545,938</u>	<u>(153,121)</u>	<u>39,432,148</u>
Total capital assets, being depreciated and amortized, net	<u>40,699,938</u>	<u>1,342,653</u>	<u>(346,942)</u>	<u>41,695,649</u>
Business-type activities capital assets, net	<u>\$ 43,291,754</u>	<u>\$ 3,643,616</u>	<u>\$ (1,683,047)</u>	<u>\$ 45,252,323</u>

C. *Depreciation and amortization expense was charged to functions / programs of the City as follows:*

Governmental activities:	
General government	\$ 379,334
Public safety	135,847
Highways and streets	846,385
Culture and recreation	304,565
Total governmental activities	<u>\$ 1,666,131</u>
Business-type activities:	
Light	\$ 703,703
Sewer	262,691
Water	416,795
Surface water management	162,749
Total business-type activities	<u>\$ 1,545,938</u>

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

**6. Unavailable revenue**

Resources in the governmental funds, which are measurable but unavailable, consist of the following:

	Governmental Funds			Totals
	General	Street	Nonmajor	
Property taxes	\$ 303,409	\$ -	\$ 18,636	\$ 322,045
Accounts	4,764	21,999	42,425	69,188
Interest	-	-	24,098	24,098
Assessments	-	-	98,917	98,917
	<u>\$ 308,173</u>	<u>\$ 21,999</u>	<u>\$ 184,076</u>	<u>\$ 514,248</u>

**7. Long-term obligations**

A. *Changes in long-term obligations for the year ended June 30, 2016 were as follows:*

	Balances			Balances	Balances
	July 1, 2015	Additions	Reductions		
<u>Governmental activities</u>					
Long-term debt obligations					
Bonded debt					
2010 General Obligation Refunding	\$ 505,000	\$ -	\$ 505,000	\$ -	\$ -
Loan					
Oregon Economic Development Department (OEDD)	<u>23,610</u>	<u>-</u>	<u>23,610</u>	<u>-</u>	<u>-</u>
Total long-term debt obligations	528,610	-	528,610	-	-
Other long-term obligations					
Compensated absences	959,455	906,480	959,455	906,480	906,480
Net other post-employment benefits	963,890	132,565	-	1,096,455	-
Net pension liability	<u>9,084,652</u>	<u>7,917,197</u>	<u>-</u>	<u>17,001,849</u>	<u>-</u>
Total long-term obligations	<u>\$11,536,607</u>	<u>\$8,956,242</u>	<u>\$1,488,065</u>	<u>\$ 19,004,784</u>	<u>\$ 906,480</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Long-term obligations (continued)

A. *Changes in long-term obligations for the year ended June 30, 2016 were as follows (continued):*

	Balances			Balances	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2015			2016	One Year
<u>Business-type activities</u>					
Long-term debt obligations					
Bonded debt					
2013 Full Faith and Credit Refunding	\$ 2,565,000	\$ -	\$ 290,000	\$ 2,275,000	\$ 300,000
Premium	25,237	-	3,155	22,082	3,155
Loans					
US Department of the Interior	1,069,961	-	35,348	1,034,613	36,585
Clean Water Services - rehabilitation project	134,344	-	89,780	44,564	44,564
Clean Water Services - Sunset sewer	338,342	-	108,912	229,430	113,535
Columbia State Bank	-	3,822,000	-	3,822,000	213,000
	<u>4,132,884</u>	<u>3,822,000</u>	<u>527,195</u>	<u>7,427,689</u>	<u>710,839</u>
Total long-term debt obligations					
Other long-term obligations					
Compensated absences	308,829	373,145	308,829	373,145	373,145
Net other post-employment benefits	339,209	50,971	-	390,180	-
Net pension liability	<u>3,533,425</u>	<u>3,060,879</u>	<u>-</u>	<u>6,594,304</u>	<u>-</u>
	<u>\$ 8,314,347</u>	<u>\$7,306,995</u>	<u>\$ 836,024</u>	<u>\$ 14,785,318</u>	<u>\$ 1,083,984</u>
Total long-term obligations					

#### B. Governmental activities long-term debt obligations

2010 General Obligation Refunding – The City issued bonds in the amount of \$2,265,000 to refund previously issued long-term debt obligations. Interest on outstanding bonds varies from 3 to 4 percent depending on the maturity of the principal amount.

Oregon Economic Development Department – The City borrowed \$280,000 to finance infrastructure improvements. Annual payments vary and include interest at 5.47 percent.

#### C. Business-type activities long-term debt obligations

2013 Full Faith and Credit Refunding – The City issued bonds in the amount of \$5,285,000 to refund previously issued long-term debt obligations. Interest on outstanding bonds is 2.74 percent.

US Department of the Interior – The City borrowed \$1,707,484 to finance improvements to the Scoggins Dam and Reservoir. Annual payments are \$72,797 and include interest at 3.5 percent.

Clean Water Services – rehabilitation project – The City borrowed \$777,152 to finance sewer system improvements. Semi-annual payments of \$47,002 include interest at 3.77 percent.

Clean Water Services – Sunset sewer – The City borrowed \$987,835 to finance sewer system improvements. Semi-annual payments of \$60,997 include interest at 4.20 percent.

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

**7. Long-term obligations (continued)**

C. Business-type activities long-term debt obligations (continued)

Columbia State Bank – The City borrowed \$3,822,000 to finance light and power improvements. Annual principal and interest payments are due in October each year and range from \$260,775 to \$305,775. Annual interest only payments are due in April each year and range from \$45,113 to \$3,775. Interest is at 2.5 percent.

D. The future maturities for business-type activities long-term debt obligations as of June 30, 2016 are as follows:

Fiscal Year	2013 Full Faith and Credit Refunding		US Dept. of the Interior Scoggins Dam		Clean Water Services rehabilitation project	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 300,000	\$ 62,335	\$ 36,585	\$ 36,212	\$ 44,564	\$ 838
2018	305,000	54,115	37,865	34,931	-	-
2019	315,000	45,758	39,191	33,606	-	-
2020	325,000	37,127	40,562	32,234	-	-
2021	335,000	28,222	41,982	30,815	-	-
2022-2026	695,000	28,639	233,008	130,976	-	-
2027-2031	-	-	276,741	87,244	-	-
2032-2035	-	-	328,679	35,303	-	-
	<u>\$ 2,275,000</u>	<u>\$ 256,196</u>	<u>\$ 1,034,613</u>	<u>\$ 421,321</u>	<u>\$ 44,564</u>	<u>\$ 838</u>

Fiscal Year	Clean Water Services Sunset sewer		Columbia State Bank		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 113,535	\$ 8,460	\$ 213,000	\$ 92,888	\$ 707,684	\$ 200,733
2017	115,895	3,641	218,000	87,500	676,760	180,187
2018	-	-	224,000	81,975	578,191	161,339
2019	-	-	229,000	76,312	594,562	145,673
2020	-	-	235,000	70,513	611,982	129,550
2021-2025	-	-	1,267,000	260,263	2,195,008	419,878
2026-2030	-	-	1,436,000	91,550	1,712,741	178,794
2031-2035	-	-	-	-	328,679	35,303
	<u>\$ 229,430</u>	<u>\$ 12,101</u>	<u>\$ 3,822,000</u>	<u>\$ 761,001</u>	<u>\$ 7,405,607</u>	<u>\$ 1,451,457</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Long-term obligations (continued)

- E. The City has pledged revenue from timber sales and available water revenues for repayment of the 2013 Full Faith and Credit Refunding bond issue.
- F. Funds used to liquidate other long-term obligations

The General, Street, Building, and SAFER Grant Funds have been used to liquidate the governmental activities obligations for compensated absences, other post-employment benefits, and net pension liability.

### 8. Conduit debt

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

- A. On September 1, 2005, the City issued \$41,000,000 in revenue bonds to fund Pacific University campus facility improvements. The revenue bonds were assigned to Pacific University. At June 30, 2016, \$35,150,000 was outstanding. The bonds mature May 1, 2036.
- B. On June 29, 2007, the City issued \$30,460,000 in revenue bonds to fund Pacific University student housing construction. The revenue bonds were assigned to the Oak Tree Foundation, Inc., a nonprofit corporation. At June 30, 2016, \$27,695,000 was outstanding. The bonds mature March 1, 2037.
- C. On July 23, 2009, the City issued \$35,305,000 in revenue bonds to fund Pacific University campus facility improvements. The revenue bonds were assigned to Pacific University. At June 30, 2016, \$34,730,000 was outstanding. The bonds mature June 30, 2039.
- D. On October 15, 2013, the City issued \$18,500,000 in revenue bonds to fund Pacific University campus improvements. The revenue bonds were assigned to Pacific University. At June 30, 2016, \$17,734,185 was outstanding. The bonds mature October 30, 2038.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan

#### A. Plan description

Substantially all employees are participants in either the defined benefit retirement plan of City of Forest Grove (the Plan), a single employer defined benefit public employment or a new defined contribution plan for certain new employees that was effective as of July 1, 2011. Footnote 10 describes the new defined contribution plan.

The Plan was established by the Forest Grove City Council who may amend the plan.

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

#### B. Plan membership

All full-time employees hired before July 1, 2011, are eligible to participate in the Plan after six months of employment. After July 1, 2011, full-time employees belonging to the Forest Grove Police Association (FGPA), the Firefighter's Association (IFFA), and the International Brotherhood of Electrical Workers (IBEW) hired on or after July 1, 2011, are also eligible to participate in the Plan after six months of employment. As of July 1, 2012, eligibility for the Plan changed and only full-time certified police officers of the FGPA hired on or after July 1, 2012 are eligible to participate in the Plan. All other new full-time employees, are eligible for the defined contribution plan after six months of employment.

Employees are divided into two groups: Public Safety Members (consisting of firefighters and police officers) and General Members. All full-time employees of the City are eligible to participate in the plan after six months of employment, except that employees over the age of 57 at the date of hire shall not be eligible for the fire and police employee plan and employees over the age of 64 at the date of hire shall not be eligible for the general employee plan.

As of July 1, 2015, plan membership consisted of 89 retirees and beneficiaries, 23 vested terminated participants, 4 nonvested terminated participants, and 118 active participants.

#### C. Description of benefit terms

##### Normal retirement

Members are able to receive benefits after attaining age 58 for public safety members or age 65 for all other members. Retirement benefits will equal the accrued benefit based on average monthly earnings and years of membership as of the normal retirement date. Retirement benefits are subject to annual cost of living adjustments up to 2 percent per year.

Additionally, members receive benefits from voluntary or unit contribution, if any.

##### Early retirement

Members are able to receive early retirement benefits after attaining age 50 with reduced benefits except for public safety employees with at least 25 years of service or general members with at least 30 years of service. Retirement benefits are reduced based upon the number of years the member still needed to work to reach normal retirement status. The benefit ranges from 67 percent to 93 percent of the benefit that would result if they were of normal retirement age.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### C. Description of benefit terms (continued)

##### Late retirement

Members that continue working beyond the normal retirement age receive increases to their retirement benefits equal to the benefit accruals past the normal retirement age.

##### Disability

Uniformed members that become totally and permanently disabled in the course of duty or members with 10 years of service are entitled to disability benefits. The benefit is based on current monthly earnings rate of compensation as of the date of disability and years of service projected to the earliest retirement age, or the early retirement benefit available, whichever is greater but in no event less than \$100 per month.

##### Death benefits

The beneficiaries of members who have not begun to receive benefits under the plan are entitled to either a lump-sum payment of twice the member's required and picked-up contributions account balances and the member's voluntary contributions account balance or actuarial equivalent monthly payments.

#### D. Contributions

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of seven percent of covered salaries (six percent if monthly base pay is less than \$1,500). In addition the City will contribute additional amount necessary to fund the Plan sufficient to pay benefits when due based on annual actuarial valuations. City contributions to the plan for the year ended June 30, 2016 were \$2,089,399. At June 30, 2016, the City owed legally required contributions to the plan of \$76,726.

#### E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the City reported a net pension liability of \$23,596,153. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

Total pension liability	\$ 57,742,433
Plan fiduciary net position	<u>34,146,282</u>
Net pension liability	<u>\$ 23,596,153</u>
Fiduciary net position as a percentage of total pension liability	59.14%

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

**9. Defined benefit pension plan (continued)**

- E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Changes in the net pension liability is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning balances	\$ 47,195,326	\$ 34,577,249	\$ 12,618,077
Changes for the year:			
Service cost	1,171,436	-	1,171,436
Interest on total pension liability	3,445,279	-	3,445,279
Effect of economic/demographic losses	(224,525)	-	(224,525)
Effect of assumption changes or inputs	7,846,254	-	7,846,254
Benefit payments	(1,691,335)	(1,691,335)	-
Administrative expenses	-	(62,658)	62,658
Member contributions	-	611,460	(611,460)
Net investment income	-	(674,943)	674,943
Employer contributions	-	1,386,509	(1,386,509)
Ending balances	<u>\$ 57,742,435</u>	<u>\$ 34,146,282</u>	<u>\$ 23,596,153</u>

For the year ended June 30, 2016, the City recognized pension expense of \$2,191,316. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 157,447	\$ 175,715
Changes of assumptions or inputs	6,923,406	--
Net difference between projected and actual earnings on pension plan investments	1,069,982	--
City's contributions subsequent to the measurement date	<u>2,089,399</u>	<u>--</u>
	<u>\$ 10,240,234</u>	<u>\$ 175,715</u>

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

**9. Defined benefit pension plan (continued)**

- E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

\$2,089,399 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2017	\$ 2,136,886
2018	2,136,886
2019	2,069,722
2020	1,631,625

- F. Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. Under this method, a normal cost is determined for each active member. The normal cost is the annual contribution determined as a level percentage of base salary with would be paid from year of entry to year of retirement to fund the projected retirement benefit. The normal cost for the Plan is the sum of the individuals' normal costs. The actuarial accrued liability for active plan members is an accumulated of the normal costs from entry to the valuation date. The actuarial accrued liability for inactive members is the actuarial present value of the accrued benefits. The actuarial accrued liability for the Plan is the sum of the individual actuarial accrued liabilities. The unfunded actuarial liability is the difference between the actuarial accrued liability and the actuarial value of assets, which is amortized over 20 years on a closed level dollar basis.

- G. Actuarial methods and assumptions used in developing total pension liability

Valuation Date	June 30, 2015.
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method	Amortized as a level dollar over a closed period of 20.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2 percent
Investment rate of return	6.75 percent
Projected Salary Increases	Salaries for individuals are assumed to grow at 3.75 percent per annum
Mortality	Healthy retirees and beneficiaries: RP-2000 Combined Healthy, generational per Scale AA

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (continued)

#### G. Actuarial methods and assumptions used in developing total pension liability (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

#### Discount rate

The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

#### Depletion date projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

#### Long-term expected rate of return

The long-term expected rate of return assumption of 6.75 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

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

**9. Defined Benefit Pension Plan (continued)**

G. Actuarial methods and assumptions used in developing total pension liability

Sensitivity of the City of Forest Grove's net pension liability to changes in the discount rate

The following presents the City of Forest Grove's net pension liability calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Net pension liability	\$ 32,396,767	\$ 23,596,153	\$ 16,431,214

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 10. Defined contribution plan

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

The DC Plan was effective as of July 1, 2011 although the first participant did not become eligible for the plan until March 2012. The following classes of employees are eligible for the plan after six months of employment:

- All full-time non-represented employees and all full-time members of the AFSCME union hired on or after July 1, 2011.
- All full-time non-certified members of the Forest Grove Police Association
- All part-time non-represented and AFSCME employees, who are regularly scheduled to work at least twenty (20) hours per week

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

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

Contributions to the plan for the years ended June 30, 2016 were \$199,371.

### 11. Other post-employment benefits

#### Plan description and benefits provided

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Other post-employment benefits (continued)

#### Membership

The City's membership in the plan at August 1, 2014 (the date of the latest actuarial valuation) consisted of the following:

Active employees	152
Retirees, spouses or dependents	<u>11</u>
Total	<u>163</u>

#### Funding policy and contributions

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

For retirees	\$ 601
For spouses of retirees	673

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

#### Annual OPEB cost and net OPEB Obligation

The actuarial valuation performed as of August 1, 2014 to determined the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 158,488
Amortization of UAAL	<u>234,480</u>
Annual required contribution	<u>\$ 392,968</u>

The net OPEB obligation as of June 30, 2016 was calculated as follows:

Annual required contribution	\$ 392,968
Interest on prior year Net OPEB	45,608
Adjustment to ARC	(156,686)
Implicit benefit payments	<u>(98,354)</u>
Increase in net OPEB obligation	183,536
Net OPEB obligation at beginning of year	<u>1,303,099</u>
Net OPEB obligation at end of year	<u>\$1,486,635</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Other post-employment benefits (continued)

#### Three-year trend information

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016, 2015 and 2014 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 281,890	35%	\$ 1,486,635
June 30, 2015	290,708	32%	1,303,099
June 30, 2014	283,434	34%	1,106,145

#### Actuarial methods and assumptions

Actuarial valuations will be performed every two years for the City's other post-employment benefit plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the City and plan members, and include the types of benefits provided at the time of the valuation and historical patterns of sharing of benefit costs between the City and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the August 1, 2014 actuarial valuation, the projected unit credit cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a payroll growth of 2.75 percent per year, annual premium rate increases from 5.75 percent initially to 4.75 percent in 2069, and participation rate of 55 percent of future retirees hired after July 1, 2003 electing coverage under the plan. The unfunded actuarial liability is being amortized over a level dollar amount over an open period of 10 years.

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

**11. Other post-employment benefits (continued)**

Funded status and funding progress

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

Actuarial Valuation as of <u>August 1,</u>	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Accrued Liability as a Percent of Covered Payroll
2014	\$ --	\$ 1,889,547	\$ 1,889,547	0%	\$ 8,618,932	22%
2012	--	1,768,430	1,768,430	0%	8,788,081	20%
2010	--	1,809,723	1,809,723	0%	9,007,213	20%
2008	--	1,685,541	1,685,541	0%	7,652,811	22%
2006	--	1,452,217	1,452,217	0%	7,263,639	20%

**12. Joint ventures and intergovernmental agreements**

- A. The City is a party to the Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission, an entity organized under ORS 190. As a member of the Commission, the City owns a 13.3 percent interest in a joint water service system. The City's investment in the Commission at June 30, 2016 is \$5,639,346. 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 Joint Water Commission was established to provide operations for the supply, pumping, treatment, and transmission of municipal and industrial water. Under the Joint Water Services Agreement, the City may utilize the system for treatment of raw water up to 13.3 percent of the designed capacity of the system. The Commission is authorized to draw upon the raw water resources of each participating city to meet the projected needs of that city. No participant has the right to draw treated water from the system in excess of their proportionate contribution of raw water. The expenses of operation and maintenance of the system are paid monthly based on each participant's pro rata share of water production. In addition, the minimum amount to be paid by the City is not less than the per gallon cost as determined from time to time by the Commission multiplied by 72 million gallons per year. The agreement is perpetual, but may be terminated by giving a one-year notice to the other cities.

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

### **12. Joint ventures and intergovernmental agreements (continued)**

- B. The City, together with the cities of Hillsboro and Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District, is a party to the Barney Reservoir Joint Ownership Commission, an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir," located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir." As a member of the Commission, the City owns a 2.5 percent interest in the reservoir. The City's investment in the Commission at June 30, 2016 is \$622,377. The Barney Reservoir Joint Ownership Commission issues a publicly available financial report which may be obtained by writing the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.
- C. The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1 percent of sewer service charges collected, 20 percent of connection charges collected, and 75 percent 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, 2016 was \$3,950,079. The amount due to and payable to CWS at June 30, 2016 is \$238,067.

### **13. Contingency - sick leave**

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2016, employees of the City had accumulated 9,950 days of sick leave.

### **14. Risk management**

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 15. Segment information

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

Summary financial information for sewer and water activities for the year ended June 30, 2016 is as follows:

<b>Condensed statement of net position</b>	<u>Sewer</u>	<u>Water</u>
<u>Assets</u>		
Current assets	\$ 4,060,629	\$ 11,209,571
Investment in joint venture	-	6,261,723
Capital assets, net	8,597,878	10,721,868
Total assets	<u>12,658,507</u>	<u>28,193,162</u>
<u>Deferred outflows of resources</u>	<u>157,087</u>	<u>590,656</u>
<u>Liabilities</u>		
Current liabilities	528,562	332,289
Noncurrent liabilities	654,925	4,825,706
Total liabilities	<u>1,183,487</u>	<u>5,157,995</u>
<u>Deferred inflows of resources</u>	<u>2,696</u>	<u>9,476</u>
<u>Net position</u>		
Net investment in capital assets	8,323,884	7,412,255
Restricted	677,266	4,603,992
Unrestricted	2,628,261	11,600,100
Total net position	<u>\$ 11,629,411</u>	<u>\$ 23,616,347</u>
<b>Condensed statement of revenues, expenses and changes in net position</b>		
Operating revenue	\$ 1,454,340	\$ 4,572,067
Depreciation and amortization expense	262,691	416,795
Other operating expenses	1,204,393	3,958,443
Operating income (loss)	(12,744)	196,829
Non operating revenues (expenses)	9,079	1,294,229
Income (loss) before capital contributions and transfers	(3,665)	1,491,058
Capital contributions	1,308,932	576,831
Transfers	(412,633)	(280,490)
Change in net position	892,634	1,787,399
Net position - beginning	<u>10,736,777</u>	<u>21,828,948</u>
Net position - ending	<u>\$ 11,629,411</u>	<u>\$ 23,616,347</u>
<b>Condensed statement of cash flows</b>		
Net cash provided by (used in):		
Operating activities	27,941	768,774
Non-capital financing activities	(412,633)	(280,490)
Capital and related financing	(164,481)	1,251,864
Investing activities	19,049	55,376
Net increase (decrease) in cash	(530,124)	1,795,524
Cash and cash equivalents - beginning of year	<u>3,990,980</u>	<u>8,712,985</u>
Cash and cash equivalents - end of year	<u>\$ 3,460,856</u>	<u>\$ 10,508,509</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 16. Interfund transfers and advances

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$ 1,205,394	\$ 450,961
Nonmajor governmental	879,764	330,543
Light	-	939,456
Sewer	-	150,830
Sewer - non-cash	665,036	-
Water	-	279,290
Surface water management	-	60,729
Nonmajor enterprise funds	-	263,003
Nonmajor enterprise funds - non-cash	-	665,036
Internal service funds	429,654	40,000
	<u>\$ 3,179,848</u>	<u>\$ 3,179,848</u>

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

Non-cash transfers occur when a fund 1) acquires capital assets which will be used in the operation of a different fund's activities, 2) issues long-term obligations which will be repaid out of a different fund's resources or 3) pays principal on long-term obligations reported in a different fund.

An advance (loan) from the Capital Projects Fund to the Urban Renewal Fund is being repaid in annual installments of interest only for three years followed by six annual payments of \$175,000, including interest, and one annual payment of \$161,754. At June 30, 2016, the balance is \$1,100,000.

### 17. Net position restricted through enabling legislation

Net position which is restricted through enabling legislation is as follows:

#### Governmental activities – capital projects

Transportation impact fees and transportation development tax are restricted for transportation infrastructure expansion	\$ 8,542,339
System development charges (SDC) are restricted for the purposes as specified in the implementing ordinances:	
Park acquisition and development	1,525,384

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 17. Net position restricted through enabling legislation (continued)

#### Business-type activities – capital projects

System development charges (SDC) are restricted for purposes as specified in the implementing ordinances:

Sewer system improvement and expansion	\$ 677,266
Water system improvement and expansion	4,603,992
Surface water management system improvement and expansion	448,010

### 18. Governmental fund balances

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

Categories	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>						
Library endowment	\$ -	\$ -	\$ -	\$ -	\$ 41,186	\$ 41,186
Prepaid items	28,048	-	-	-	-	28,048
<b>Restricted for:</b>						
Building operations	-	-	-	-	1,538,041	1,538,041
Street services	-	1,436,721	-	-	33,039	1,469,760
Community enhancement	-	-	-	-	54,219	54,219
Capital projects	-	-	-	5,407,193	4,660,530	10,067,723
Debt service	-	-	-	-	3,070	3,070
Other purposes	-	-	-	-	5,394	5,394
<b>Committed for:</b>						
Street services	-	-	-	-	19,576	19,576
Capital projects	-	-	-	-	651,911	651,911
<b>Assigned for:</b>						
Facilities	-	-	-	-	1,056,249	1,056,249
Capital projects	-	-	-	-	2,518,119	2,518,119
<b>Unassigned</b>	<u>6,379,030</u>	<u>-</u>	<u>(1,091,590)</u>	<u>-</u>	<u>-</u>	<u>5,287,440</u>
Total fund balances	<u>\$ 6,407,078</u>	<u>\$ 1,436,721</u>	<u>\$ (1,091,590)</u>	<u>\$ 5,407,193</u>	<u>\$ 10,581,334</u>	<u>\$ 22,740,736</u>

### 19. Special item

During the year, the City sold a building and warehouse which resulted in a loss of \$(773,298) in the governmental activities. The loss is reported as a special item in the statement of activities since the sale and resulting loss are unusual and infrequent in occurrence.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF FOREST GROVE**  
**Schedule of Net Pension Liability and Changes in Net Pension Liability**  
**Last 10 Plan Fiscal Years\***

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
<u>Beginning of year</u>		
Total pension liability	\$ 47,195,326	\$ 42,881,808
Fiduciary net position	<u>34,577,249</u>	<u>29,632,905</u>
Net pension liability	<u>\$ 12,618,077</u>	<u>\$ 13,248,903</u>
<u>Changes in total pension liability</u>		
Service cost	\$ 1,171,434	\$ 1,061,458
Interest on total pension liability	3,445,279	3,131,813
Effect of economic/demographic losses	(224,525)	269,909
Effect of assumption changes or inputs	7,846,254	1,342,042
Benefit payments	<u>(1,691,335)</u>	<u>(1,491,704)</u>
Net change in total pension liability	<u>\$ 10,547,107</u>	<u>\$ 4,313,518</u>
<u>Changes in fiduciary net position</u>		
Employer contributions	\$ 1,386,509	\$ 1,291,829
Member contributions	611,460	603,325
Investment income net of expenses	(674,943)	4,626,488
Benefit payments	(1,691,335)	(1,491,704)
Administrative expenses	<u>(62,658)</u>	<u>(85,594)</u>
Net change in fiduciary net position	<u>\$ (430,967)</u>	<u>\$ 4,944,344</u>
<u>End of year</u>		
Total pension liability	\$ 57,742,433	\$ 47,195,326
Fiduciary net position	<u>34,146,282</u>	<u>34,577,249</u>
Net pension liability	<u>\$ 23,596,151</u>	<u>\$ 12,618,077</u>
Fiduciary net position as a percent of total pension liability	59.1%	73.3%
Covered payroll	\$ 8,714,723	\$ 8,618,932
Net pension liability as a percent of covered payroll	270.8%	146.4%

\*Information will be accumulated until 10 years are presented.

**CITY OF FOREST GROVE**  
**Schedule of Employer Contributions**  
**Last 10 Plan Years**  
**(Amounts in Thousands)**

	June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,377	\$ 1,284	\$ 1,164	\$ 1,131	\$ 1,145	\$ 1,064	\$ 807	\$ 832	\$ 818	\$ 735
Actual employer contribution	1,388	1,292	1,170	1,141	1,148	1,075	950	1,021	982	886
Contribution deficiency (excess)	(11)	(8)	(6)	(10)	(3)	(11)	(143)	(189)	(164)	(151)
Covered payroll	8,715	8,619	8,559	8,570	8,607	8,646	7,913	7,637	7,574	6,802
Contribution as a percent of covered payroll	15.93%	14.99%	13.67%	13.31%	13.34%	12.43%	12.01%	13.37%	12.97%	13.03%
Valuation date	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007	7/1/2006	7/1/2005	7/1/2004
Assumed investment rate of return	7.25%	7.25%	7.25%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

**Notes to schedule**

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of pay
Amortization method	Effective July 1, 2011: Closed 30-year amortization, level dollar, payments increasing 2.75% per year Effective July 1, 2010: Open 20-year amortization, level percent of pay Effective July 1, 2009: Open 21-year amortization, level percent of pay Effective July 1, 2008: Open 22-year amortization, level percent of pay Effective July 1, 2007: Open 23-year amortization, level percent of pay Effective July 1, 2006: Open 24-year amortization, level percent of pay Effective July 1, 2005: Open 25-year amortization, level percent of pay Effective July 1, 2004: Open 26-year amortization, level percent of pay Effective July 1, 2003: Open 27-year amortization, level percent of pay
Asset valuation method	Through July 1, 2012: Market value of assets
Healthy mortality	Effective July 1, 2011: Healthy combined RP-2000 mortality projected by Scale AA to 2005 Through July 1, 2010: Healthy combined RP-2000 mortality
Cost of living increases	2 percent per year
Salary increases	Effective July 1, 2011: 4.5 percent per year Through July 1, 2010: 5 percent per year

**CITY OF FOREST GROVE**  
**Schedule of Investment Rate of Return**  
**Last 10 Plan Years**

<u>Year Ended</u> <u>June 30,</u>	<u>Rate of</u> <u>Return</u>
2016	-1.96%
2015	-1.85%
2014	15.56%
2013	7.30%
2012	1.83%
2011	13.35%
2010	10.58%
2009	-9.22%
2008	-2.73%
2007	13.14%

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

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**CITY OF FOREST GROVE**

**TRANSPORTATION DEVELOPMENT TAX FUND - CAPITAL PROJECTS FUND (A MAJOR FUND)  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Other taxes	\$ 675,000	\$ 977,123	\$ 302,123
Interest	<u>16,500</u>	<u>30,499</u>	<u>13,999</u>
 TOTAL REVENUES	 691,500	 1,007,622	 316,122
<b>EXPENDITURES</b>			
Capital outlay	<u>4,899,357</u>	<u>-</u>	<u>4,899,357</u>
 Net change in fund balance	 (4,207,857)	 1,007,622	 5,215,479
Fund balance at beginning of year	<u>4,207,857</u>	<u>4,399,571</u>	<u>191,714</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 5,407,193</u>	 <u>\$ 5,407,193</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Special Revenue	Debt Service	Capital Projects	Permanent Library Endowment	Totals
<b><u>ASSETS</u></b>					
Cash and investments	\$ 1,655,509	\$ -	\$ 7,921,344	\$ 41,942	\$ 9,618,795
Receivables, net	185,521	135,590	42,425	-	363,536
Due from other funds	-	-	1,100,000	-	1,100,000
TOTAL ASSETS	<u>\$ 1,841,030</u>	<u>\$ 135,590</u>	<u>\$ 9,063,769</u>	<u>\$ 41,942</u>	<u>\$ 11,082,331</u>
<b><u>LIABILITIES</u></b>					
Accounts payable and accrued liabilities	\$ 187,426	\$ -	\$ 101,496	\$ -	\$ 288,922
Payroll related liabilities	21,316	-	-	-	21,316
Deposits	6,683	-	-	-	6,683
TOTAL LIABILITIES	<u>215,425</u>	<u>-</u>	<u>101,496</u>	<u>-</u>	<u>316,921</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unavailable revenue	9,131	132,520	42,425	-	184,076
<b><u>FUND BALANCES</u></b>					
Nonspendable	-	-	-	41,186	41,186
Restricted	1,596,898	3,070	4,693,569	756	6,294,293
Committed	19,576	-	651,911	-	671,487
Assigned	-	-	3,574,368	-	3,574,368
TOTAL FUND BALANCES	<u>1,616,474</u>	<u>3,070</u>	<u>8,919,848</u>	<u>41,942</u>	<u>10,581,334</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,841,030</u>	<u>\$ 135,590</u>	<u>\$ 9,063,769</u>	<u>\$ 41,942</u>	<u>\$ 11,082,331</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016**

	Special Revenue	Debt Service	Capital Projects	Permanent Library Endowment	Totals
<b>REVENUES</b>					
Property taxes	\$ -	\$ 477,338	\$ -	\$ -	\$ 477,338
Licenses and permits	797,784	-	-	-	797,784
Intergovernmental	534,216	-	156,994	-	691,210
System development charges	-	-	366,000	-	366,000
Fees and fines	4,638	-	-	-	4,638
Interest	7,863	4,274	57,095	266	69,498
Grants	71,515	-	-	-	71,515
Charges for services	-	10,377	345,542	-	355,919
Miscellaneous	-	-	7,170	-	7,170
	<u>1,416,016</u>	<u>491,989</u>	<u>932,801</u>	<u>266</u>	<u>2,841,072</u>
<b>TOTAL REVENUES</b>					
<b>EXPENDITURES</b>					
General government	689,452	-	3,216	-	692,668
Public safety	66,903	-	-	-	66,903
Highways and streets	449,696	-	-	-	449,696
Culture and recreation	1,289	-	145,300	-	146,589
Capital outlay	-	-	1,142,532	-	1,142,532
Debt service	-	548,168	-	-	548,168
	<u>1,207,340</u>	<u>548,168</u>	<u>1,291,048</u>	<u>-</u>	<u>3,046,556</u>
<b>TOTAL EXPENDITURES</b>					
Excess (deficiency) of revenues over expenditures	<u>208,676</u>	<u>(56,179)</u>	<u>(358,247)</u>	<u>266</u>	<u>(205,484)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	-	-	1,132,450	-	1,132,450
Transfers in	-	961	878,803	-	879,764
Transfers out	<u>(35,363)</u>	<u>-</u>	<u>(295,180)</u>	<u>-</u>	<u>(330,543)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(35,363)</u>	<u>961</u>	<u>1,716,073</u>	<u>-</u>	<u>1,681,671</u>
Net change in fund balance	173,313	(55,218)	1,357,826	266	1,476,187
Fund balance at beginning of year	<u>1,443,161</u>	<u>58,288</u>	<u>7,562,022</u>	<u>41,676</u>	<u>9,105,147</u>
Fund balance at end of year	<u>\$ 1,616,474</u>	<u>\$ 3,070</u>	<u>\$ 8,919,848</u>	<u>\$ 41,942</u>	<u>\$ 10,581,334</u>

**CITY OF FOREST GROVE**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2016**

	Building Permits	Street Tree	Forfeiture Sharing
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,568,433	\$ 19,576	\$ 11,473
Receivables, net	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,568,433</b>	<b>\$ 19,576</b>	<b>\$ 11,473</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	\$ 9,076	\$ -	\$ 152
Payroll related liabilities	21,316	-	-
Deposits	-	-	6,683
<b>TOTAL LIABILITIES</b>	<b>30,392</b>	<b>-</b>	<b>6,835</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	-	-	-
<b><u>FUND BALANCES</u></b>			
Restricted	1,538,041	-	4,638
Committed	-	19,576	-
<b>TOTAL FUND BALANCES</b>	<b>1,538,041</b>	<b>19,576</b>	<b>4,638</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,568,433</b>	<b>\$ 19,576</b>	<b>\$ 11,473</b>

<u>Community Enhancement</u>	<u>Transportation Services</u>	<u>Public Arts Donation</u>	<u>Assessment</u>	<u>SAFER Grant</u>	<u>Totals</u>
\$ 49,405	\$ 9,576	\$ 13,416	\$ -	\$ (16,370)	\$ 1,655,509
<u>-</u>	<u>160,020</u>	<u>-</u>	<u>9,131</u>	<u>16,370</u>	<u>185,521</u>
<u>\$ 49,405</u>	<u>\$ 169,596</u>	<u>\$ 13,416</u>	<u>\$ 9,131</u>	<u>\$ -</u>	<u>\$ 1,841,030</u>
\$ 8,602	\$ 169,596	\$ -	\$ -	\$ -	\$ 187,426
-	-	-	-	-	21,316
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,683</u>
<u>8,602</u>	<u>169,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,425</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,131</u>	<u>-</u>	<u>9,131</u>
40,803	-	13,416	-	-	1,596,898
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,576</u>
<u>40,803</u>	<u>-</u>	<u>13,416</u>	<u>-</u>	<u>-</u>	<u>1,616,474</u>
<u>\$ 49,405</u>	<u>\$ 169,596</u>	<u>\$ 13,416</u>	<u>\$ 9,131</u>	<u>\$ -</u>	<u>\$ 1,841,030</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2016**

	Building Permits	Street Tree	Forfeiture Sharing
<b>REVENUES</b>			
Licenses and permits	\$ 766,785	\$ 30,999	\$ -
Intergovernmental	-	-	-
Fees and fines	-	-	4,638
Interest	7,791	23	-
Grants	-	-	-
<b>TOTAL REVENUES</b>	<u>774,576</u>	<u>31,022</u>	<u>4,638</u>
<b>EXPENDITURES</b>			
General government	605,008	-	-
Public safety	-	-	-
Highways and streets	-	20,213	-
Culture and recreation	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>605,008</u>	<u>20,213</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	169,568	10,809	4,638
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(33,663)</u>	<u>(1,200)</u>	<u>-</u>
Net change in fund balance	135,905	9,609	4,638
Fund balance at beginning of year	<u>1,402,136</u>	<u>9,967</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,538,041</u>	<u>\$ 19,576</u>	<u>\$ 4,638</u>

Community Enhancement	Transportation Services	Public Arts Donation	SAFER Grant	Totals
\$ -	\$ -	\$ -	\$ -	\$ 797,784
104,733	429,483	-	-	534,216
-	-	-	-	4,638
-	-	49	-	7,863
-	-	5,748	65,767	71,515
<u>104,733</u>	<u>429,483</u>	<u>5,797</u>	<u>65,767</u>	<u>1,416,016</u>
84,444	-	-	-	689,452
-	-	-	66,903	66,903
-	429,483	-	-	449,696
-	-	1,289	-	1,289
<u>84,444</u>	<u>429,483</u>	<u>1,289</u>	<u>66,903</u>	<u>1,207,340</u>
20,289	-	4,508	(1,136)	208,676
<u>(500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,363)</u>
19,789	-	4,508	(1,136)	173,313
<u>21,014</u>	<u>-</u>	<u>8,908</u>	<u>1,136</u>	<u>1,443,161</u>
<u>\$ 40,803</u>	<u>\$ -</u>	<u>\$ 13,416</u>	<u>\$ -</u>	<u>\$ 1,616,474</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**June 30, 2016**

	General Debt Service	Special Public Works Debt Service	Totals
<b><u>ASSETS</u></b>			
Receivables, net	\$ 21,706	\$ 113,884	\$ 135,590
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	\$ 18,636	\$ 113,884	\$ 132,520
<b><u>FUND BALANCES</u></b>			
Restricted	3,070	-	3,070
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	\$ 21,706	\$ 113,884	\$ 135,590

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
For the Year Ended June 30, 2016**

	<u>General Debt Service</u>	<u>Special Public Works Debt Service</u>	<u>Totals</u>
<b>REVENUES</b>			
Property taxes	\$ 477,338	\$ -	\$ 477,338
Interest	1,761	2,513	4,274
Charges for services	<u>-</u>	<u>10,377</u>	<u>10,377</u>
 TOTAL REVENUES	 479,099	 12,890	 491,989
 <b>EXPENDITURES</b>			
Debt service	<u>523,200</u>	<u>24,968</u>	<u>548,168</u>
 Excess (deficiency) of revenues over expenditures	 (44,101)	 (12,078)	 (56,179)
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>961</u>	<u>961</u>
 Net change in fund balance	 (44,101)	 (11,117)	 (55,218)
Fund balance at beginning of year	<u>47,171</u>	<u>11,117</u>	<u>58,288</u>
 Fund balance at end of year	 <u>\$ 3,070</u>	 <u>\$ -</u>	 <u>\$ 3,070</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2016**

	Traffic	Park Acquisition and	Capital
	Impact	Development	Projects
	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 3,135,146	\$ 1,578,705	\$ 1,423,428
Receivables, net	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>1,100,000</u>
 TOTAL ASSETS	 <u>\$ 3,135,146</u>	 <u>\$ 1,578,705</u>	 <u>\$ 2,523,428</u>
 <b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 53,321</u>	<u>\$ 5,309</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
 <b><u>FUND BALANCES</u></b>			
Restricted	3,135,146	1,525,384	-
Committed	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>2,518,119</u>
 TOTAL FUND BALANCES	 <u>3,135,146</u>	 <u>1,525,384</u>	 <u>2,518,119</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,135,146</u>	 <u>\$ 1,578,705</u>	 <u>\$ 2,523,428</u>

<u>Fire Equipment Replacement</u>	<u>Bike and Pedestrian Pathways</u>	<u>CIP Excise</u>	<u>Facility Major Maintenance</u>	<u>Totals</u>
\$ 490,730	\$ 33,039	\$ 163,562	\$ 1,096,734	\$ 7,921,344
-	-	42,425	-	42,425
-	-	-	-	1,100,000
<u>\$ 490,730</u>	<u>\$ 33,039</u>	<u>\$ 205,987</u>	<u>\$ 1,096,734</u>	<u>\$ 9,063,769</u>
<u>\$ 2,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,485</u>	<u>\$ 101,496</u>
-	-	42,425	-	42,425
-	33,039	-	-	4,693,569
488,349	-	163,562	-	651,911
-	-	-	1,056,249	3,574,368
<u>488,349</u>	<u>33,039</u>	<u>163,562</u>	<u>1,056,249</u>	<u>8,919,848</u>
<u>\$ 490,730</u>	<u>\$ 33,039</u>	<u>\$ 205,987</u>	<u>\$ 1,096,734</u>	<u>\$ 9,063,769</u>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Year Ended June 30, 2016**

	Traffic Impact	Park Acquisition and Development	Capital Projects
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
System development charges	-	366,000	-
Interest	18,288	8,670	23,364
Charges for services	-	-	-
Miscellaneous	-	-	-
<b>TOTAL REVENUES</b>	<b>18,288</b>	<b>374,670</b>	<b>23,364</b>
<b>EXPENDITURES</b>			
General government	-	-	3,216
Culture and recreation	-	145,300	-
Capital outlay	33,125	162,077	437,363
<b>TOTAL EXPENDITURES</b>	<b>33,125</b>	<b>307,377</b>	<b>440,579</b>
Excess (deficiency) of revenues over expenditures	<b>(14,837)</b>	<b>67,293</b>	<b>(417,215)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	1,100,000
Transfers in	-	-	261,803
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>1,361,803</b>
Net change in fund balance	(14,837)	67,293	944,588
Fund balance at beginning of year	3,149,983	1,458,091	1,573,531
Fund balance at end of year	<b>\$ 3,135,146</b>	<b>\$ 1,525,384</b>	<b>\$ 2,518,119</b>

Fire Equipment Replacement	Bike and Pedestrian Pathways	CIP Excise	Facility Major Maintenance	Totals
\$ 143,420	\$ 13,574	\$ -	\$ -	\$ 156,994
-	-	-	-	366,000
1,143	-	224	5,406	57,095
-	-	345,542	-	345,542
-	-	-	7,170	7,170
<u>144,563</u>	<u>13,574</u>	<u>345,766</u>	<u>12,576</u>	<u>932,801</u>
-	-	-	-	3,216
-	-	-	-	145,300
<u>286,839</u>	<u>1,659</u>	<u>28,695</u>	<u>192,774</u>	<u>1,142,532</u>
<u>286,839</u>	<u>1,659</u>	<u>28,695</u>	<u>192,774</u>	<u>1,291,048</u>
<u>(142,276)</u>	<u>11,915</u>	<u>317,071</u>	<u>(180,198)</u>	<u>(358,247)</u>
32,450	-	-	-	1,132,450
167,000	-	-	450,000	878,803
-	-	(295,180)	-	(295,180)
<u>199,450</u>	<u>-</u>	<u>(295,180)</u>	<u>450,000</u>	<u>1,716,073</u>
57,174	11,915	21,891	269,802	1,357,826
<u>431,175</u>	<u>21,124</u>	<u>141,671</u>	<u>786,447</u>	<u>7,562,022</u>
<u>\$ 488,349</u>	<u>\$ 33,039</u>	<u>\$ 163,562</u>	<u>\$ 1,056,249</u>	<u>\$ 8,919,848</u>

**CITY OF FOREST GROVE**

**BUILDING PERMITS - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 454,033	\$ 766,785	\$ 312,752
Interest	<u>4,500</u>	<u>7,791</u>	<u>3,291</u>
<b>TOTAL REVENUES</b>	<u>458,533</u>	<u>774,576</u>	<u>316,043</u>
<b>EXPENDITURES</b>			
Building permit services			
Personal services	495,647	451,504	44,143
Materials and services	<u>171,565</u>	<u>153,504</u>	<u>18,061</u>
Total building permit services	667,212	605,008	62,204
Contingency	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL EXPENDITURES</b>	<u>917,212</u>	<u>605,008</u>	<u>312,204</u>
Excess (deficiency) of revenues over expenditures	(458,679)	169,568	628,247
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>(33,663)</u>	<u>(33,663)</u>	<u>-</u>
Net change in fund balance	(492,342)	135,905	628,247
Fund balance at beginning of year	<u>1,366,408</u>	<u>1,402,136</u>	<u>35,728</u>
Fund balance at end of year	<u>\$ 874,066</u>	<u>\$ 1,538,041</u>	<u>\$ 663,975</u>

**CITY OF FOREST GROVE**

**STREET TREE - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 40,000	\$ 30,999	\$ (9,001)
Interest	<u>30</u>	<u>23</u>	<u>(7)</u>
 TOTAL REVENUES	 40,030	 31,022	 (9,008)
 <b>EXPENDITURES</b>			
Materials and services	<u>47,380</u>	<u>20,213</u>	<u>27,167</u>
 Excess (deficiency) of revenues over expenditures	 (7,350)	 10,809	 18,159
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
 Net change in fund balance	 (8,550)	 9,609	 18,159
Fund balance at beginning of year	<u>8,550</u>	<u>9,967</u>	<u>1,417</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 19,576</u>	 <u>\$ 19,576</u>

**CITY OF FOREST GROVE**

**FORFEITURE SHARING - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees and fines	<u>\$ -</u>	<u>\$ 4,638</u>	<u>\$ 4,638</u>
Net change in fund balance	-	4,638	4,638
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,638</u>	<u>\$ 4,638</u>

**CITY OF FOREST GROVE**

**COMMUNITY ENHANCEMENT - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 104,741	\$ 104,733	\$ (8)
<b>EXPENDITURES</b>			
Materials and services	<u>117,830</u>	<u>84,444</u>	<u>33,386</u>
Excess (deficiency) of revenues over expenditures	(13,089)	20,289	33,378
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(500)</u>	<u>(500)</u>	<u>-</u>
Net change in fund balance	(13,589)	19,789	33,378
Fund balance at beginning of year	<u>13,589</u>	<u>21,014</u>	<u>7,425</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 40,803</u>	<u>\$ 40,803</u>

**CITY OF FOREST GROVE**

**TRANSPORTATION SERVICES - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 500,000	\$ 429,483	\$ (70,517)
<b>EXPENDITURES</b>			
Materials and services	<u>500,000</u>	<u>429,483</u>	<u>70,517</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF FOREST GROVE**

**PUBLIC ARTS DONATION - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ 2,000	\$ 5,748	\$ 3,748
Interest	90	49	(41)
<b>TOTAL REVENUES</b>	2,090	5,797	3,707
<b>EXPENDITURES</b>			
Materials and services	12,715	1,289	11,426
Net change in fund balance	(10,625)	4,508	15,133
Fund balance at beginning of year	10,625	8,908	(1,717)
Fund balance at end of year	<u>\$ -</u>	<u>\$ 13,416</u>	<u>\$ 13,416</u>

**CITY OF FOREST GROVE**

**SAFER GRANT - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	<u>\$ 94,993</u>	<u>\$ 65,767</u>	<u>\$ (29,226)</u>
<b>EXPENDITURES</b>			
Fire SAFER grant services			
Personal services	88,162	66,426	21,736
Materials and services	<u>6,831</u>	<u>477</u>	<u>6,354</u>
TOTAL EXPENDITURES	<u>94,993</u>	<u>66,903</u>	<u>28,090</u>
Net change in fund balance	-	(1,136)	(1,136)
Fund balance at beginning of year	<u>-</u>	<u>1,136</u>	<u>1,136</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF FOREST GROVE**

**GENERAL DEBT SERVICE - DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 478,028	\$ 477,338	\$ (690)
Interest	<u>500</u>	<u>1,761</u>	<u>1,261</u>
TOTAL REVENUES	478,528	479,099	571
<b>EXPENDITURES</b>			
Debt service	<u>523,200</u>	<u>523,200</u>	<u>-</u>
Net change in fund balance	(44,672)	(44,101)	571
Fund balance at beginning of year	<u>44,672</u>	<u>47,171</u>	<u>2,499</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,070</u>	<u>\$ 3,070</u>

**CITY OF FOREST GROVE**

**SPECIAL PUBLIC WORKS DEBT SERVICE - DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 5,507	\$ 10,377	\$ 4,870
Interest	<u>1,509</u>	<u>2,513</u>	<u>1,004</u>
 TOTAL REVENUES	 7,016	 12,890	 5,874
<b>EXPENDITURES</b>			
Debt service	<u>24,968</u>	<u>24,968</u>	<u>-</u>
 Excess (deficiency) of revenues over expenditures	 (17,952)	 (12,078)	 5,874
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>7,500</u>	<u>961</u>	<u>(6,539)</u>
 Net change in fund balance	 (10,452)	 (11,117)	 (665)
Fund balance at beginning of year	<u>11,118</u>	<u>11,117</u>	<u>(1)</u>
 Fund balance at end of year	 <u>\$ 666</u>	 <u>\$ -</u>	 <u>\$ (666)</u>

**CITY OF FOREST GROVE**

**TRAFFIC IMPACT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 15,000	\$ 18,288	\$ 3,288
<b>EXPENDITURES</b>			
Capital outlay	<u>3,166,107</u>	<u>33,125</u>	<u>3,132,982</u>
Net change in fund balance	(3,151,107)	(14,837)	3,136,270
Fund balance at beginning of year	<u>3,151,107</u>	<u>3,149,983</u>	<u>(1,124)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,135,146</u>	<u>\$ 3,135,146</u>

**CITY OF FOREST GROVE**

**PARK ACQUISITION AND DEVELOPMENT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Grants	\$ 250,000	\$ -	\$ (250,000)
System development charges	270,000	366,000	96,000
Interest	9,000	8,670	(330)
<b>TOTAL REVENUES</b>	<b>529,000</b>	<b>374,670</b>	<b>(154,330)</b>
<b>EXPENDITURES</b>			
Park system construction			
Materials and services	250,000	145,300	104,700
Capital outlay	1,649,116	162,077	1,487,039
<b>TOTAL EXPENDITURES</b>	<b>1,899,116</b>	<b>307,377</b>	<b>1,591,739</b>
Net change in fund balance	(1,370,116)	67,293	1,437,409
Fund balance at beginning of year	1,370,116	1,458,091	87,975
Fund balance at end of year	\$ -	\$ 1,525,384	\$ 1,525,384

**CITY OF FOREST GROVE**

**CAPITAL PROJECTS - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 8,500	\$ 23,364	\$ 14,864
<b>EXPENDITURES</b>			
Materials and services	-	3,216	(3,216)
Capital outlay	<u>1,848,681</u>	<u>437,363</u>	<u>1,411,318</u>
<b>TOTAL EXPENDITURES</b>	<u>1,848,681</u>	<u>440,579</u>	<u>1,408,102</u>
Excess (deficiency) of revenues over expenditures	(1,840,181)	(417,215)	1,422,966
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>261,803</u>	<u>261,803</u>	<u>-</u>
Net change in fund balance	(1,578,378)	(155,412)	1,422,966
Fund balance at beginning of year	<u>1,578,378</u>	<u>1,573,531</u>	<u>(4,847)</u>
Fund balance at end of year	<u><u>\$ -</u></u>	1,418,119	<u><u>\$ 1,418,119</u></u>
<b>Reconciliation to generally accepted accounting principles</b>			
Advances to other funds		<u>1,100,000</u>	
		<u>\$ 2,518,119</u>	

**CITY OF FOREST GROVE**

**FIRE EQUIPMENT REPLACEMENT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Intergovernmental	\$ 177,500	\$ 143,420	\$ (34,080)
Interest	2,000	1,143	(857)
<b>TOTAL REVENUES</b>	<b>179,500</b>	<b>144,563</b>	<b>(34,937)</b>
<b>EXPENDITURES</b>			
Capital outlay	355,000	286,839	68,161
Contingency	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<b>455,000</b>	<b>286,839</b>	<b>168,161</b>
Excess (deficiency) of revenues over expenditures	<b>(275,500)</b>	<b>(142,276)</b>	<b>133,224</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	12,500	32,450	19,950
Transfers in	167,000	167,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>179,500</b>	<b>199,450</b>	<b>19,950</b>
Net change in fund balance	(96,000)	57,174	153,174
Fund balance at beginning of year	472,388	431,175	(41,213)
Fund balance at end of year	<b>\$ 376,388</b>	<b>\$ 488,349</b>	<b>\$ 111,961</b>

**CITY OF FOREST GROVE**

**BIKE AND PEDESTRIAN PATHWAYS - CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 13,100	\$ 13,574	\$ 474
Interest	<u>60</u>	<u>-</u>	<u>(60)</u>
 TOTAL REVENUES	 13,160	 13,574	 414
 <b>EXPENDITURES</b>			
Capital outlay	<u>34,099</u>	<u>1,659</u>	<u>32,440</u>
 Net change in fund balance	 (20,939)	 11,915	 32,854
Fund balance at beginning of year	<u>20,939</u>	<u>21,124</u>	<u>185</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 33,039</u>	 <u>\$ 33,039</u>

**CITY OF FOREST GROVE**

**CIP EXCISE - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 475	\$ 224	\$ (251)
Charges for services	<u>330,000</u>	<u>345,542</u>	<u>15,542</u>
 TOTAL REVENUES	 330,475	 345,766	 15,291
<b>EXPENDITURES</b>			
Capital outlay	<u>166,548</u>	<u>28,695</u>	<u>137,853</u>
 Excess of revenues over expenditures	 163,927	 317,071	 153,144
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(295,180)</u>	<u>(295,180)</u>	<u>-</u>
 Net change in fund balance	 (131,253)	 21,891	 153,144
Fund balance at beginning of year	<u>131,253</u>	<u>141,671</u>	<u>10,418</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 163,562</u>	 <u>\$ 163,562</u>

**CITY OF FOREST GROVE**

**FACILITY MAJOR MAINTENANCE - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 3,200	\$ 5,406	\$ 2,206
Miscellaneous	<u>-</u>	<u>7,170</u>	<u>7,170</u>
 TOTAL REVENUES	 3,200	 12,576	 9,376
<b>EXPENDITURES</b>			
Capital outlay	<u>511,409</u>	<u>192,774</u>	<u>318,635</u>
 Excess (deficiency) of revenues over expenditures	 (508,209)	 (180,198)	 328,011
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>450,000</u>	<u>450,000</u>	<u>-</u>
 Net change in fund balance	 (58,209)	 269,802	 328,011
Fund balance at beginning of year	<u>808,209</u>	<u>786,447</u>	<u>(21,762)</u>
 Fund balance at end of year	 <u>\$ 750,000</u>	 <u>\$ 1,056,249</u>	 <u>\$ 306,249</u>

**CITY OF FOREST GROVE**

**LIBRARY ENDOWMENT - PERMANENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 225	\$ 266	\$ 41
<b>EXPENDITURES</b>			
Materials and services	<u>711</u>	<u>-</u>	<u>711</u>
Net change in fund balance	(486)	266	752
Fund balance at beginning of year	<u>41,673</u>	<u>41,676</u>	<u>3</u>
Fund balance at end of year	<u>\$ 41,187</u>	<u>\$ 41,942</u>	<u>\$ 755</u>

**CITY OF FOREST GROVE**

**LIGHT - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 15,713,806	\$ 16,427,809	\$ 714,003
Conservation incentive	300,000	201,343	(98,657)
Licenses and permits	30,000	115,752	85,752
Sale of materials	17,500	8,789	(8,711)
Interest	31,020	24,682	(6,338)
<b>TOTAL REVENUES</b>	<b>16,092,326</b>	<b>16,778,375</b>	<b>686,049</b>
<b>EXPENDITURES</b>			
Electric services			
Personal services	3,348,452	3,299,786	48,666
Materials and services	11,566,882	11,918,356	(351,474)
Capital outlay	2,511,500	1,428,312	1,083,188
<b>Total electric services</b>	17,426,834	16,646,454	780,380
Debt service	60,000	45,652	14,348
Contingency	1,000,000	-	1,000,000
<b>TOTAL EXPENDITURES</b>	<b>18,486,834</b>	<b>16,692,106</b>	<b>1,794,728</b>
Excess (deficiency) of revenues over expenditures	(2,394,508)	86,269	2,480,777
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from long-term obligations	3,800,000	3,822,000	22,000
Sale of capital assets	3,000	21,917	18,917
Transfers out	(946,779)	(939,456)	7,323
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,856,221</b>	<b>2,904,461</b>	<b>48,240</b>
Net change in fund balance	461,713	2,990,730	2,529,017
Fund balance at beginning of year	3,112,680	3,290,667	177,987
Fund balance at end of year	<b>\$ 3,574,393</b>	<b>6,281,397</b>	<b>\$ 2,707,004</b>

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

Inventory	474,821
Capital assets, net	19,769,643
Deferred outflows of resources	1,942,135
Accrued interest payable	(23,496)
Compensated absences payable	(199,765)
Net other post-employment benefits	(266,709)
Net pension liability	(4,475,182)
Long-term obligations	(3,822,000)
Deferred inflows of resources	(33,326)
Net position - ending	<b>\$ 19,647,518</b>

**CITY OF FOREST GROVE**

**SEWER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 4,974,900	\$ 5,136,361	\$ 161,461
Interest	11,500	14,774	3,274
Licenses and permits	<u>-</u>	<u>3,673</u>	<u>3,673</u>
<b>TOTAL REVENUES</b>	<u>4,986,400</u>	<u>5,154,808</u>	<u>168,408</u>
<b>EXPENDITURES</b>			
Sewer services			
Personal services	377,078	282,575	94,503
Materials and services	4,485,149	4,366,995	118,154
Capital outlay	<u>30,000</u>	<u>3,730</u>	<u>26,270</u>
Total sewer services	4,892,227	4,653,300	238,927
Debt service	94,004	94,004	-
Contingency	<u>750,000</u>	<u>-</u>	<u>750,000</u>
<b>TOTAL EXPENDITURES</b>	<u>5,736,231</u>	<u>4,747,304</u>	<u>988,927</u>
Excess (deficiency) of revenues over expenditures	(749,831)	407,504	1,157,335
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(150,830)</u>	<u>(150,830)</u>	<u>-</u>
Net change in fund balance	(900,661)	256,674	1,157,335
Fund balance at beginning of year	<u>2,516,953</u>	<u>2,596,496</u>	<u>79,543</u>
Fund balance at end of year	<u>\$ 1,616,292</u>	2,853,170	<u>\$ 1,236,878</u>

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

Inventory	6,630
Capital assets, net	8,597,878
Deferred outflows of resources	157,087
Accrued interest payable	(4,999)
Net other post-employment benefits	(18,961)
Net pension liability	(361,970)
Long-term obligations	(273,994)
Deferred inflows of resources	<u>(2,696)</u>
Net position-ending	<u>\$ 10,952,145</u>

**CITY OF FOREST GROVE**

**WATER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 5,000	\$ 9,547	\$ 4,547
Charges for services	4,102,883	4,401,807	298,924
Sales of materials	1,245,000	1,619,111	374,111
Rents	48,862	36,050	(12,812)
Interest	<u>18,500</u>	<u>29,268</u>	<u>10,768</u>
<b>TOTAL REVENUES</b>	<u>5,420,245</u>	<u>6,095,783</u>	<u>675,538</u>
<b>EXPENDITURES</b>			
Water services			
Personal services	940,054	930,210	9,844
Materials and services	2,667,094	2,486,213	180,881
Capital outlay	<u>1,006,941</u>	<u>765,451</u>	<u>241,490</u>
Total water services	4,614,089	4,181,874	432,215
Debt service	444,078	443,826	252
Contingency	<u>1,212,250</u>	<u>-</u>	<u>1,212,250</u>
<b>TOTAL EXPENDITURES</b>	<u>6,270,417</u>	<u>4,625,700</u>	<u>1,644,717</u>
Excess (deficiency) of revenues over expenditures	(850,172)	1,470,083	2,320,255
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(279,290)</u>	<u>(279,290)</u>	<u>-</u>
Net change in fund balance	(1,129,462)	1,190,793	2,320,255
Fund balance at beginning of year	<u>4,508,794</u>	<u>4,978,128</u>	<u>469,334</u>
Fund balance at end of year	<u>\$ 3,379,332</u>	6,168,921	<u>\$ 2,789,589</u>

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

Inventory	141,779
Investment in joint ventures	6,261,723
Capital assets, net	10,721,868
Deferred outflows of resources	585,851
Accrued interest payable	(15,328)
Bond premium, net	(18,927)
Net other post-employment benefits	(70,257)
Net pension liability	(1,272,456)
Long-term obligations	(3,486,148)
Deferred inflows of resources	<u>(9,476)</u>
Net position - ending	<u>\$ 19,007,550</u>

**CITY OF FOREST GROVE**

**SURFACE WATER MANAGEMENT - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 1,246,000	\$ 1,250,574	\$ 4,574
Interest	<u>1,700</u>	<u>244</u>	<u>(1,456)</u>
<b>TOTAL REVENUES</b>	<u>1,247,700</u>	<u>1,250,818</u>	<u>3,118</u>
<b>EXPENDITURES</b>			
SWM services			
Personal services	381,117	451,379	(70,262)
Materials and services	748,168	678,500	69,668
Capital outlay	<u>81,750</u>	<u>-</u>	<u>81,750</u>
Total SWM services	1,211,035	1,129,879	81,156
Contingency	<u>60,000</u>	<u>-</u>	<u>60,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,271,035</u>	<u>1,129,879</u>	<u>141,156</u>
Excess (deficiency) of revenues over expenditures	(23,335)	120,939	144,274
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(60,729)</u>	<u>(60,729)</u>	<u>-</u>
Net change in fund balance	(84,064)	60,210	144,274
Fund balance at beginning of year	<u>407,617</u>	<u>491,555</u>	<u>83,938</u>
Fund balance at end of year	<u>\$ 323,553</u>	551,765	<u>\$ 228,212</u>

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

Capital assets, net	6,162,934
Deferred outflows of resources	210,348
Net other post-employment benefits	(34,253)
Net pension liability	(484,696)
Deferred inflows of resources	<u>(3,609)</u>
Net position - ending	<u>\$ 6,402,489</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS**

**June 30, 2016**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 694,079	\$ 4,603,992	\$ 448,010	\$ 5,746,081
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	<u>16,813</u>	<u>-</u>	<u>-</u>	<u>16,813</u>
<b>NET POSITION</b>				
Restricted for capital projects	<u>\$ 677,266</u>	<u>\$ 4,603,992</u>	<u>\$ 448,010</u>	<u>\$ 5,729,268</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2016**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
<b>OPERATING EXPENSES</b>				
System operation and maintenance	\$ 353,219	\$ -	\$ 10,280	\$ 363,499
Operating (loss)	<u>(353,219)</u>	<u>-</u>	<u>(10,280)</u>	<u>(363,499)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	4,275	26,108	2,546	32,929
Grants	315	-	-	315
Miscellaneous	4,500	-	-	4,500
Interest	<u>(13,083)</u>	<u>-</u>	<u>-</u>	<u>(13,083)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,993)</u>	<u>26,108</u>	<u>2,546</u>	<u>24,661</u>
Income (loss) before capital contributions and transfers	(357,212)	26,108	(7,734)	(338,838)
Capital contributions	752,809	576,831	31,324	1,360,964
Transfers out	<u>(926,839)</u>	<u>(1,200)</u>	<u>-</u>	<u>(928,039)</u>
Change in net position	(531,242)	601,739	23,590	94,087
Net position at beginning of year	<u>1,208,508</u>	<u>4,002,253</u>	<u>424,420</u>	<u>5,635,181</u>
Net position at end of year	<u>\$ 677,266</u>	<u>\$ 4,603,992</u>	<u>\$ 448,010</u>	<u>\$ 5,729,268</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2016**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash paid to suppliers	\$ (407,268)	\$ -	\$ (10,280)	\$ (417,548)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers out	-	(1,200)	-	(1,200)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	752,809	576,831	31,324	1,360,964
Transfers out	(261,803)	-	-	(261,803)
Grants	315	-	-	315
Other	4,500	-	-	4,500
Acquisition of capital assets	(556,124)	-	-	(556,124)
Principal paid on long-term obligations	(108,912)	-	-	(108,912)
Interest paid on long-term obligations	(13,083)	-	-	(13,083)
Net cash provided by (used in) capital and related financing activities	<u>(182,298)</u>	<u>576,831</u>	<u>31,324</u>	<u>425,857</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	<u>4,275</u>	<u>26,108</u>	<u>2,546</u>	<u>32,929</u>
Net increase (decrease) in cash and cash equivalents	(585,291)	601,739	23,590	40,038
Cash and cash equivalents at beginning of year	<u>1,279,370</u>	<u>4,002,253</u>	<u>424,420</u>	<u>5,706,043</u>
Cash and cash equivalent at end of year	<u>\$ 694,079</u>	<u>\$ 4,603,992</u>	<u>\$ 448,010</u>	<u>\$ 5,746,081</u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>				
Operating (loss)	\$ (353,219)	\$ -	\$ (10,280)	\$ (363,499)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
(Decrease) in liabilities				
Accounts payable	<u>(54,049)</u>	<u>-</u>	<u>-</u>	<u>(54,049)</u>
Net cash (used in) operating activities	<u>\$ (407,268)</u>	<u>\$ -</u>	<u>\$ (10,280)</u>	<u>\$ (417,548)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>				
Transfers out	<u>\$ (665,036)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (665,036)</u>

**CITY OF FOREST GROVE**

**SEWER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees and fines	\$ 1,000	\$ 4,500	\$ 3,500
System development charges	555,650	752,809	197,159
Interest	5,000	4,275	(725)
Grants	<u>240,000</u>	<u>315</u>	<u>(239,685)</u>
<b>TOTAL REVENUES</b>	<u>801,650</u>	<u>761,899</u>	<u>(39,751)</u>
<b>EXPENDITURES</b>			
Sewer infrastructure construction:			
Materials and services	444,520	602,247	(157,727)
Capital outlay	<u>836,000</u>	<u>307,096</u>	<u>528,904</u>
Total sewer infrastructure construction	1,280,520	909,343	371,177
Debt service	121,994	121,995	(1)
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,502,514</u>	<u>1,031,338</u>	<u>471,176</u>
Excess (deficiency) of revenues over expenditures	(700,864)	(269,439)	431,425
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(261,803)</u>	<u>(261,803)</u>	<u>-</u>
Net change in fund balance	(962,667)	(531,242)	431,425
Fund balance at beginning of year	<u>1,179,962</u>	<u>1,208,508</u>	<u>28,546</u>
Fund balance at end of year	<u>\$ 217,295</u>	<u>\$ 677,266</u>	<u>\$ 459,971</u>

**CITY OF FOREST GROVE**

**WATER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS)- BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 395,000	\$ 576,831	\$ 181,831
Interest	<u>17,000</u>	<u>26,108</u>	<u>9,108</u>
<b>TOTAL REVENUES</b>	<u>412,000</u>	<u>602,939</u>	<u>190,939</u>
<b>EXPENDITURES</b>			
Water infrastructure construction	388,000	-	388,000
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>488,000</u>	<u>-</u>	<u>488,000</u>
Excess (deficiency) of revenues over expenditures	(76,000)	602,939	678,939
<b>OTHER FINANCING SOURCES</b>			
Transfers out	<u>(1,200)</u>	<u>(1,200)</u>	<u>-</u>
Net change in fund balance	(77,200)	601,739	678,939
Fund balance at beginning of year	<u>3,911,523</u>	<u>4,002,253</u>	<u>90,730</u>
Fund balance at end of year	<u>\$ 3,834,323</u>	<u>\$ 4,603,992</u>	<u>\$ 769,669</u>

**CITY OF FOREST GROVE**

**SURFACE WATER MANAGEMENT SYSTEM DEVELOPMENT  
CHARGES - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 21,000	\$ 31,324	\$ 10,324
Interest	<u>2,000</u>	<u>2,546</u>	<u>546</u>
 TOTAL REVENUES	 <u>23,000</u>	 <u>33,870</u>	 <u>10,870</u>
 <b>EXPENDITURES</b>			
SWM services	311,750	10,280	301,470
Contingency	<u>129,053</u>	<u>-</u>	<u>129,053</u>
 TOTAL EXPENDITURES	 <u>440,803</u>	 <u>10,280</u>	 <u>430,523</u>
 Net change in fund balance	 (417,803)	 23,590	 441,393
Fund balance at beginning of year	<u>417,803</u>	<u>424,420</u>	<u>6,617</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 448,010</u>	 <u>\$ 448,010</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2016**

	Information Systems	Equipment	Risk Management	Totals
<b><u>ASSETS</u></b>				
Current assets				
Cash and cash equivalents	\$ 643,669	\$ 1,248,350	\$ 484,770	\$ 2,376,789
Capital assets				
Other capital assets, net	-	2,096,835	-	2,096,835
<b>TOTAL ASSETS</b>	<b>643,669</b>	<b>3,345,185</b>	<b>484,770</b>	<b>4,473,624</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Pension related items	-	93,035	-	93,035
<b><u>LIABILITIES</u></b>				
Current liabilities				
Accounts payable	10,644	345,607	2,512	358,763
Accrued payroll liabilities	-	9,848	-	9,848
Total current liabilities	10,644	355,455	2,512	368,611
Long-term obligations				
Due within one year	-	6,035	-	6,035
Due in more than one year				
Net pension liability	-	214,377	-	214,377
Total long-term obligations	-	220,412	-	220,412
<b>TOTAL LIABILITIES</b>	<b>10,644</b>	<b>575,867</b>	<b>2,512</b>	<b>589,023</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension related items	-	1,596	-	1,596
<b><u>NET POSITION</u></b>				
Investment in capital assets	-	2,096,835	-	2,096,835
Unrestricted	633,025	763,922	482,258	1,879,205
<b>TOTAL NET POSITION</b>	<b>\$ 633,025</b>	<b>\$ 2,860,757</b>	<b>\$ 482,258</b>	<b>\$ 3,976,040</b>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2016**

	Information Systems	Equipment	City Utility	Risk Management	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 403,986	\$ 927,410	\$ -	\$ 460,479	\$ 1,791,875
<b>OPERATING EXPENSES</b>					
Systems operation and maintenance	272,073	461,452	201,474	592,943	1,527,942
Depreciation	-	229,601	-	-	229,601
Total operating expenses	272,073	691,053	201,474	592,943	1,757,543
Operating income (loss)	131,913	236,357	(201,474)	(132,464)	34,332
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest earned	2,044	6,703	-	2,890	11,637
Grants	49,210	-	-	-	49,210
Miscellaneous	2,721	747	-	53,574	57,042
(Loss) on sale of capital assets	-	(93,455)	-	-	(93,455)
TOTAL NONOPERATING REVENUES (EXPENSES)	53,975	(86,005)	-	56,464	24,434
Income (loss) before transfers	185,888	150,352	(201,474)	(76,000)	58,766
Transfers in	-	228,180	201,474	-	429,654
Transfers out	-	-	-	(40,000)	(40,000)
Change in net position	185,888	378,532	-	(116,000)	448,420
Net position at beginning of year	447,137	2,482,225	-	598,258	3,527,620
Net position at end of year	\$ 633,025	\$ 2,860,757	\$ -	\$ 482,258	\$ 3,976,040

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2016**

	Information Systems	Equipment	City Utility	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ 403,986	\$ 959,410	\$ -	\$ 460,479	\$ 1,823,875
Cash paid to employees	-	(235,018)	-	-	(235,018)
Cash paid to suppliers	<u>(265,080)</u>	<u>(229,908)</u>	<u>(201,474)</u>	<u>(592,732)</u>	<u>(1,289,194)</u>
Net cash provided by (used in) operating activities	<u>138,906</u>	<u>494,484</u>	<u>(201,474)</u>	<u>(132,253)</u>	<u>299,663</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	201,474	-	201,474
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>201,474</u>	<u>(40,000)</u>	<u>161,474</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Transfers in	-	228,180	-	-	228,180
Sale of capital assets	-	68,801	-	-	68,801
Grants	49,210	-	-	-	49,210
Other	2,721	747	-	53,574	57,042
Acquisition of capital assets	<u>-</u>	<u>(919,935)</u>	<u>-</u>	<u>-</u>	<u>(919,935)</u>
Net cash provided by (used in) capital and related financing activities	<u>51,931</u>	<u>(622,207)</u>	<u>-</u>	<u>53,574</u>	<u>(516,702)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	<u>2,044</u>	<u>6,703</u>	<u>-</u>	<u>2,890</u>	<u>11,637</u>
Net increase (decrease) in cash and cash equivalents	192,881	(121,020)	-	(115,789)	(43,928)
Cash and cash equivalents at beginning of year	<u>450,788</u>	<u>1,369,370</u>	<u>-</u>	<u>600,559</u>	<u>2,420,717</u>
Cash and cash equivalent at end of year	<u>\$ 643,669</u>	<u>\$ 1,248,350</u>	<u>\$ -</u>	<u>\$ 484,770</u>	<u>\$ 2,376,789</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 131,913	\$ 236,357	\$ (201,474)	\$ (132,464)	\$ 34,332
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	229,601	-	-	229,601
Net pension liability	-	68,840	-	-	68,840
Decrease (increase) in assets and deferred outflows					
Receivables, net	-	32,000	-	-	32,000
Pension related items	-	(55,538)	-	-	(55,538)
Increase in liabilities and deferred inflows					
Accounts payable and accrued liabilities	6,993	1,851	-	211	9,055
Payroll related liabilities	-	2,537	-	-	2,537
Pension related items	<u>-</u>	<u>(21,164)</u>	<u>-</u>	<u>-</u>	<u>(21,164)</u>
Net cash provided by (used in) operating activities	<u>\$ 138,906</u>	<u>\$ 494,484</u>	<u>\$ (201,474)</u>	<u>\$ (132,253)</u>	<u>\$ 299,663</u>

**CITY OF FOREST GROVE**

**INFORMATION SYSTEMS - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Grants	\$ 49,210	\$ 49,210	\$ -
Charges for services	403,986	403,986	-
Interest	2,000	2,044	44
Miscellaneous	-	2,721	2,721
<b>TOTAL REVENUES</b>	<b>455,196</b>	<b>457,961</b>	<b>2,765</b>
<b>EXPENDITURES</b>			
Information system services			
Materials and services	288,531	229,333	59,198
Capital outlay	94,910	42,740	52,170
Total information system services	383,441	272,073	111,368
Contingency	40,000	-	40,000
<b>TOTAL EXPENDITURES</b>	<b>423,441</b>	<b>272,073</b>	<b>151,368</b>
Net change in fund balance	31,755	185,888	154,133
Fund balance at beginning of year	450,126	447,137	(2,989)
Fund balance at end of year	<b>\$ 481,881</b>	<b>\$ 633,025</b>	<b>\$ 151,144</b>

**CITY OF FOREST GROVE**

**EQUIPMENT - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 984,511	\$ 927,410	\$ (57,101)
Interest	4,000	6,703	2,703
Miscellaneous	<u>-</u>	<u>747</u>	<u>747</u>
<b>TOTAL REVENUES</b>	<u>988,511</u>	<u>934,860</u>	<u>(53,651)</u>
<b>EXPENDITURES</b>			
Vehicle services			
Personal services	237,903	237,555	348
Materials and services	418,807	324,141	94,666
Capital outlay	<u>915,500</u>	<u>826,417</u>	<u>89,083</u>
Total vehicle services	1,572,210	1,388,113	184,097
Contingency	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,822,210</u>	<u>1,388,113</u>	<u>434,097</u>
Excess (deficiency) of revenues over expenditures	<u>(833,699)</u>	<u>(453,253)</u>	<u>380,446</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	10,000	68,801	58,801
Transfers in	<u>228,180</u>	<u>228,180</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>238,180</u>	<u>296,981</u>	<u>58,801</u>
Net change in fund balance	(595,519)	(156,272)	439,247
Fund balance at beginning of year	<u>1,108,224</u>	<u>1,049,167</u>	<u>(59,057)</u>
Fund balance at end of year	<u>\$ 512,705</u>	892,895	<u>\$ 380,190</u>

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

Capital assets, net	2,096,835
Deferred outflows of resources	93,035
Net pension liability	(214,377)
Long-term obligations	(6,035)
Deferred inflows of resources	<u>(1,596)</u>
Net position-ending	<u>\$ 2,860,757</u>

**CITY OF FOREST GROVE**

**CITY UTILITY - INTERNAL SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>EXPENDITURES</b>			
Materials and services	\$ 208,797	\$ 201,474	\$ 7,323
Excess (deficiency) of revenues over expenditures	(208,797)	(201,474)	7,323
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	208,797	201,474	(7,323)
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

**CITY OF FOREST GROVE**

**RISK MANAGEMENT - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 464,465	\$ 460,479	\$ (3,986)
Interest	2,525	2,890	365
Miscellaneous	-	53,574	53,574
	466,990	516,943	49,953
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES</b>			
Risk management services			
Materials and services	495,061	500,666	(5,605)
Capital outlay	344,437	92,277	252,160
	839,498	592,943	246,555
Total risk management services	839,498	592,943	246,555
Contingency	50,000	-	50,000
	889,498	592,943	296,555
<b>TOTAL EXPENDITURES</b>	<b>889,498</b>	<b>592,943</b>	<b>296,555</b>
Excess (deficiency) of revenues over expenditures	(422,508)	(76,000)	346,508
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(40,000)	(40,000)	-
Net change in fund balance	(462,508)	(116,000)	346,508
Fund balance at beginning of year	600,053	598,258	(1,795)
Fund balance at end of year	\$ 137,545	\$ 482,258	\$ 344,713

**CITY OF FOREST GROVE**

**UNSEGREGATED TAX AND INTEREST AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2016**

	<u>Balances</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2016</u>
Assets				
Cash and investments	<u>\$ 176,199</u>	<u>\$ 68,933</u>	<u>\$ 53,997</u>	<u>\$ 191,135</u>
Liabilities				
Amounts held in trust	<u>\$ 176,199</u>	<u>\$ 98,091</u>	<u>\$ 83,155</u>	<u>\$ 191,135</u>

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

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**INDEPENDENT AUDITOR’S REPORT REQUIRED BY  
OREGON STATE REGULATIONS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF FOREST GROVE** as of and for the year ended June 30, 2016, and have issued our report thereon dated January 31, 2017.

**Compliance**

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

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

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

**INDEPENDENT AUDITOR’S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

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

Budgets legally required (ORS Chapter 294)

1. The 2012-13 and 2013-14 historical information presented in the 2015-16 detail budget document contained errors in the General, Light, Sewer, Water and Major Maintenance Funds.
2. The 2013-14 and 2014-15 historical information presented in the 2016-17 detail budget document contained errors in the General, Light, Sewer, Water and Surface Water Management Funds.
3. Resources as presented in the 2016-17 budget detail for the Building Permits Fund do not equal requirements.
4. Transfers in of \$1,746,464 and transfers out of \$2,628,149 were budgeted in the 2016-17 budget. Transfers in should equal transfers out.
5. Expenditures in excess of appropriations (which is prohibited by ORS 294.435) occurred as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
Capital Projects			
Materials and services	\$ -	\$ 3,216	\$ (3,216)
Sewer System Development Charges			
Debt service	121,994	121,995	(1)

Programs funded by outside sources

City of Forest Grove expended funds under federal award programs, but has not developed written policies and procedures over the determination of allowable costs charged to federal award programs as required by 2CFR Chapter 1, Chapter II, Part 2, Section 200.302(7).

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

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

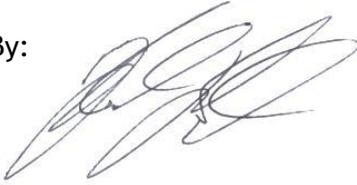
**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

**Restriction on Use**

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

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
January 31, 2017

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a horizontal line.

Bradley G. Bingenheimer, Member