



**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2017**

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**CITY OF FOREST GROVE  
OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2017**

**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 CITY OF FOREST GROVE, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise 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 did not audit the financial statements of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission and the Barney Reservoir Joint Ownership Commission, which represent 8 percent of the assets of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission and the Barney Reservoir Joint Ownership Commission, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, 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 CITY OF FOREST GROVE, as of June 30, 2017, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, and Urban Renewal Funds, for the year then ended in accordance 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, investment rate of return, proportionate share of the net pension liability, and contributions on pages 58 through 62 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 basic financial statements. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and individual fund 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. Such 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 by us and the other auditors. In our opinion, the combining financial statements and individual fund 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 December 26, 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  
December 26, 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 \$107.7 million at June 30, 2017. Of this amount, \$16.5 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 decreased by \$0.8 million in governmental activities and increased by \$3.3 million in business-type activities for a total increase of \$2.5 million.
- The General Fund reported an ending fund balance at June 30, 2017, of \$6,925,413 which is an increase of \$515,265 from the prior fiscal year. Ending fund balance at June 30, 2017 was 41.6% of the General Fund expenditures for the fiscal year ending June 30, 2017.

### **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, 2017 and 2016  
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current and other assets	\$ 27,503	\$ 26,734	\$ 32,713	\$ 30,340	\$ 60,216	\$ 57,074
Capital assets, net	<u>30,190</u>	<u>29,905</u>	<u>46,624</u>	<u>45,252</u>	<u>76,814</u>	<u>75,157</u>
Total assets	<u>57,693</u>	<u>56,639</u>	<u>79,337</u>	<u>75,592</u>	<u>137,030</u>	<u>132,231</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	\$ 7,987	\$ 7,378	\$ 3,083	\$ 2,862	\$ 11,070	\$ 10,240
Deferred charge on refunding	<u>-</u>	<u>-</u>	<u>28</u>	<u>34</u>	<u>28</u>	<u>34</u>
Total Deferred Outflows of Resources	<u>7,987</u>	<u>7,378</u>	<u>3,111</u>	<u>2,896</u>	<u>11,098</u>	<u>10,274</u>
<b>LIABILITIES</b>						
Current and other liabilities	\$ 861	\$ 1,471	\$ 2,221	\$ 1,937	\$ 3,082	\$ 3,408
Long-term obligations	<u>22,070</u>	<u>19,005</u>	<u>15,186</u>	<u>14,763</u>	<u>37,256</u>	<u>33,768</u>
Total liabilities	<u>22,931</u>	<u>20,476</u>	<u>17,407</u>	<u>16,700</u>	<u>40,338</u>	<u>37,176</u>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Pension related items	<u>94</u>	<u>127</u>	<u>35</u>	<u>49</u>	<u>129</u>	<u>176</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 30,190	\$ 29,905	\$ 39,965	\$ 37,825	\$ 70,155	\$ 67,730
Restricted	14,897	13,288	6,099	5,729	20,996	19,017
Unrestricted	<u>(2,431)</u>	<u>222</u>	<u>18,942</u>	<u>18,185</u>	<u>16,511</u>	<u>18,407</u>
Total net position	<u>\$ 42,656</u>	<u>\$ 43,415</u>	<u>\$ 65,006</u>	<u>\$ 61,739</u>	<u>\$ 107,662</u>	<u>\$ 105,154</u>

Governmental capital assets represent 52.3% of the total governmental assets and total capital assets are relatively unchanged from 2016. Total governmental activities capital assets increased slightly due to ongoing depreciation expense compared to a small amount of capital assets purchased.

Business-type capital assets represent 58.8% of the total business-type assets and increased by \$2.0 million from the prior year. Ongoing projects to renovate two of the City's three electric substations and continued improvements at the City's water treatment plant and distribution system 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, 2017 and 2016**

*(In thousands of dollars)*

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>REVENUES:</b>						
Program revenues:						
Charges for services	\$ 8,951	\$ 8,278	\$ 24,777	\$ 23,758	\$ 33,728	\$ 32,036
Operating grants	131	118	240	-	371	118
Capital grants	2,520	2,467	890	1,917	3,410	4,384
General revenues:						
Taxes	10,952	10,398	-	-	10,952	10,398
Other	298	72	1,373	1,456	1,671	1,528
Total revenues	<u>22,852</u>	<u>21,333</u>	<u>27,280</u>	<u>27,131</u>	<u>50,132</u>	<u>48,464</u>
<b>EXPENSES:</b>						
General government	10,279	8,648	-	-	10,279	8,648
Public safety	10,323	9,438	-	-	10,323	9,438
Highways and streets	2,730	2,177	-	-	2,730	2,177
Culture and recreation	1,617	2,256	-	-	1,617	2,256
Power services	-	-	16,259	16,209	16,259	16,209
Sewer services	-	-	1,328	1,482	1,328	1,482
Water services	-	-	4,330	4,482	4,330	4,482
Surface water management	-	-	737	907	737	907
Interest on long-term debt	21	4	-	-	21	4
Total expenses	<u>24,970</u>	<u>22,523</u>	<u>22,654</u>	<u>23,080</u>	<u>47,624</u>	<u>45,603</u>
Change in net position before transfers	(2,118)	(1,190)	4,626	4,051	2,508	2,861
Transfers	<u>1,359</u>	<u>1,693</u>	<u>(1,359)</u>	<u>(1,693)</u>	<u>-</u>	<u>-</u>
Change in net position	(759)	503	3,267	2,358	2,508	2,861
Net position at beginning of year	43,415	42,912	61,739	59,381	105,154	102,293
Prior period adjustment	-	-	-	-	-	-
Net position at end of year	<u>\$ 42,656</u>	<u>\$ 43,415</u>	<u>\$ 65,006</u>	<u>\$ 61,739</u>	<u>\$ 107,662</u>	<u>\$ 105,154</u>

The City's total revenues were \$50.1 million which increased by 3.4% from 2016. The major sources of revenues are business-type activity charges for services and taxes, which account for 67.3% and 21.8% of total revenues, respectively. The total cost of all programs was \$47.6 million which is a 4.4% increase from 2016. Net position increased by \$2.5 million or 2.4% from 2016 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 \$23,747,416 at June 30, 2017 for an increase of \$1,000,680. Proprietary net position totaled \$65,006,485 at June 30, 2017 for an overall increase of \$3,267,515. 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, 2017</u>	<u>Balance at June 30, 2016</u>	<u>Change</u>
General	\$ 6,925,413	\$ 6,407,078	\$ 581,335
Street	1,471,316	1,436,721	34,595
Urban Renewal Agency	(1,971,754)	(1,091,590)	(880,164)
Transportation Development Tax	6,373,308	5,407,193	966,115
Non-major governmental	10,949,133	10,581,334	367,799
Totals	<u>\$ 23,747,416</u>	<u>\$ 22,740,736</u>	<u>\$ 1,006,680</u>

#### CHANGE IN PROPRIETARY NET POSITION

<u>Fund</u>	<u>Balance at June 30, 2017</u>	<u>Balance at June 30, 2016</u>	<u>Change</u>
Light	\$ 20,424,172	\$ 19,647,518	\$ 776,654
Sewer	11,394,425	10,952,145	442,280
Water	20,360,726	19,007,550	1,353,176
Surface Water Management	6,727,576	6,402,489	325,087
Non-major proprietary	6,099,586	5,729,268	370,318
Totals	<u>\$ 65,006,485</u>	<u>\$ 61,738,970</u>	<u>\$ 3,267,515</u>

#### City Fund's Highlights

The fund balance in the General Fund increased by \$581,335 as charges for services and interest revenue were higher than expected, and operating departments spent less than budgeted appropriations. Other increases in governmental fund balances was primarily due to system development fees collected for parks and traffic. Urban Renewal Agency fund balance decreased due to development assistance expended from borrowed funds in 2017.

The overall increase in proprietary net position is due to revenue from system development charges in the Water and Sewer Funds and revenue from user rates being held for future capital purchases. The Light Fund's net position increased due funds borrowed for capital purchases that have not yet been expended.

#### CAPITAL ASSETS

At June 30, 2017, the City had \$76,814,394 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 \$1,657,701. More detailed information about the City's capital assets is presented in the notes to the financial statements.

#### LONG TERM DEBT

At June 30, 2017, the City had \$6,716,850 in outstanding notes and contracts payable. The City has had no change in its credit rating of Aa3 from Moody's. 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 2017-18 fiscal year were, but not limited to the following:

- Residential development including multi-family housing continues to occur at high pace allowing the City's taxable assessed value to increase at 5.7% resulting in higher than projected property tax revenue. Smaller industrial development whose enterprise zone benefits are expired also helped the increase in taxable assessed value. The City is seeing a small increase in commercial and industrial development after years of little activity. The commercial development is the urban renewal area and much of the new industrial will qualify for enterprise zone property tax incentives for at least three years.
- The City's voters renewed the City's expiring five-year local option property tax levy at the same rate for another five years through June 30, 2023. The renewal of this levy will help the City to maintain current service levels but does not provide new funding for increased services.
- The costs of the City's private defined benefit retirement plan will continue to increase significantly as the City continues to implement changes to the Plan's actuarial assumptions. The costs of the actuarial changes are being implemented over a three-year period which started in fiscal year 2016-17 and will end in fiscal year 2018-19. The contributions to the City's private plan will increase from \$2.3 million annually to \$3.7 million annually by the end of the three-year implementation period.
- New police officers and firefighters are enrolled 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%.
- 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. With growth in revenue and some cost savings in some long-term capital projects, the City has been able to lower the actual rate increase percentages over the over rates that were originally forecast when financial projections were prepared.

### **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, 2017**

	Governmental Activities	Business-type Activities	Totals
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 26,245,437	\$ 22,255,528	\$ 48,500,965
Investments	141,501	122,018	263,519
Receivables, net	881,779	3,237,983	4,119,762
Inventory	-	784,214	784,214
Prepaid items	233,806	-	233,806
Investment in joint ventures	-	6,313,228	6,313,228
Capital assets:			
Land and construction in progress	8,970,055	4,052,239	13,022,294
Other capital assets, net	21,219,998	42,572,102	63,792,100
<b>TOTAL ASSETS</b>	<b>57,692,576</b>	<b>79,337,312</b>	<b>137,029,888</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related items	7,987,254	3,083,121	11,070,375
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	28,828	28,828
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>7,987,254</b>	<b>3,111,949</b>	<b>11,099,203</b>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	659,853	2,071,242	2,731,095
Payroll related liabilities	193,629	56,612	250,241
Accrued interest payable	-	35,494	35,494
Deposits	6,683	58,050	64,733
Long-term obligations:			
Due within one year	959,604	995,681	1,955,285
Due in more than one year:	21,110,738	14,190,164	35,300,902
<b>TOTAL LIABILITIES</b>	<b>22,930,507</b>	<b>17,407,243</b>	<b>40,337,750</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related items	93,768	35,533	129,301
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>93,768</b>	<b>35,533</b>	<b>129,301</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	30,190,053	39,964,870	70,154,923
Restricted for:			
Highways and streets	1,536,820	-	1,536,820
Building operations	1,807,625	-	1,807,625
Community enhancement	64,522	-	64,522
Capital projects	11,482,115	6,099,586	17,581,701
Other purposes	5,852	-	5,852
Unrestricted	(2,431,432)	18,942,029	16,510,597
<b>TOTAL NET POSITION</b>	<b>\$ 42,655,555</b>	<b>\$ 65,006,485</b>	<b>\$ 107,662,040</b>

*See accompanying notes*

**CITY OF FOREST GROVE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

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	\$ 10,278,958	\$ 7,354,858	\$ 38,845	\$ 369,492	\$ (2,515,763)		\$ (2,515,763)
Public safety	10,323,034	856,646	17,884	-	(9,448,504)		(9,448,504)
Highways and streets	2,730,621	162,498	-	1,310,537	(1,257,586)		(1,257,586)
Culture and recreation	1,616,800	577,097	74,519	840,091	(125,093)		(125,093)
Interest on long-term obligations	20,626	-	-	-	(20,626)		(20,626)
Total governmental activities	<u>24,970,039</u>	<u>8,951,099</u>	<u>131,248</u>	<u>2,520,120</u>	<u>(13,367,572)</u>		<u>(13,367,572)</u>
<b>Business-type activities</b>							
Light	16,258,631	17,911,126	-	-		\$ 1,652,495	1,652,495
Sewer	1,327,970	1,414,509	240,065	221,845		548,449	548,449
Water	4,330,010	4,406,583	-	610,600		687,173	687,173
Surface water management	736,986	1,045,055	-	57,215		365,284	365,284
Total business-type activities	<u>22,653,597</u>	<u>24,777,273</u>	<u>240,065</u>	<u>889,660</u>		<u>3,253,401</u>	<u>3,253,401</u>
Totals	<u>\$ 47,623,636</u>	<u>\$ 33,728,372</u>	<u>\$ 371,313</u>	<u>\$ 3,409,780</u>	<u>(13,367,572)</u>	<u>3,253,401</u>	<u>(10,114,171)</u>
<b>General revenues</b>							
Property taxes, levied for:							
General purposes					8,030,678	-	8,030,678
Other					97,382	-	97,382
Franchise taxes					622,734	-	622,734
Transient room tax					106,423	-	106,423
Grants and contributions not restricted to specific programs					616,212	-	616,212
Fuel taxes					1,478,169	-	1,478,169
Unrestricted investment earnings					312,092	194,566	506,658
Rents					-	36,050	36,050
Miscellaneous					159,281	1,090,894	1,250,175
Income from investment in joint ventures					-	51,505	51,505
<b>Special item - (loss) on sale of capital assets</b>					(173,600)	-	(173,600)
<b>Transfers</b>					1,358,901	(1,358,901)	-
Total general revenues, special item and transfers					<u>12,608,272</u>	<u>14,114</u>	<u>12,622,386</u>
Change in net position					(759,300)	3,267,515	2,508,215
Net position - beginning					<u>43,414,855</u>	<u>61,738,970</u>	<u>105,153,825</u>
Net position - ending					<u>\$ 42,655,555</u>	<u>\$ 65,006,485</u>	<u>\$ 107,662,040</u>

*See accompanying notes*

**CITY OF FOREST GROVE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
<b><u>ASSETS</u></b>						
Cash and cash equivalents	\$ 7,008,252	\$ 1,519,189	\$ 215,050	\$ 6,338,556	\$ 8,940,312	\$ 24,021,359
Investments	38,352	8,329	1,292	34,752	46,582	129,307
Receivables, net	681,366	18,550	1,950	-	179,913	881,779
Prepaid items	53,952	-	-	-	-	53,952
Due from other funds	-	-	-	-	2,062,561	2,062,561
<b>TOTAL ASSETS</b>	<b>\$ 7,781,922</b>	<b>\$ 1,546,068</b>	<b>\$ 218,292</b>	<b>\$ 6,373,308</b>	<b>\$ 11,229,368</b>	<b>\$ 27,148,958</b>
<b><u>LIABILITIES</u></b>						
Accounts payable and accrued liabilities	\$ 236,416	\$ 51,988	\$ 126,104	\$ -	\$ 216,721	\$ 631,229
Payroll related liabilities	181,307	4,214	-	-	5,413	190,934
Deposits	-	-	-	-	6,683	6,683
Due to other funds	-	-	2,062,561	-	-	2,062,561
<b>TOTAL LIABILITIES</b>	<b>417,723</b>	<b>56,202</b>	<b>2,188,665</b>	<b>-</b>	<b>228,817</b>	<b>2,891,407</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Unavailable revenue	438,786	18,550	1,381	-	51,418	510,135
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>438,786</b>	<b>18,550</b>	<b>1,381</b>	<b>-</b>	<b>51,418</b>	<b>510,135</b>
<b><u>FUND BALANCES</u></b>						
Nonspendable	53,952	-	-	-	41,186	95,138
Restricted	-	1,471,316	-	6,373,308	7,033,760	14,878,384
Committed	-	-	-	-	408,752	408,752
Assigned	-	-	-	-	3,465,435	3,465,435
Unassigned	6,871,461	-	(1,971,754)	-	-	4,899,707
<b>TOTAL FUND BALANCES</b>	<b>6,925,413</b>	<b>1,471,316</b>	<b>(1,971,754)</b>	<b>6,373,308</b>	<b>10,949,133</b>	<b>23,747,416</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,781,922</b>	<b>\$ 1,546,068</b>	<b>\$ 218,292</b>	<b>\$ 6,373,308</b>	<b>\$ 11,229,368</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.	30,190,053
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	510,135
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	\$ 4,237,239
Plus: Compensated absences of the internal service fund included below	5,566
Plus: pension related liabilities, deferred outflows and deferred inflows	181,806
Less: Capital assets of the internal service fund included above	<u>(2,039,804)</u>
Deferred outflows related to the pension plan are not current financial resources and therefore are not reported in the funds	7,987,254
The net post-employment benefits obligation is reported in the statement of net position but is not reported in the funds	(1,196,557)
The net pension liability is reported in the statement of net position but is not reported in the funds	(19,914,181)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(959,604)
Deferred inflows related to the pension plan are reported in the statement of net position but are not reported in the funds	<u>(93,768)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 42,655,555</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, 2017**

	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 7,994,171	\$ -	\$ 114,637	\$ -	\$ -	\$ 8,108,808
Other taxes	120,176	-	-	920,307	-	1,040,483
Licenses and permits	158,616	-	-	-	1,057,388	1,216,004
Intergovernmental	1,975,598	1,464,254	-	-	1,010,405	4,450,257
System development charges	-	-	-	-	538,091	538,091
Fees and fines	593,575	-	-	-	-	593,575
Franchise fees	622,734	-	-	-	-	622,734
Interest	119,616	8,566	1,630	61,002	106,013	296,827
Grants	114,504	-	-	-	349,198	463,702
Charges for services	4,032,295	162,503	-	-	353,167	4,547,965
Miscellaneous	258,053	13,732	-	-	-	271,785
<b>TOTAL REVENUES</b>	<b>15,989,338</b>	<b>1,649,055</b>	<b>116,267</b>	<b>981,309</b>	<b>3,414,262</b>	<b>22,150,231</b>
<b>EXPENDITURES</b>						
General government	5,536,629	-	838,860	-	830,810	7,206,299
Public safety	9,369,294	-	-	-	9,732	9,379,026
Highways and streets	-	1,232,717	-	-	397,727	1,630,444
Culture and recreation	1,747,236	-	-	-	52,784	1,800,020
Capital outlay	9,191	364,243	136,945	15,194	1,621,146	2,146,719
Debt service	-	-	20,626	-	-	20,626
<b>TOTAL EXPENDITURES</b>	<b>16,662,350</b>	<b>1,596,960</b>	<b>996,431</b>	<b>15,194</b>	<b>2,912,199</b>	<b>22,183,134</b>
Excess (deficiency) of revenues over expenditures	(673,012)	52,095	(880,164)	966,115	502,063	(32,903)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of capital assets	-	-	-	-	4,346	4,346
Transfers in	1,202,666	-	-	-	167,000	1,369,666
Transfers out	(14,389)	(17,500)	-	-	(302,540)	(334,429)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,188,277</b>	<b>(17,500)</b>	<b>-</b>	<b>-</b>	<b>(131,194)</b>	<b>1,039,583</b>
Net change in fund balances	515,265	34,595	(880,164)	966,115	370,869	1,006,680
Fund balances at beginning of year	6,410,148	1,436,721	(1,091,590)	5,407,193	10,578,264	22,740,736
Fund balances at end of year	\$ 6,925,413	\$ 1,471,316	\$ (1,971,754)	\$ 6,373,308	\$ 10,949,133	\$ 23,747,416

*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, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,006,680

*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	\$ 1,920,510	
Depreciation	<u>(1,404,253)</u>	516,257

The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position (173,813)

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	19,252	
Assessments	(24,003)	
Fees	(3,587)	
Other	<u>4,225</u>	(4,113)

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 and PERS are reported as additional expenses for increases and a reduction of expenses for decreases (2,211,815)

The change in other post-employment benefits are reported as additional expenses in the statement of activities (100,102)

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		(53,593)
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Net income of internal service funds after eliminating transfers and income reported above 261,199

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (759,300)

*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, 2017**

	Budget		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 8,084,093	\$ 8,084,093	\$ 7,994,171	\$ (89,922)
Transient room tax	88,000	88,000	106,423	18,423
Licenses and permits	139,850	139,850	158,616	18,766
Intergovernmental	1,985,859	1,985,859	1,975,598	(10,261)
Construction excise tax	9,500	9,500	13,753	4,253
Fees and fines	438,470	438,470	593,575	155,105
Franchise fees	572,000	572,000	622,734	50,734
Interest	65,000	65,000	116,490	51,490
Grants	35,689	35,689	114,504	78,815
Charges for services	3,985,245	3,985,245	4,010,787	25,542
Miscellaneous	321,852	321,852	258,053	(63,799)
<b>TOTAL REVENUES</b>	<b>15,725,558</b>	<b>15,725,558</b>	<b>15,964,704</b>	<b>239,146</b>
<b>EXPENDITURES</b>				
Legislative and executive	548,787	548,787	546,670	2,117
Administrative services	2,706,969	2,706,969	2,543,582	163,387
Library	1,224,811	1,224,811	1,188,614	36,197
Planning	468,016	488,016	451,145	36,871
Fire	3,926,045	3,946,045	3,829,844	116,201
Engineering	892,992	892,992	838,121	54,871
Police	5,611,199	5,611,199	5,548,641	62,558
Aquatics	644,756	644,756	622,760	21,996
Parks and recreation	758,499	758,499	673,331	85,168
Municipal court	375,708	375,708	419,642	(43,934)
Contingency	750,000	710,000	-	710,000
<b>TOTAL EXPENDITURES</b>	<b>17,907,782</b>	<b>17,907,782</b>	<b>16,662,350</b>	<b>1,245,432</b>
Excess (deficiency) of revenues over expenditures	<u>(2,182,224)</u>	<u>(2,182,224)</u>	<u>(697,646)</u>	<u>1,484,578</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,202,676	1,202,676	1,202,666	(10)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,202,676</b>	<b>1,202,676</b>	<b>1,202,666</b>	<b>(10)</b>
Net change in fund balance	(979,548)	(979,548)	505,020	1,484,568
Fund balance at beginning of year	<u>6,102,748</u>	<u>6,102,748</u>	<u>6,407,078</u>	<u>304,330</u>
Fund balance at end of year	<b>\$ 5,123,200</b>	<b>\$ 5,123,200</b>	<b>\$ 6,912,098</b>	<b>\$ 1,788,898</b>

*Continued on next page*

**CITY OF FOREST GROVE**

**STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Intergovernmental	\$ 1,395,000	\$ 1,713,000	\$ 1,464,254	\$ (248,746)
Interest	2,500	2,500	8,566	6,066
Charges for services	145,000	145,000	162,503	17,503
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>13,732</u>	<u>3,732</u>
<b>TOTAL REVENUES</b>	<u>1,552,500</u>	<u>1,870,500</u>	<u>1,649,055</u>	<u>(221,445)</u>
<b>EXPENDITURES</b>				
Street services	1,678,656	1,996,656	1,596,960	399,696
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,778,656</u>	<u>2,096,656</u>	<u>1,596,960</u>	<u>499,696</u>
Excess (deficiency) of revenues over expenditures	<u>(226,156)</u>	<u>(226,156)</u>	<u>52,095</u>	<u>278,251</u>
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(17,500)</u>	<u>(17,500)</u>	<u>(17,500)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(17,500)</u>	<u>(17,500)</u>	<u>(17,500)</u>	<u>-</u>
Net change in fund balance	(243,656)	(243,656)	34,595	278,251
Fund balance at beginning of year	<u>922,324</u>	<u>922,324</u>	<u>1,436,721</u>	<u>514,397</u>
Fund balance at end of year	<u>\$ 678,668</u>	<u>\$ 678,668</u>	<u>\$ 1,471,316</u>	<u>\$ 792,648</u>

*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, 2017**

	Budget			
	Original	Final	Actual	Variance
<b>REVENUES</b>				
Property taxes	\$ 75,231	\$ 75,231	\$ 114,637	\$ 39,406
Interest	50	50	1,630	1,580
	75,281	75,281	116,267	40,986
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Materials and services	786,227	852,366	838,860	13,506
Debt service	52,365	52,365	20,626	31,739
Capital outlay	203,084	136,945	136,945	-
	1,041,676	1,041,676	996,431	45,245
<b>TOTAL EXPENDITURES</b>				
Excess (deficiency) of revenues over expenditures	(966,395)	(966,395)	(880,164)	86,231
<b>OTHER FINANCING SOURCES (USES)</b>				
Advances from other funds	965,000	965,000	962,561	(2,439)
	965,000	965,000	962,561	(2,439)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
Net change in fund balance	(1,395)	(1,395)	82,397	83,792
Fund balance at beginning of year	5,924	5,924	8,410	2,486
Fund balance at end of year	\$ 4,529	\$ 4,529	90,807	\$ 86,278
<b>Reconciliation to generally accepted accounting principles</b>				
Advances from other funds			(2,062,561)	
			\$ (1,971,754)	

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	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 cash equivalents	\$ 5,530,259	\$ 3,036,854	\$ 6,928,585	\$ 602,358	\$ 6,157,472	\$ 22,255,528	\$ 2,224,078
Investments	30,320	16,650	37,987	3,302	33,759	122,018	12,194
Receivables, net	1,739,982	582,182	530,782	145,037	240,000	3,237,983	-
Inventory	612,010	7,597	164,607	-	-	784,214	-
Prepaid expense	-	-	-	-	-	-	179,854
Total current assets	<u>7,912,571</u>	<u>3,643,283</u>	<u>7,661,961</u>	<u>750,697</u>	<u>6,431,231</u>	<u>26,399,743</u>	<u>2,416,126</u>
Investment in joint ventures	-	-	6,313,228	-	-	6,313,228	-
Capital assets and intangibles							
Land	721,723	81,022	473,614	-	-	1,276,359	-
Construction in progress	2,775,880	-	-	-	-	2,775,880	-
Other capital assets and intangibles, net	<u>17,233,053</u>	<u>8,657,760</u>	<u>10,288,434</u>	<u>6,392,855</u>	<u>-</u>	<u>42,572,102</u>	<u>2,039,804</u>
Total capital assets	<u>20,730,656</u>	<u>8,738,782</u>	<u>10,762,048</u>	<u>6,392,855</u>	<u>-</u>	<u>46,624,341</u>	<u>2,039,804</u>
<b>TOTAL ASSETS</b>	<u><b>28,643,227</b></u>	<u><b>12,382,065</b></u>	<u><b>24,737,237</b></u>	<u><b>7,143,552</b></u>	<u><b>6,431,231</b></u>	<u><b>79,337,312</b></u>	<u><b>4,455,930</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Pension related items	2,073,198	223,709	565,368	220,846	-	3,083,121	119,454
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	-	28,828	-	-	28,828	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>2,073,198</b></u>	<u><b>223,709</b></u>	<u><b>594,196</b></u>	<u><b>220,846</b></u>	<u><b>-</b></u>	<u><b>3,111,949</b></u>	<u><b>119,454</b></u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable and accrued liabilities	909,910	507,623	278,621	43,443	331,645	2,071,242	28,624
Payroll related liabilities	35,065	2,394	13,943	5,210	-	56,612	2,695
Accrued interest payable	22,187	-	13,307	-	-	35,494	-
Customer deposits	58,050	-	-	-	-	58,050	-
Current portion of long-term obligations	<u>369,568</u>	<u>115,895</u>	<u>510,218</u>	<u>-</u>	<u>-</u>	<u>995,681</u>	<u>5,566</u>
Total current liabilities	<u>1,394,780</u>	<u>625,912</u>	<u>816,089</u>	<u>48,653</u>	<u>331,645</u>	<u>3,217,079</u>	<u>36,885</u>
Long-term obligations							
Bonds and loans	3,391,000	-	2,645,935	-	-	6,036,935	-
Net other post-employment benefits	277,931	21,249	82,841	31,201	-	413,222	-
Net pension liability	<u>5,204,648</u>	<u>561,610</u>	<u>1,419,326</u>	<u>554,423</u>	<u>-</u>	<u>7,740,007</u>	<u>299,883</u>
Total long-term obligations	<u>8,873,579</u>	<u>582,859</u>	<u>4,148,102</u>	<u>585,624</u>	<u>-</u>	<u>14,190,164</u>	<u>299,883</u>
<b>TOTAL LIABILITIES</b>	<u><b>10,268,359</b></u>	<u><b>1,208,771</b></u>	<u><b>4,964,191</b></u>	<u><b>634,277</b></u>	<u><b>331,645</b></u>	<u><b>17,407,243</b></u>	<u><b>336,768</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Pension related items	23,894	2,578	6,516	2,545	-	35,533	1,377
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>23,894</b></u>	<u><b>2,578</b></u>	<u><b>6,516</b></u>	<u><b>2,545</b></u>	<u><b>-</b></u>	<u><b>35,533</b></u>	<u><b>1,377</b></u>
<b>NET POSITION</b>							
Net investment in capital assets	17,169,853	8,622,887	7,779,275	6,392,855	-	39,964,870	2,039,804
Restricted for capital projects	-	-	-	-	6,099,586	6,099,586	-
Unrestricted	<u>3,254,319</u>	<u>2,771,538</u>	<u>12,581,451</u>	<u>334,721</u>	<u>-</u>	<u>18,942,029</u>	<u>2,197,435</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 20,424,172</b></u>	<u><b>\$ 11,394,425</b></u>	<u><b>\$ 20,360,726</b></u>	<u><b>\$ 6,727,576</b></u>	<u><b>\$ 6,099,586</b></u>	<u><b>\$ 65,006,485</b></u>	<u><b>\$ 4,237,239</b></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, 2017**

	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	\$ 17,562,155	\$ 1,414,509	\$ 4,401,218	\$ 1,045,055	\$ -	\$ 24,422,937	\$ 1,731,138
Conservation incentive	241,280	-	-	-	-	241,280	-
Licenses, permits, and fees	107,691	-	5,365	-	-	113,056	-
<b>TOTAL OPERATING REVENUES</b>	<u>17,911,126</u>	<u>1,414,509</u>	<u>4,406,583</u>	<u>1,045,055</u>	<u>-</u>	<u>24,777,273</u>	<u>1,731,138</u>
<b>OPERATING EXPENSES</b>							
System operation and maintenance	4,458,637	538,431	2,227,926	289,450	774,626	8,289,070	1,645,601
Electricity purchases	9,529,798	-	-	-	-	9,529,798	-
General Fund administration charges	1,326,942	606,821	1,076,322	187,527	-	3,197,612	-
General and administrative costs	50,669	29,610	483,987	13,397	71,087	648,750	-
Depreciation and amortization	695,171	268,137	429,161	168,951	-	1,561,420	283,070
<b>TOTAL OPERATING EXPENSES</b>	<u>16,061,217</u>	<u>1,442,999</u>	<u>4,217,396</u>	<u>659,325</u>	<u>845,713</u>	<u>23,226,650</u>	<u>1,928,671</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,849,909</u>	<u>(28,490)</u>	<u>189,187</u>	<u>385,730</u>	<u>(845,713)</u>	<u>1,550,623</u>	<u>(197,533)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest earned	42,895	25,126	66,388	857	59,300	194,566	17,760
Interest	(91,579)	(4,298)	(98,175)	-	-	(194,052)	-
Rents	-	-	36,050	-	-	36,050	-
Grants	-	-	-	-	240,065	240,065	-
Miscellaneous	14,485	-	1,074,159	-	2,250	1,090,894	114,308
Gain (loss) on sale of capital assets	(105,835)	-	(14,439)	-	-	(120,274)	3,000
Income on investment in joint ventures	-	-	51,505	-	-	51,505	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(140,034)</u>	<u>20,828</u>	<u>1,115,488</u>	<u>857</u>	<u>301,615</u>	<u>1,298,754</u>	<u>135,068</u>
Income (loss) before capital contributions and transfers	1,709,875	(7,662)	1,304,675	386,587	(544,098)	2,849,377	(62,465)
Capital contributions	-	-	-	-	1,777,039	1,777,039	-
Transfers in	-	531,036	330,187	-	-	861,223	363,664
Transfers out	(933,221)	(81,094)	(281,686)	(61,500)	(862,623)	(2,220,124)	(40,000)
Change in net position	776,654	442,280	1,353,176	325,087	370,318	3,267,515	261,199
Net position at beginning 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>
Net position at end of year	<u>\$ 20,424,172</u>	<u>\$ 11,394,425</u>	<u>\$ 20,360,726</u>	<u>\$ 6,727,576</u>	<u>\$ 6,099,586</u>	<u>\$ 65,006,485</u>	<u>\$ 4,237,239</u>

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	Business-type Activities					Governmental Activities	
	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	\$ 17,857,031	\$ 1,424,874	\$ 4,434,720	\$ 1,040,801	\$ -	\$ 24,757,426	\$ 1,731,138
Cash paid to employees	(3,446,100)	(319,712)	(1,061,964)	(416,794)	-	(5,244,570)	(228,828)
Cash paid to suppliers	(11,490,947)	(717,066)	(2,616,887)	(26,444)	(530,881)	(15,382,225)	(1,875,520)
Net cash provided by (used in) operating activities	2,919,984	388,096	755,869	597,563	(530,881)	4,130,631	(373,210)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>							
Transfers in	-	-	-	-	-	-	204,487
Transfers out	(933,221)	(81,094)	(281,686)	(61,500)	(1,400)	(1,358,901)	(40,000)
Net cash provided by (used in) non-capital financing activities	(933,221)	(81,094)	(281,686)	(61,500)	(1,400)	(1,358,901)	164,487
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Transfers in	-	-	-	-	-	-	159,177
Sale of capital assets	15,373	-	-	-	-	15,373	11,021
System development charges received	-	-	-	-	1,777,039	1,777,039	-
Grants	-	-	-	-	65	65	-
Other	14,485	-	1,110,209	-	2,250	1,126,944	114,308
Acquisition of capital assets	(1,777,392)	-	(153,593)	(398,872)	(739,228)	(3,069,085)	(234,060)
Principal paid on long-term obligations	(213,000)	(44,563)	(336,586)	-	(113,535)	(707,684)	-
Interest paid on long-term obligations	(92,888)	(838)	(98,546)	-	(8,460)	(200,732)	-
Net cash provided by (used in) capital and related financing activities	(2,053,422)	(45,401)	521,484	(398,872)	918,131	(1,058,080)	50,446
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Interest	42,895	25,126	66,388	857	59,300	194,566	17,760
Net increase (decrease) in cash and cash equivalents	(23,764)	286,727	1,062,055	138,048	445,150	1,908,216	(140,517)
Cash and cash equivalents at beginning of year	5,554,023	2,750,127	5,866,530	464,310	5,712,322	20,347,312	2,364,595
Cash and cash equivalent at end of year	\$ 5,530,259	\$ 3,036,854	\$ 6,928,585	\$ 602,358	\$ 6,157,472	\$ 22,255,528	\$ 2,224,078
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ 1,849,909	\$ (28,490)	\$ 189,187	\$ 385,730	\$ (845,713)	\$ 1,550,623	\$ (197,533)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	695,171	268,137	429,161	168,951	-	1,561,420	283,070
Net other post-employment benefits	11,222	2,288	12,584	(3,052)	-	23,042	-
Net pension liability	729,466	199,640	146,870	69,727	-	1,145,703	85,506
Decrease (increase) in assets and deferred outflows							
Receivables, net	(49,674)	10,365	28,137	(4,254)	-	(15,426)	-
Inventory	(137,189)	(967)	(22,828)	-	-	(160,984)	-
Prepaid expense	2,218	596	364	132	-	3,310	(179,854)
Pension related items	(131,063)	(66,622)	(13,149)	(10,498)	-	(221,332)	(26,419)
Increase (decrease) in liabilities and deferred inflows							
Accounts payable and accrued liabilities	124,771	11,554	28,014	5,360	314,832	484,531	(330,139)
Payroll related liabilities	(112,797)	(8,287)	(30,329)	(13,469)	-	(164,882)	(7,622)
Customer deposits	(4,421)	-	-	-	-	(4,421)	-
Compensated absences payable	(48,197)	-	(9,182)	-	-	(57,379)	-
Pension related items	(9,432)	(118)	(2,960)	(1,064)	-	(13,574)	(219)
Net cash provided by (used in) operating activities	\$ 2,919,984	\$ 388,096	\$ 755,869	\$ 597,563	\$ (530,881)	\$ 4,130,631	\$ (373,210)
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>							
Transfers in	\$ -	\$ 531,036	\$ 330,187	\$ -	\$ -	\$ 861,223	\$ -
Transfers out	-	-	-	-	(861,223)	(861,223)	-
Total noncash transactions	\$ -	\$ 531,036	\$ 330,187	\$ -	\$ (861,223)	\$ -	\$ -

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

	City of Forest Grove Retirement Plan	
	Trust Fund	Agency Fund
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 324,556	\$ 189,878
Investments	39,583,924	-
 TOTAL ASSETS	 39,908,480	 189,878
 <b><u>LIABILITIES</u></b>		
Amounts held in trust	-	\$ 189,878
 <b><u>NET POSITION</u></b>		
Pension benefits	\$ 39,908,480	

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2017**

	City of Forest Grove Retirement Plan Trust Fund <hr/>
<b>ADDITIONS</b>	
Employer contributions	\$ 2,626,237
Investment earnings	<u>4,040,147</u>
Total additions	<u>6,666,384</u>
<b>DEDUCTIONS</b>	
Benefits	2,041,694
Administrative expenses	<u>115,317</u>
Total deductions	<u>2,157,011</u>
Change in net position	4,509,373
Net position - beginning of year	<u>35,399,107</u>
Net position - end of year	<u><u>\$ 39,908,480</u></u>

*See accompanying notes*

## CITY OF FOREST GROVE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

#### 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, forms 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.

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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

*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.

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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### 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.

#### 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. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

Uncollected property taxes are reported in the governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred inflows of resources. Property taxes which are collected within 60 days of the end of the current period are considered available and recognized as revenue.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### G. 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, 2017.

#### H. Inventory

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

#### I. Capital assets

##### 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.

##### 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.

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### J. 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.

#### K. Compensated absences

##### *i. 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.

##### *ii. 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.

#### L. 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)

#### M. Retirement plans

Substantially all of the City's employees are participants in one of three retirement plans offered by the City depending on the eligibility requirements of each plan. The three plans are: the City of Forest Grove Retirement Plan (the Plan), the City of Forest Grove Defined Contribution Plan (the DC Plan), and the Oregon Public Employees Retirement System (OPERS). The City Council has the authority for establishing or amending provisions to the Plan or the DC Plan.

Contributions to the Plan are made on a current basis as required by the Plan. 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.

Contributions to the DC Plan and OPERS are made by the City as required by the DC Plan and OPERS and are charged to expenditures or expenses when due and the employer has made a formal commitment to provide the contribution. The participants in DC Plan determine how their individual contributions are invested. OPERS invests the contributions to OPERS.

See the detailed footnotes for more information about the various plans.

#### N. Equity classification

##### 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.”

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### 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.

### 2. Reconciliation of generally accepted accounting principles to budgetary basis

The budget of the City is prepared differently from accounting principles generally accepted in the United States of America. Therefore, the statements of revenues, expenditures and changes in fund balances (budgetary basis) – budget and actual for governmental funds are presented on the budgetary basis and are adjusted to the statement of revenues, expenditures and changes in fund balances -governmental funds in accordance with accounting principles generally accepted in the United States of America. The following is a reconciliation of the differences between the budgetary basis and accounting principles generally accepted in the United States of America for revenues and other financing sources over (under) expenditures and other financing uses for the aforementioned financial statements:

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

**2. Reconciliation of generally accepted accounting principles to budgetary basis (continued)**

	<u>General</u>	<u>Street</u>	<u>Urban Renewal</u>	<u>Transportation Development Tax</u>
Net change in fund balances - generally accepted accounting principles basis	\$ 515,265	\$ 34,595	\$ (880,164)	\$ 966,115
<b>Revenues:</b>				
Revenues of separately budgeted funds which are included in the general fund on the governmental fund statements	(10,245)	-	-	-
<b>Other financing sources (uses):</b>				
Interfund loans recognized on the generally accepted accounting principles basis	<u>-</u>	<u>-</u>	<u>962,561</u>	<u>-</u>
Net change in fund balances - budgetary basis	<u>\$ 505,020</u>	<u>\$ 34,595</u>	<u>\$ 82,397</u>	<u>\$ 966,115</u>

In addition, a reconciliation of the differences between budgetary basis and accounting principles generally accepted in the United States of America in beginning and ending fund balances is as follows:

	<u>General</u>	<u>Street</u>	<u>Urban Renewal</u>	<u>Transportation Development Tax</u>
Beginning fund balances - generally accepted accounting principles basis	\$ 6,410,148	\$ 1,436,721	\$ (1,091,590)	\$ 5,407,193
Beginning balances of separately budgeted funds which are included in the general fund on the governmental fund statements	(3,070)	-	-	-
Interfund loan	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>-</u>
Beginning fund balance - budgetary basis	<u>\$ 6,407,078</u>	<u>\$ 1,436,721</u>	<u>\$ 8,410</u>	<u>\$ 5,407,193</u>
Ending fund balances - generally accepted accounting principles basis	\$ 6,925,413	\$ 1,471,316	\$ (1,971,754)	\$ 6,373,308
Ending balances of separately budgeted funds which are included in the general fund on the governmental fund statements	(13,315)	-	-	-
Interfund loan	<u>-</u>	<u>-</u>	<u>2,062,561</u>	<u>-</u>
Ending fund balance - budgetary basis	<u>\$ 6,912,098</u>	<u>\$ 1,471,316</u>	<u>\$ 90,807</u>	<u>\$ 6,373,308</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Cash, cash equivalents and investments

The City's cash, cash equivalents and investments at June 30, 2017 are as follow:

Cash and cash equivalents	
Deposits with financial institutions	\$ 4,281,880
State of Oregon Local Government Investment Pool	44,407,548
Cash on hand	1,415
Money markets	324,556
	<hr/>
Total cash and cash equivalents	\$ 49,015,399
	<hr/>
Investments	
Certificates of deposit	\$ 263,519
Mutual funds	39,583,924
	<hr/>
Total investments	\$ 39,847,443
	<hr/>

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. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

#### A. Deposits with financial institutions

*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, 2017, \$3,925,992 of the City's bank balances were exposed to custodial credit risk.

#### B. State of Oregon Local Government Investment Pool

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. 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 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Cash, cash equivalents and investments (continued)

#### C. Investments

As of June 30, 2017 the City had the following investments:

Investment Type	Rating	Fair Value	Risk Concentration	Weighted Average Maturity (in months)
Certificates of deposits	Not Rated	\$ 263,519	0.66%	5.00
Mutual funds	Not Rated	<u>39,583,924</u>	99.34%	N/A
Total investments		<u>\$ 39,847,443</u>		

*Credit Risk.* Oregon statutes authorize the County 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. Additionally, the City's pension trust may invest in equity securities and mutual funds.

*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 percent for U.S. agency securities, 10 percent for bankers' acceptances, 5 percent for commercial paper or corporate bonds, 25 percent for repurchase agreements, and 10 percent for the states of Oregon, California, Idaho and Washington.

*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 percent of the portfolio (see table below) and also must not directly invest in securities maturing in more than 36 months (unless matched to a specific cash flow) and the average weighted maturity of the portfolio may not exceed 18 months.

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

*Portfolio Credit Rating:* The City does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

*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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Cash, cash equivalents and investments (continued)

*Fair Value Measurements.* The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in equities and mutual funds are measured using level 1 inputs and U.S Agencies and corporate and municipal bonds and certificates of deposit are measured using level 2 inputs.

### 4. Receivables

	Governmental Activities/Funds				Business-type Activities/Enterprise Funds					Totals
	Urban				Surface Water					
	General	Street	Renewal	Nonmajor	Light	Sewer	Water	Management	Nonmajor	
Property taxes	\$ 399,396	\$ -	\$ 1,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401,346
Accounts	192,089	-	-	170,782	46,915	-	3,958	-	-	413,744
Assessments	69,218	44	-	8,191	-	-	-	-	-	77,453
Grants	-	-	-	-	-	-	-	-	240,000	240,000
User charges	-	18,494	-	-	1,818,272	596,143	552,911	149,327	-	3,135,147
Interest	20,663	12	-	940	-	-	-	-	-	21,615
Allowance for doubtful accounts	-	-	-	-	(125,205)	(13,961)	(26,087)	(4,290)	-	(169,543)
	<u>\$ 681,366</u>	<u>\$ 18,550</u>	<u>\$ 1,950</u>	<u>\$ 179,913</u>	<u>\$ 1,739,982</u>	<u>\$ 582,182</u>	<u>\$ 530,782</u>	<u>\$ 145,037</u>	<u>\$ 240,000</u>	<u>\$ 4,119,762</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Capital assets

A. Activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balances July 01, 2016	Additions	Deletions	Balances June 30, 2017
Capital assets not being depreciated				
Land and land improvements	\$ 7,972,848	\$ 550,525	\$ (173,600)	\$ 8,349,773
Construction in progress	238,942	620,282	(238,942)	620,282
Total capital assets not being depreciated	<u>8,211,790</u>	<u>1,170,807</u>	<u>(412,542)</u>	<u>8,970,055</u>
Capital assets being depreciated				
Buildings and improvements	12,214,706	64,619	-	12,279,325
Machinery and equipment	8,126,441	381,761	(93,404)	8,414,798
Infrastructure	26,977,998	776,325	-	27,754,323
Total capital assets being depreciated	<u>47,319,145</u>	<u>1,222,705</u>	<u>(93,404)</u>	<u>48,448,446</u>
Less accumulated depreciation				
Buildings and improvements	7,387,227	211,044	-	7,598,271
Machinery and equipment	4,354,973	543,244	(85,170)	4,813,047
Infrastructure	13,884,095	933,035	-	14,817,130
Total accumulated depreciation	<u>25,626,295</u>	<u>1,687,323</u>	<u>(85,170)</u>	<u>27,228,448</u>
Total capital assets being depreciated, net	<u>21,692,850</u>	<u>(464,618)</u>	<u>(8,234)</u>	<u>21,219,998</u>
Governmental activities capital assets, net	<u>\$ 29,904,640</u>	<u>\$ 706,189</u>	<u>\$ (420,776)</u>	<u>\$ 30,190,053</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Capital assets (continued)

B. Activity for business-type activities for the year ended June 30, 2017 was as follows:

	Balances July 01, 2016	Additions	Deletions	Balances June 30, 2017
Capital assets not being depreciated				
Land	\$ 1,176,431	\$ 99,928	\$ -	\$ 1,276,359
Work in progress	2,380,243	1,962,150	(1,566,513)	2,775,880
Total capital assets not being depreciated	<u>3,556,674</u>	<u>2,062,078</u>	<u>(1,566,513)</u>	<u>4,052,239</u>
Capital assets, being depreciated and amortized				
Buildings and improvements	10,323,147	-	-	10,323,147
Machinery and equipment	26,889,085	1,447,095	(390,041)	27,946,139
Infrastructure	42,208,081	1,126,425	-	43,334,506
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated and amortized	<u>81,127,797</u>	<u>2,573,520</u>	<u>(390,041)</u>	<u>83,311,276</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	5,470,118	179,057	-	5,649,175
Machinery and equipment	12,340,139	645,604	(254,394)	12,731,349
Infrastructure	20,402,774	693,982	-	21,096,756
Intangible-water rights	1,219,117	42,777	-	1,261,894
Total accumulated depreciation and amortization	<u>39,432,148</u>	<u>1,561,420</u>	<u>(254,394)</u>	<u>40,739,174</u>
Total capital assets, being depreciated and amortized, net	<u>41,695,649</u>	<u>1,012,100</u>	<u>(135,647)</u>	<u>42,572,102</u>
Business-type activities capital assets, net	<u>\$ 45,252,323</u>	<u>\$ 3,074,178</u>	<u>\$(1,702,160)</u>	<u>\$ 46,624,341</u>

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

Governmental activities:	
General government	\$ 376,303
Public safety	135,255
Highways and streets	867,317
Culture and recreation	308,448
Total governmental activities	<u>\$ 1,687,323</u>
Business-type activities:	
Light	\$ 695,171
Sewer	268,137
Water	429,161
Surface water management	168,951
Total business-type activities	<u>\$ 1,561,420</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	Urban Renewal	Nonmajor	
Property taxes	\$ 339,916	\$ -	\$ 1,381	\$ -	\$ 341,297
Accounts	8,989	18,550	-	42,287	69,826
Interest	20,663	-	-	940	21,603
Assessments	<u>69,218</u>	<u>-</u>	<u>-</u>	<u>8,191</u>	<u>77,409</u>
	<u>\$ 438,786</u>	<u>\$ 18,550</u>	<u>\$ 1,381</u>	<u>\$ 51,418</u>	<u>\$ 510,135</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2017 were as follows:

	Balances			Balances	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2016			2017	One Year
<u>Governmental activities</u>					
Other long-term obligations					
Compensated absences	\$ 906,480	\$ 959,604	\$ 906,480	\$ 959,604	\$ 959,604
Net other post-employment benefits	1,096,455	100,102	-	1,196,557	-
Net pension liability	<u>17,001,849</u>	<u>2,912,332</u>	<u>-</u>	<u>19,914,181</u>	<u>-</u>
Total long-term obligations	<u>\$ 19,004,784</u>	<u>\$ 3,972,038</u>	<u>\$ 906,480</u>	<u>\$ 22,070,342</u>	<u>\$ 959,604</u>
<u>Business-type activities</u>					
Long-term debt obligations					
Loans					
Capital One Public Financing, LLC	\$ 2,275,000	\$ -	\$ 300,000	\$ 1,975,000	\$ 305,000
Premium	22,082	-	3,154	18,928	3,155
US Department of the Interior	1,034,613	-	36,586	998,027	37,865
Clean Water Services - rehabilitation project	44,564	-	44,564	-	-
Clean Water Services - Sunset sewer	229,430	-	113,535	115,895	115,895
Columbia State Bank	<u>3,822,000</u>	<u>-</u>	<u>213,000</u>	<u>3,609,000</u>	<u>218,000</u>
Total long-term debt obligations	7,427,689	-	710,839	6,716,850	679,915
Other long-term obligations					
Compensated absences	373,145	315,766	373,145	315,766	315,766
Net other post-employment benefits	390,180	23,042	-	413,222	-
Net pension liability	<u>6,594,304</u>	<u>1,145,703</u>	<u>-</u>	<u>7,740,007</u>	<u>-</u>
Total long-term obligations	<u>\$ 14,785,318</u>	<u>\$ 1,484,511</u>	<u>\$ 1,083,984</u>	<u>\$ 15,185,845</u>	<u>\$ 995,681</u>

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

Capital One Public Financing LLC – The City borrowed \$3,160,000 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in April each year and range from \$324,045 to \$354,795. Annual interest only payments are due in October each year and range from \$4,795 to \$39,045. Interest on outstanding loan 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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.

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.

C. The future maturities for business-type activities long-term debt obligations as of June 30, 2017 are as follows:

Fiscal Year	Capital One Public Financing LLC		US Dept. of the Interior Scoggins Dam		Clean Water Services Sunset sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 305,000	\$ 54,115	\$ 37,865	\$ 34,931	\$ 115,895	\$ 3,641
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	345,000	19,043	43,452	29,345	-	-
2023-2027	350,000	9,590	241,163	122,821	-	-
2028-2032	-	-	286,427	77,558	-	-
2033-2036	-	-	267,385	23,799	-	-
	<u>\$ 1,975,000</u>	<u>\$ 193,855</u>	<u>\$ 998,027</u>	<u>\$ 385,109</u>	<u>\$ 115,895</u>	<u>\$ 3,641</u>

Fiscal Year	Columbia State Bank		Totals	
	Principal	Interest	Principal	Interest
2018	\$ 218,000	\$ 87,500	\$ 676,760	\$ 180,187
2019	224,000	81,975	578,191	161,339
2020	229,000	76,312	594,562	145,673
2021	235,000	70,513	611,982	129,550
2022	241,000	64,563	629,452	112,951
2023-2027	1,299,000	228,188	1,890,163	360,599
2028-2032	1,163,000	59,062	1,449,427	136,620
2033-2036	-	-	267,385	23,799
	<u>\$ 3,609,000</u>	<u>\$ 668,113</u>	<u>\$ 6,697,922</u>	<u>\$ 1,250,718</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

- D. The City has pledged revenue from timber sales and available water revenues for repayment of the note to Capital One Public Financing, LLC.
- E. Funds used to liquidate other long-term obligations

The General, Street, Building, SAFER Grant, Light, Sewer, Water, and Surface Water Management Funds have been used to liquidate 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 March 20, 2014, the City issued \$38,640,000 in revenue bonds to refinance the 2009 revenue bonds originally issued for Pacific University to fund capital improvement projects and to provide additional resources for capital improvement projects on the campus. At June 30, 2017, \$38,640,000 was outstanding. The bonds mature May 1, 2039.
- B. On April 22, 2015, the City issued \$35,425,000 in revenue bonds to refinance the 2005 revenue bonds originally issued for Pacific University to fund capital improvement projects and to provide additional resources for capital improvement projects on the campus. \$32,330,000 of the 2015 revenue bonds were to refinance the 2005 revenue bonds and \$3,095,000 of the 2015 revenue bonds were to provide resources for additional capital improvement projects on campus. The 2015 revenue bonds were assigned to Pacific University. At June 30, 2017, \$34,455,000 was outstanding. The bonds mature May 1, 2045.
- C. On October 19, 2016, the City issued \$17,800,000 in revenue bonds to refinance the 2013 revenue bonds originally issued for Pacific University to fund capital improvement projects. The 2016 revenue bonds were assigned to Pacific University. At June 30, 2017, \$17,416,714 was outstanding. The bonds mature November 1, 2036.
- D. On April 27, 2017, the City issued \$26,805,000 in revenue bonds to refinance the 2007 revenue bonds originally issued to fund student housing construction. The original 2007 revenue bonds were assigned to the Oak Tree Foundation, Inc., a nonprofit corporation. The 2017 revenue bonds funded the remaining \$26,965,000 in 2007 revenue bonds plus costs of issuing the 2017 revenue bonds. The 2017 revenue bonds were assigned to Oak Tree Foundation, Inc. At June 30, 2017, \$26,805,000 was outstanding. The bonds mature March 1, 2037.

## 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 the defined contribution plan (DC Plan) that was effective as of July 1, 2011. Police officers and firefighters hired on or after February 1, 2016 are provided with pensions through the Oregon Public Employment Retirement Systems (OPERS). Footnote 10 describes the DC Plan and footnotes 11 and 12 describe the OPERS.

The Plan was established by the 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, only 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 eligible to participate in the Plan after six months of employment. As of July 1, 2012, full-time non-certified members of the FGPA hired on or after July 1, 2012 are not eligible to participate in the Plan. Full-time police officers and firefighters hired on or after February 1, 2016, are also not eligible to participate in the Plan.

Employees are divided into two groups: Public Safety Members (consisting of firefighters and police officers) and General Members.

As of July 1, 2016, plan membership consisted of 93 retirees and beneficiaries, 27 vested terminated participants, 4 nonvested terminated participants, and 110 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)

#### 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, 2017 were \$2,702,962.

#### 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, 2017, the City reported a net pension liability of \$27,642,676. 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	\$ 63,076,881
Plan fiduciary net position	<u>35,434,205</u>
Net pension liability	<u>\$ 27,642,676</u>
Fiduciary net position as a percentage of total pension liability	56.18%

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

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

Changes in the net pension liability is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning balances	\$ 57,742,433	\$ 34,146,282	\$ 23,596,151
Changes for the year:			
Service cost	1,329,863	-	1,329,863
Interest on total pension liability	3,927,162	-	3,927,162
Effect of economic/demographic losses	32,324	-	32,324
Effect of assumption changes or inputs	1,829,323	-	1,829,323
Benefit payments	(1,784,224)	(1,784,224)	-
Administrative expenses	-	(169,893)	169,893
Net investment income	-	1,140,618	(1,140,618)
Employer contributions	-	2,101,422	(2,101,422)
Ending balances	<u>\$ 63,076,881</u>	<u>\$ 35,434,205</u>	<u>\$ 27,642,676</u>

For the year ended June 30, 2017, the City recognized pension expense of \$3,226,879. At June 30, 2017, 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	\$ 125,656	\$ 126,905
Changes of assumptions or inputs	6,321,253	--
Net difference between projected and actual earnings on pension plan investments	1,861,198	--
City's contributions subsequent to the measurement date	<u>2,702,962</u>	<u>--</u>
	<u>\$ 11,011,069</u>	<u>\$ 126,905</u>

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

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

City contributions subsequent to the measurement date in the amount of \$2,702,962 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$ 2,824,792
2018	2,757,628
2019	2,319,531
2020	279,251

**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, 2016.
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 Sex-distinct, generational per Scale BB, with collar adjustments and setbacks Participants with disabilities: 70% of RP-2000 Disabled for males and 95% for females, sex distinct, generational per Scale BB

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 9. Defined benefit pension plan (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)

#### 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:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Net pension liability	\$ 37,103,676	\$ 27,642,676	\$ 19,931,718

### 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 hired on or after July 1, 2012
- All part-time non-represented and AFSCME employees, who are regularly scheduled to work at least twenty (20) hours per week as of July 1, 2014
- All part-time non-certified members of the Forest Grove Police Association as of July 1, 2016

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 percent of an employee's base salary to DC Plan plus an additional 2 percent to DC Plan if the individual employee contributes at least 2 percent 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 percent vested to the employee.

Contributions to the plan for the years ended June 30, 2017 were \$200,920.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan - PERS

#### A. Plan description

Police officers and firefighters hired on or after February 1, 2016 are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan.

OPERS produces an independently audited comprehensive annual financial report which includes detailed information about the pension plan's fiduciary net position. The report can be found at:  
[www.oregon.gov/pers/Pages/section/financial\\_reports/financials.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx)

#### B. Description of benefit terms

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

#### Tier One/Tier Two retirement benefit (Chapter 238)

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

#### *Pension benefits*

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Death benefits*

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in a OPERS-covered job, or
- the member was on an official leave of absence from an OPERS-covered job at the time of death.

#### *Disability benefits*

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

#### *Benefit changes after retirement*

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

#### Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

#### *Pension benefits*

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Death benefits*

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

#### *Disability benefits*

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

#### *Benefit changes after retirement*

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

#### C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation.

Tier One/Tier Two employer contribution rates are 21.9 percent and the OPSRP employer contribution rates are 14.64 percent for public safety employees. Employer contributions for the year ended June 30, 2017 were \$51,249.

#### D. Actuarial valuations – Tier One/Tier Two

The December 31, 2013 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

#### *Actuarial cost method*

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Unfunded actuarial accrued liability amortization*

The Tier One/Tier Two UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

#### *Retiree healthcare unfunded actuarial accrued liability amortization*

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

#### *Asset valuation method*

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

#### *Contribution rate stabilization method*

Contribution rates for a rate pool (e.g. Tier One/Tier Two SLGRP, Tier One/Tier Two School Districts, OPSRP) are confined to a collared range based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60 percent or increases above 140 percent, the size of the collar doubles. If the funded percentage excluding side accounts is between 60 percent and 70 percent or between 130 percent and 140 percent, the size of the rate collar is increased on a graded scale.

#### *Allocation of liability for service segments*

For active Tier One/Tier Two members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30 percent based on account balance with each employer and 70 percent based on service with each employer. The entire normal cost is allocated to the current employer.

#### *Allocation of benefits-in-force reserve*

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Economic assumptions*

Investment return	7.75% compounded annually
Pre-2014 interest crediting	8.00% compounded annually on regular account balances 8.25% compounded annually on variable account balances
Post 2013 interest crediting	7.75% compounded annually
Inflation	2.75% compounded annually
Payroll growth	3.75% compounded annually
Healthcare cost trends	Ranges from 6.1% in 2014 to 4.7% in 2083

#### *Demographic assumptions*

##### Mortality tables

Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

#### *Retirement assumptions*

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

#### *Salary increase assumptions*

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay adjustments.

#### E. Actuarial valuations – OPSRP

The December 31, 2013 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

##### *OPSRP unfunded actuarial accrued liability amortization*

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Economic assumptions*

An additional amount for administrative expenses is added to the normal cost.

#### *Retirement assumptions*

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

- F. Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

#### *Net pension liability*

At June 30, 2017, the City reported a liability of \$11,512 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The League's proportion of the net pension liability was based on a projection of the League's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components: Normal Cost Rate: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier One/Tier Two payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

UAL Rate: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

The UAL has Tier One/Tier Two and OPSRP pieces. The Tier One/Tier Two piece is based on the employer's Tier One/Tier Two pooling arrangement. If an employer participates in one of the two large Tier One/Tier Two rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier One/Tier Two UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier One/Tier Two pooling arrangement, who are referred to as "Independent Employers", have their Tier One/Tier Two UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2016, the City's proportion was .00007668 percent, which was a decrease of .00002349 percent from its proportion measured as of June 30, 2015.

#### *Pension expense*

For the year ended June 30, 2017, the City recognized pension expense (revenue) of \$(45,399).

#### *Deferred inflows of resources and deferred outflows of resources*

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

- Difference between expected and actual experience
- Changes in assumptions
- Changes in employer proportion since the prior measurement date
- Differences between projected and actual earnings

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

**11. Defined benefit pension plan – PERS (continued)**

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 381	\$ --
Changes of assumptions	2,455	--
Net difference between projected and actual earnings on pension plan investments	2,274	--
Changes in proportionate share	18	1,265
Difference between contributions and proportionate share of system contributions	2,930	1,132
Contributions subsequent to the measurement date	<u>51,249</u>	<u>--</u>
Total	<u>\$ 59,307</u>	<u>\$ 2,397</u>

\$51,249 reported as deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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,	
2018	\$ 943
2019	943
2020	1,847
2021	1,631
2022	<u>298</u>
Total	<u>\$ 5,661</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

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

The total pension liability measured as of June 30, 2016 was based on an actuarial valuation as of December 31, 2014 using the following methods and assumptions:

Experience study report	2014, published September 2015
Inflation rate	2.5 percent
Long-term expected rate of return	7.5 percent
Discount rate	7.5 percent
Projected salary increases	3.5 percent
	Cost of living adjustments (COLA) blend of 2.00 percent COLA and graded COLA (1.25 percent/.015) in accordance with <i>Moro</i> decision; blend based on service
Mortality	<b><i>Healthy retirees and beneficiaries:</i></b> RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. <b><i>Active members:</i></b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. <b><i>Disabled retirees:</i></b> Mortality rates are a percentage (70 percent for males, 95 percent for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table.

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. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

#### *Discount rate*

The discount rate used to measure the total pension liability was 7.5 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 was applied to all periods of projected benefit payments to determine the total pension liability.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 11. Defined benefit pension plan – PERS (continued)

#### *Long-term expected rate of return*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuary's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

#### *Depletion date projection*

GASB 68 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 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) 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.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

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

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

**11. Defined benefit pension plan – PERS (continued)**

H. Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	\$ 18,587	\$ 11,512	\$ 5,597

**12. Defined contribution plan - PERS**

A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

B. Pension benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

C. Death benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member’s account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2017 were \$23,415.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 12. Defined contribution plan – PERS (contribution)

#### E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

### 13. 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 health 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.

#### Membership

The City's membership in the plan at July 1, 2016 (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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Annual OPEB cost and net OPEB Obligation

The actuarial valuation performed as of July 1, 2016 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$ 118,987
Amortization of UAAL	<u>200,257</u>
Annual required contribution	<u>\$ 319,244</u>

The net OPEB obligation as of June 30, 2017 was calculated as follows:

Annual required contribution	\$ 319,244
Interest on prior year Net OPEB	52,032
Adjustment to ARC	(178,755)
Implicit benefit payments	<u>(69,377)</u>
Increase in net OPEB obligation	123,144
Net OPEB obligation at beginning of year	<u>1,486,635</u>
Net OPEB obligation at end of year	<u>\$1,609,779</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 13. 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, 2017, 2016 and 2015 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, 2017	\$ 192,521	36%	\$ 1,609,779
June 30, 2016	281,890	35%	1,486,635
June 30, 2015	290,708	32%	1,303,099

#### 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 July 1, 2016 actuarial valuation, the entry age normal cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a payroll growth of 3.5 percent per year, annual premium rate increases from 5 percent to 7.5 percent, and participation rate of 55 percent of future retirees 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)

### 13. 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.

<u>Actuarial Valuation as of</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Actuarial Accrued Liability as a Percent of Covered Payroll</u>
July 1, 2016	\$ --	\$ 1,665,465	\$ 1,665,465	0%	\$ 8,548,461	19%
August 1, 2014	--	1,889,547	1,889,547	0%	8,618,932	22%
August 1, 2012	--	1,768,430	1,768,430	0%	8,788,081	20%
August 1, 2010	--	1,809,723	1,809,723	0%	9,007,213	20%
August 1, 2008	--	1,685,541	1,685,541	0%	7,652,811	22%
August 1, 2006	--	1,452,217	1,452,217	0%	7,263,639	20%

### 14. Joint ventures and intergovernmental agreements

#### A. Joint Water Commission

The City is a party to the Joint Water Commission (the Commission) with the City of Hillsboro, City of Beaverton, and the Tualatin Valley Water District. The Commission is an entity organized under ORS 190. The City owns a 13.3 percent interest in the Joint Water Commission. The City's investment in the Commission at June 30, 2017 is \$5,709,118. 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 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)**

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

#### **B. Barney Reservoir Joint Ownership Commission**

The City is a party to the Barney Reservoir Joint Ownership Commission (the Reservoir Commission) with the City of Hillsboro, City of Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District. The Reservoir Commission is 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, 2017 is \$604,110. 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. Clean Water Services of Washington County**

The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1 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, 2017 was \$5,159,286. The amount due to and payable to CWS at June 30, 2017 is \$220,866.

### **15. 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, 2017, employees of the City had accumulated 9,666 days of sick leave.

### **16. 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)

### 17. Segment information

The City has borrowed from Capital One Public Financing, LLC 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, 2017 is as follows:

<b>Condensed statement of net position</b>	Sewer	Water
<u>Assets</u>		
Current assets	\$ 4,709,666	\$ 12,593,776
Investment in joint venture	-	6,313,228
Capital assets, net	8,738,782	10,762,048
Total assets	13,448,448	29,669,052
<u>Deferred outflows of resources</u>		
	223,709	594,196
<u>Liabilities</u>		
Current liabilities	840,562	305,871
Noncurrent liabilities	698,754	4,658,320
Total liabilities	1,539,316	4,964,191
<u>Deferred inflows of resources</u>		
	2,578	6,516
<u>Net position</u>		
Net investment in capital assets	8,622,887	7,779,275
Restricted	735,838	4,931,815
Unrestricted	2,771,538	12,581,451
Total net position	\$ 12,130,263	\$ 25,292,541
 <b>Condensed statement of revenues, expenses and changes in net position</b>		
Operating revenue	\$ 1,414,509	\$ 4,406,583
Depreciation and amortization expense	268,137	429,161
Other operating expenses	1,942,914	3,788,235
Operating income (loss)	(796,542)	189,187
Non operating revenues (expenses)	269,264	1,164,298
Income (loss) before capital contributions and transfers	(527,278)	1,353,485
Capital contributions	1,109,224	610,600
Transfers	(81,094)	(283,086)
Change in net position	500,852	1,680,999
Net position - beginning	11,629,411	23,611,542
Net position - ending	\$ 12,130,263	\$ 25,292,541
 <b>Condensed statement of cash flows</b>		
Net cash provided by (used in):		
Operating activities	\$ (66,224)	\$ 755,869
Non-capital financing activities	(81,094)	(283,086)
Capital and related financing	535,102	801,897
Investing activities	31,247	115,198
Net increase (decrease) in cash	419,031	1,389,878
Cash and cash equivalents - beginning of year	3,439,700	10,443,630
Cash and cash equivalents - end of year	\$ 3,858,731	\$ 11,833,508

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

**18. Interfund transfers and advances**

<u>Fund</u>	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General	\$ 1,202,666	\$ 14,389
Street	-	17,500
Nonmajor governmental	167,000	302,540
Light	-	933,221
Sewer	-	81,094
Sewer - non-cash	531,036	-
Water	-	281,686
Water - non-cash	330,187	-
Surface water management	-	61,500
Nonmajor enterprise funds	-	1,400
Nonmajor enterprise funds - non-cash	-	861,223
Internal service funds	363,664	40,000
	<u>\$ 2,594,553</u>	<u>\$ 2,594,553</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, 2017, the balance is \$2,062,561.

**19. 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 \$ 9,521,345

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

Park acquisition and development 1,960,770

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

**19. 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	\$ 735,838
Water system improvement and expansion	4,931,815
Surface water management system improvement and expansion	431,933

**20. 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	53,952	-	-	-	-	53,952
<b>Restricted for:</b>						
Building operations	-	-	-	-	1,807,625	1,807,625
Street services	-	1,471,316	-	-	46,954	1,518,270
Community enhancement	-	-	-	-	59,765	59,765
Capital projects	-	-	-	6,373,308	5,108,807	11,482,115
Other purposes	-	-	-	-	10,609	10,609
<b>Committed for:</b>						
Street services	-	-	-	-	31,439	31,439
Capital projects	-	-	-	-	377,313	377,313
<b>Assigned for:</b>						
Facilities	-	-	-	-	964,173	964,173
Capital projects	-	-	-	-	2,501,262	2,501,262
<b>Unassigned</b>	<u>6,871,461</u>	<u>-</u>	<u>(1,971,754)</u>	<u>-</u>	<u>-</u>	<u>4,899,707</u>
Total fund balances	<u>\$6,925,413</u>	<u>\$1,471,316</u>	<u>\$ (1,971,754)</u>	<u>\$ 6,373,308</u>	<u>\$ 10,949,133</u>	<u>\$ 23,747,416</u>

**21. Special item**

During the year, the City sold a building and warehouse which resulted in a loss of \$(173,600) 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 22. Tax abatements

Washington County has established an Enterprise Zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the City received for the year ended June 30, 2017 have been reduced by \$104,000.

### 23. Expenditures in excess of appropriations

Oregon law prohibits expenditures or expenses in excess of appropriations.

Expenditures in excess of appropriations occurred as follows:

<u>Fund/Department</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
General			
Municipal Court	\$ 375,708	\$ 419,642	\$ (43,934)

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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 Years\***

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
<u>Beginning of year</u>			
Total pension liability	\$ 57,742,433	\$ 47,195,326	\$ 42,881,808
Fiduciary net position	<u>34,146,282</u>	<u>34,577,249</u>	<u>29,632,905</u>
Net pension liability	<u>\$ 23,596,151</u>	<u>\$ 12,618,077</u>	<u>\$ 13,248,903</u>
<u>Changes in total pension liability</u>			
Service cost	\$ 1,329,863	\$ 1,171,434	\$ 1,061,458
Interest on total pension liability	3,927,162	3,445,279	3,131,813
Effect of economic/demographic losses	32,324	(224,525)	269,909
Effect of assumption changes or inputs	1,829,323	7,846,254	1,342,042
Benefit payments	<u>(1,784,224)</u>	<u>(1,691,335)</u>	<u>(1,491,704)</u>
Net change in total pension liability	<u>\$ 5,334,448</u>	<u>\$ 10,547,107</u>	<u>\$ 4,313,518</u>
<u>Changes in fiduciary net position</u>			
Employer contributions	\$ 2,101,422	\$ 1,386,509	\$ 1,291,829
Member contributions	-	611,460	603,325
Investment income net of expenses	1,140,618	(674,943)	4,626,488
Benefit payments	(1,784,224)	(1,691,335)	(1,491,704)
Administrative expenses	<u>(169,893)</u>	<u>(62,658)</u>	<u>(85,594)</u>
Net change in fiduciary net position	<u>\$ 1,287,923</u>	<u>\$ (430,967)</u>	<u>\$ 4,944,344</u>
<u>End of year</u>			
Total pension liability	\$ 63,076,881	\$ 57,742,433	\$ 47,195,326
Fiduciary net position	<u>35,434,205</u>	<u>34,146,282</u>	<u>34,577,249</u>
Net pension liability	<u>\$ 27,642,676</u>	<u>\$ 23,596,151</u>	<u>\$ 12,618,077</u>
Fiduciary net position as a percent of total pension liability	56.2%	59.1%	73.3%
Covered payroll	\$ 8,548,461	\$ 8,714,723	\$ 8,618,932
Net pension liability as a percent of covered payroll	323.4%	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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 2,094	\$ 1,987	\$ 1,888	\$ 1,763	\$ 1,731	\$ 1,747	\$ 1,669	\$ 1,361	\$ 1,367	\$ 1,348
Actual employer contribution	2,101	1,998	1,895	1,762	1,731	1,747	1,669	1,496	1,580	1,505
Contribution deficiency (excess)	(7)	(11)	(7)	1	-	-	-	(135)	(213)	(157)
Covered payroll	8,616	8,715	8,619	8,559	8,570	8,607	8,646	7,913	7,637	7,574
Contribution as a percent of covered payroll	24.38%	22.93%	21.99%	20.59%	20.20%	20.30%	19.30%	18.91%	20.69%	19.87%
Valuation date	7/1/2014	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
Assumed investment rate of return	7.25%	7.25%	7.25%	7.25%	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, 2015: Closed 15-year amortization, payments increasing 2.50% per year Effective July 1, 2014: Closed 15-year amortization, payments increasing 2.75% per year Effective July 1, 2011: Closed 30-year amortization, payments increasing 2.75% per year Effective July 1, 2005: Open 25-year amortization, level percent of pay. The amortization period was decreased by one year each year until reaching 20 years, effective July 1, 2010
Asset valuation method	Through July 1, 2016: Market value of assets
Healthy mortality	Effective July 1, 2015: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs 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, 2015: 3.75 percent per year 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 June 30,</u>	<u>Rate of Return</u>
2017	3.28%
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%

**CITY OF FOREST GROVE**  
**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**Last 10 Years Ended June 30, \***

	<u>2017</u>	<u>2016</u>
Proportion of the collective net pension liability (asset)	0.00007668%	0.00010017%
Proportionate share of the collective net pension liability (asset)	\$ 11,512	\$ 5,751
Covered payroll	\$ 363,955	\$ 20,240
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	3%	28%
Pension plan's fiduciary net position as a percentage of the total pension liability	81%	92%

\* Information will be accumulated annually until 10 years is presented

**CITY OF FOREST GROVE  
SCHEDULE OF CONTRIBUTIONS  
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM  
Last 10 Years Ended June 30, \***

	2017	2016
Contractually required contributions	\$ 59,307	\$ 4,302
Contractually required contributions recognized by the pension plan	59,307	4,302
Difference	\$ -	\$ -
Covered payroll	\$ 363,955	\$ 20,240
Contractually required contributions as a percentage of covered payroll	<u>16.30%</u>	<u>21.25%</u>

\* Information will be accumulated annually until 10 years is presented

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**COMBINING FINANCIAL STATEMENTS AND INDIVIDUAL FUND SCHEDULES**

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**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**GENERAL FUNDS**  
**June 30, 2017**

	General	General Debt Service	Special Public Works Debt Service	Total General Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 6,994,937	\$ 1,570	\$ 11,745	\$ 7,008,252
Investments	38,352	-	-	38,352
Receivables, net	591,485	-	89,881	681,366
Prepaid items	53,952	-	-	53,952
<b>TOTAL ASSETS</b>	<b><u>\$ 7,678,726</u></b>	<b><u>\$ 1,570</u></b>	<b><u>\$ 101,626</u></b>	<b><u>\$ 7,781,922</u></b>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued liabilities	\$ 236,416	\$ -	\$ -	\$ 236,416
Payroll related liabilities	181,307	-	-	181,307
<b>TOTAL LIABILITIES</b>	<b><u>417,723</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>417,723</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue	348,905	-	89,881	438,786
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>348,905</u></b>	<b><u>-</u></b>	<b><u>89,881</u></b>	<b><u>438,786</u></b>
<b><u>FUND BALANCES</u></b>				
Nonspendable	53,952	-	-	53,952
Unassigned	6,858,146	1,570	11,745	6,871,461
<b>TOTAL FUND BALANCES</b>	<b><u>6,912,098</u></b>	<b><u>1,570</u></b>	<b><u>11,745</u></b>	<b><u>6,925,413</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 7,678,726</u></b>	<b><u>\$ 1,570</u></b>	<b><u>\$ 101,626</u></b>	<b><u>\$ 7,781,922</u></b>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GENERAL FUNDS  
For the Year Ended June 30, 2017**

	General	General Debt Service	Special Public Works Debt Service	Total Governmental Funds
	<u>General</u>	<u>Service</u>	<u>Service</u>	<u>Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 7,994,171	\$ -	\$ -	\$ 7,994,171
Other taxes	120,176	-	-	120,176
Licenses and permits	158,616	-	-	158,616
Intergovernmental	1,975,598	-	-	1,975,598
Fees and fines	593,575	-	-	593,575
Franchise fees	622,734	-	-	622,734
Interest	116,490	-	3,126	119,616
Grants	114,504	-	-	114,504
Charges for services	4,010,787	-	21,508	4,032,295
Miscellaneous	258,053	-	-	258,053
	<u>15,964,704</u>	<u>-</u>	<u>24,634</u>	<u>15,989,338</u>
<b>TOTAL REVENUES</b>				
	<u>15,964,704</u>	<u>-</u>	<u>24,634</u>	<u>15,989,338</u>
<b>EXPENDITURES</b>				
General government	5,536,629	-	-	5,536,629
Public safety	9,369,294	-	-	9,369,294
Culture and recreation	1,747,236	-	-	1,747,236
Capital outlay	9,191	-	-	9,191
	<u>16,662,350</u>	<u>-</u>	<u>-</u>	<u>16,662,350</u>
<b>TOTAL EXPENDITURES</b>				
	<u>16,662,350</u>	<u>-</u>	<u>-</u>	<u>16,662,350</u>
Excess (deficiency) of revenues over expenditures	<u>(697,646)</u>	<u>-</u>	<u>24,634</u>	<u>(673,012)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,202,666	-	-	1,202,666
Transfers out	-	(1,500)	(12,889)	(14,389)
	<u>1,202,666</u>	<u>(1,500)</u>	<u>(12,889)</u>	<u>1,188,277</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
	<u>1,202,666</u>	<u>(1,500)</u>	<u>(12,889)</u>	<u>1,188,277</u>
Net change in fund balances	505,020	(1,500)	11,745	515,265
Fund balances at beginning of year	6,407,078	3,070	-	6,410,148
	<u>6,407,078</u>	<u>3,070</u>	<u>-</u>	<u>6,410,148</u>
Fund balances at end of year	<u>\$ 6,912,098</u>	<u>\$ 1,570</u>	<u>\$ 11,745</u>	<u>\$ 6,925,413</u>

**CITY OF FOREST GROVE**

**GENERAL DEBT SERVICE - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	\$ (1,500)	\$ (1,500)	\$ -
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Net change in fund balance	(1,500)	(1,500)	-
Fund balance at beginning of year	<u>1,500</u>	<u>3,070</u>	<u>1,570</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,570</u>	<u>\$ 1,570</u>

**CITY OF FOREST GROVE**

**SPECIAL PUBLIC WORKS DEBT SERVICE - GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 10,377	\$ 21,508	\$ 11,131
Interest	<u>2,512</u>	<u>3,126</u>	<u>614</u>
 TOTAL REVENUES	 <u>12,889</u>	 <u>24,634</u>	 <u>11,745</u>
 Excess (deficiency) of revenues over expenditures	 <u>12,889</u>	 <u>24,634</u>	 <u>11,745</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(12,889)</u>	<u>(12,889)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(12,889)</u>	 <u>(12,889)</u>	 <u>-</u>
 Net change in fund balance	 -	 11,745	 11,745
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 11,745</u>	 <u>\$ 11,745</u>

**CITY OF FOREST GROVE**

**TRANSPORTATION DEVELOPMENT TAX - CAPITAL PROJECTS FUND (A MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Other taxes	\$ 730,170	\$ 920,307	\$ 190,137
Interest	<u>17,000</u>	<u>61,002</u>	<u>44,002</u>
 TOTAL REVENUES	 <u>747,170</u>	 <u>981,309</u>	 <u>234,139</u>
 <b>EXPENDITURES</b>			
Capital outlay	<u>5,992,010</u>	<u>15,194</u>	<u>5,976,816</u>
 TOTAL EXPENDITURES	 <u>5,992,010</u>	 <u>15,194</u>	 <u>5,976,816</u>
 Net change in fund balance	 (5,244,840)	 966,115	 6,210,955
Fund balance at beginning of year	<u>5,244,840</u>	<u>5,407,193</u>	<u>162,353</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>\$ 6,373,308</u></u>	 <u><u>\$ 6,373,308</u></u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Special Revenue	Capital Projects	Permanent Library Endowment	Totals
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,990,140	\$ 6,907,772	\$ 42,400	\$ 8,940,312
Investments	10,010	36,572	-	46,582
Receivables, net	137,626	42,287	-	179,913
Due from other funds	-	2,062,561	-	2,062,561
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 2,137,776</u>	<u>\$ 9,049,192</u>	<u>\$ 42,400</u>	<u>\$ 11,229,368</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and accrued liabilities	\$ 208,325	\$ 8,396	\$ -	\$ 216,721
Payroll related liabilities	5,413	-	-	5,413
Deposits	6,683	-	-	6,683
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>220,421</u>	<u>8,396</u>	<u>-</u>	<u>228,817</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Unavailable revenue	9,131	42,287	-	51,418
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>9,131</u>	<u>42,287</u>	<u>-</u>	<u>51,418</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable	-	-	41,186	41,186
Restricted	1,876,785	5,155,761	1,214	7,033,760
Committed	31,439	377,313	-	408,752
Assigned	-	3,465,435	-	3,465,435
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>1,908,224</u>	<u>8,998,509</u>	<u>42,400</u>	<u>10,949,133</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,137,776</u>	<u>\$ 9,049,192</u>	<u>\$ 42,400</u>	<u>\$ 11,229,368</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2017**

	Special Revenue	Capital Projects	Permanent Library Endowment	Totals
<b>REVENUES</b>				
Licenses and permits	\$ 1,057,388	\$ -	\$ -	\$ 1,057,388
Intergovernmental	503,010	507,395	-	1,010,405
System development charges	-	538,091	-	538,091
Interest	14,917	90,638	458	106,013
Grants	30,515	318,683	-	349,198
Charges for services	<u>-</u>	<u>353,167</u>	<u>-</u>	<u>353,167</u>
<b>TOTAL REVENUES</b>	<u>1,605,830</u>	<u>1,807,974</u>	<u>458</u>	<u>3,414,262</u>
<b>EXPENDITURES</b>				
General government	830,810	-	-	830,810
Public safety	9,732	-	-	9,732
Highways and streets	397,727	-	-	397,727
Culture and recreation	29,448	23,336	-	52,784
Capital outlay	<u>-</u>	<u>1,621,146</u>	<u>-</u>	<u>1,621,146</u>
<b>TOTAL EXPENDITURES</b>	<u>1,267,717</u>	<u>1,644,482</u>	<u>-</u>	<u>2,912,199</u>
Excess (deficiency) of revenues over expenditures	<u>338,113</u>	<u>163,492</u>	<u>458</u>	<u>502,063</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	4,346	-	4,346
Transfers in	-	167,000	-	167,000
Transfers out	<u>(46,363)</u>	<u>(256,177)</u>	<u>-</u>	<u>(302,540)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(46,363)</u>	<u>(84,831)</u>	<u>-</u>	<u>(131,194)</u>
Net change in fund balance	291,750	78,661	458	370,869
Fund balance at beginning of year	<u>1,616,474</u>	<u>8,919,848</u>	<u>41,942</u>	<u>10,578,264</u>
Fund balance at end of year	<u>\$ 1,908,224</u>	<u>\$ 8,998,509</u>	<u>\$ 42,400</u>	<u>\$ 10,949,133</u>

**CITY OF FOREST GROVE**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2017**

	Building Permits	Street Tree	Forfeiture Sharing
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,825,796	\$ 31,608	\$ 11,321
Investments	10,010	-	-
Receivables, net	-	-	-
TOTAL ASSETS	<u>\$ 1,835,806</u>	<u>\$ 31,608</u>	<u>\$ 11,321</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	\$ 22,768	\$ 169	\$ -
Payroll related liabilities	5,413	-	-
Deposits	-	-	6,683
TOTAL LIABILITIES	<u>28,181</u>	<u>169</u>	<u>6,683</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>FUND BALANCES</u></b>			
Restricted	1,807,625	-	4,638
Committed	-	31,439	-
TOTAL FUND BALANCES	<u>1,807,625</u>	<u>31,439</u>	<u>4,638</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,835,806</u>	<u>\$ 31,608</u>	<u>\$ 11,321</u>

<u>Community Enhancement</u>	<u>Transportation Services</u>	<u>Public Arts Donation</u>	<u>Assessment</u>	<u>Totals</u>
\$ 72,472	\$ 34,631	\$ 14,312	\$ -	\$ 1,990,140
-	-	-	-	10,010
<u>-</u>	<u>128,495</u>	<u>-</u>	<u>9,131</u>	<u>137,626</u>
<u>\$ 72,472</u>	<u>\$ 163,126</u>	<u>\$ 14,312</u>	<u>\$ 9,131</u>	<u>\$ 2,137,776</u>
\$ 12,707	\$ 163,126	\$ 9,555	\$ -	\$ 208,325
-	-	-	-	5,413
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,683</u>
<u>12,707</u>	<u>163,126</u>	<u>9,555</u>	<u>-</u>	<u>220,421</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,131</u>	<u>9,131</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>9,131</u>	<u>9,131</u>
59,765	-	4,757	-	1,876,785
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,439</u>
<u>59,765</u>	<u>-</u>	<u>4,757</u>	<u>-</u>	<u>1,908,224</u>
<u>\$ 72,472</u>	<u>\$ 163,126</u>	<u>\$ 14,312</u>	<u>\$ 9,131</u>	<u>\$ 2,137,776</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, 2017**

	Building Permits	Street Tree	Forfeiture Sharing
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Licenses and permits	\$ 1,020,086	\$ 37,302	\$ -
Intergovernmental	-	-	-
Interest	14,870	41	-
Grants	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>1,034,956</u>	<u>37,343</u>	<u>-</u>
<b>EXPENDITURES</b>			
General government	726,309	-	-
Public safety	-	-	-
Highways and streets	-	24,680	-
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>726,309</u>	<u>24,680</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>308,647</u>	<u>12,663</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(39,063)</u>	<u>(800)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(39,063)</u>	<u>(800)</u>	<u>-</u>
Net change in fund balance	269,584	11,863	-
Fund balance at beginning of year	<u>1,538,041</u>	<u>19,576</u>	<u>4,638</u>
Fund balance at end of year	<u>\$ 1,807,625</u>	<u>\$ 31,439</u>	<u>\$ 4,638</u>

Community Enhancement	Transportation Services	Public Arts Donation	SAFER Grant	Totals
\$ -	\$ -	\$ -	\$ -	\$ 1,057,388
129,963	373,047	-	-	503,010
-	-	6	-	14,917
-	-	20,783	9,732	30,515
<u>129,963</u>	<u>373,047</u>	<u>20,789</u>	<u>9,732</u>	<u>1,605,830</u>
104,501	-	-	-	830,810
-	-	-	9,732	9,732
-	373,047	-	-	397,727
-	-	29,448	-	29,448
<u>104,501</u>	<u>373,047</u>	<u>29,448</u>	<u>9,732</u>	<u>1,267,717</u>
<u>25,462</u>	<u>-</u>	<u>(8,659)</u>	<u>-</u>	<u>338,113</u>
<u>(6,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,363)</u>
<u>(6,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,363)</u>
18,962	-	(8,659)	-	291,750
<u>40,803</u>	<u>-</u>	<u>13,416</u>	<u>-</u>	<u>1,616,474</u>
<u>\$ 59,765</u>	<u>\$ -</u>	<u>\$ 4,757</u>	<u>\$ -</u>	<u>\$ 1,908,224</u>

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2017**

	Traffic Impact	Park Acquisition and Development	Capital Projects
	<u>          </u>	<u>          </u>	<u>          </u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,130,872	\$ 1,951,977	\$ 442,873
Investments	17,165	10,702	2,315
Receivables, net	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>2,062,561</u>
 TOTAL ASSETS	 <u>\$ 3,148,037</u>	 <u>\$ 1,962,679</u>	 <u>\$ 2,507,749</u>
 <b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ 1,909</u>	<u>\$ 6,487</u>
 TOTAL LIABILITIES	 <u>-</u>	 <u>1,909</u>	 <u>6,487</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unavailable revenue	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b><u>FUND BALANCES</u></b>			
Restricted	3,148,037	1,960,770	-
Committed	-	-	-
Assigned	<u>-</u>	<u>-</u>	<u>2,501,262</u>
 TOTAL FUND BALANCES	 <u>3,148,037</u>	 <u>1,960,770</u>	 <u>2,501,262</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u>\$ 3,148,037</u>	 <u>\$ 1,962,679</u>	 <u>\$ 2,507,749</u>

<u>Fire Equipment Replacement</u>	<u>Bike and Pedestrian Pathways</u>	<u>CIP Excise</u>	<u>Facility Major Maintenance</u>	<u>Totals</u>
\$ 169,479	\$ 46,954	\$ 206,701	\$ 958,916	\$ 6,907,772
-	-	1,133	5,257	36,572
-	-	42,287	-	42,287
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,062,561</u>
<u>\$ 169,479</u>	<u>\$ 46,954</u>	<u>\$ 250,121</u>	<u>\$ 964,173</u>	<u>\$ 9,049,192</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,396</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,396</u>
<u>-</u>	<u>-</u>	<u>42,287</u>	<u>-</u>	<u>42,287</u>
<u>-</u>	<u>-</u>	<u>42,287</u>	<u>-</u>	<u>42,287</u>
-	46,954	-	-	5,155,761
169,479	-	207,834	-	377,313
<u>-</u>	<u>-</u>	<u>-</u>	<u>964,173</u>	<u>3,465,435</u>
<u>169,479</u>	<u>46,954</u>	<u>207,834</u>	<u>964,173</u>	<u>8,998,509</u>
<u>\$ 169,479</u>	<u>\$ 46,954</u>	<u>\$ 250,121</u>	<u>\$ 964,173</u>	<u>\$ 9,049,192</u>

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Year Ended June 30, 2017**

	Traffic Impact	Park Acquisition and Development	Capital Projects
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
System development charges	-	538,091	-
Interest	31,769	14,723	29,851
Grants	-	301,500	17,183
Charges for services	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>31,769</u>	<u>854,314</u>	<u>47,034</u>
<b>EXPENDITURES</b>			
Culture and recreation	-	23,336	-
Capital outlay	<u>18,878</u>	<u>395,592</u>	<u>63,891</u>
<b>TOTAL EXPENDITURES</b>	<u>18,878</u>	<u>418,928</u>	<u>63,891</u>
Excess (deficiency) of revenues over expenditures	<u>12,891</u>	<u>435,386</u>	<u>(16,857)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	12,891	435,386	(16,857)
Fund balance at beginning of year	<u>3,135,146</u>	<u>1,525,384</u>	<u>2,518,119</u>
Fund balance at end of year	<u>\$ 3,148,037</u>	<u>\$ 1,960,770</u>	<u>\$ 2,501,262</u>

Fire Equipment Replacement	Bike and Pedestrian Pathways	CIP Excise	Facility Major Maintenance	Totals
\$ 493,480	\$ 13,915	\$ -	\$ -	\$ 507,395
-	-	-	-	538,091
3,264	-	384	10,647	90,638
-	-	-	-	318,683
-	-	353,167	-	353,167
<u>496,744</u>	<u>13,915</u>	<u>353,551</u>	<u>10,647</u>	<u>1,807,974</u>
-	-	-	-	23,336
<u>986,960</u>	<u>-</u>	<u>53,102</u>	<u>102,723</u>	<u>1,621,146</u>
<u>986,960</u>	<u>-</u>	<u>53,102</u>	<u>102,723</u>	<u>1,644,482</u>
<u>(490,216)</u>	<u>13,915</u>	<u>300,449</u>	<u>(92,076)</u>	<u>163,492</u>
4,346	-	-	-	4,346
167,000	-	-	-	167,000
-	-	(256,177)	-	(256,177)
<u>171,346</u>	<u>-</u>	<u>(256,177)</u>	<u>-</u>	<u>(84,831)</u>
(318,870)	13,915	44,272	(92,076)	78,661
<u>488,349</u>	<u>33,039</u>	<u>163,562</u>	<u>1,056,249</u>	<u>8,919,848</u>
<u>\$ 169,479</u>	<u>\$ 46,954</u>	<u>\$ 207,834</u>	<u>\$ 964,173</u>	<u>\$ 8,998,509</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 560,349	\$ 1,020,086	\$ 459,737
Interest	<u>5,000</u>	<u>14,870</u>	<u>9,870</u>
<b>TOTAL REVENUES</b>	<u>565,349</u>	<u>1,034,956</u>	<u>469,607</u>
<b>EXPENDITURES</b>			
Building permit services	746,109	726,309	19,800
Contingency	<u>250,000</u>	<u>-</u>	<u>250,000</u>
<b>TOTAL EXPENDITURES</b>	<u>996,109</u>	<u>726,309</u>	<u>269,800</u>
Excess (deficiency) of revenues over expenditures	<u>(430,760)</u>	<u>308,647</u>	<u>739,407</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>(39,063)</u>	<u>(39,063)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(39,063)</u>	<u>(39,063)</u>	<u>-</u>
Net change in fund balance	(469,823)	269,584	739,407
Fund balance at beginning of year	<u>1,396,670</u>	<u>1,538,041</u>	<u>141,371</u>
Fund balance at end of year	<u>\$ 926,847</u>	<u>\$ 1,807,625</u>	<u>\$ 880,778</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Licenses and permits	\$ 26,040	\$ 37,302	\$ 11,262
Interest	<u>30</u>	<u>41</u>	<u>11</u>
 TOTAL REVENUES	 <u>26,070</u>	 <u>37,343</u>	 <u>11,273</u>
 <b>EXPENDITURES</b>			
Materials and services	<u>34,314</u>	<u>24,680</u>	<u>9,634</u>
 TOTAL EXPENDITURES	 <u>34,314</u>	 <u>24,680</u>	 <u>9,634</u>
 Excess (deficiency) of revenues over expenditures	 <u>(8,244)</u>	 <u>12,663</u>	 <u>20,907</u>
 <b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(800)</u>	<u>(800)</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(800)</u>	 <u>(800)</u>	 <u>-</u>
 Net change in fund balance	 (9,044)	 11,863	 20,907
Fund balance at beginning of year	<u>9,044</u>	<u>19,576</u>	<u>10,532</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 31,439</u>	 <u>\$ 31,439</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Materials and services	<u>\$ 4,638</u>	<u>\$ -</u>	<u>\$ 4,638</u>
 TOTAL EXPENDITURES	 <u>4,638</u>	 <u>-</u>	 <u>4,638</u>
 Net change in fund balance	 (4,638)	 -	 4,638
Fund balance at beginning of year	<u>4,638</u>	<u>4,638</u>	<u>-</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>\$ 4,638</u></u>	 <u><u>\$ 4,638</u></u>

**CITY OF FOREST GROVE**

**COMMUNITY ENHANCEMENT - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 113,412	\$ 129,963	\$ 16,551
<b>TOTAL REVENUES</b>	<u>113,412</u>	<u>129,963</u>	<u>16,551</u>
<b>EXPENDITURES</b>			
Materials and services	<u>124,484</u>	<u>104,501</u>	<u>19,983</u>
<b>TOTAL EXPENDITURES</b>	<u>124,484</u>	<u>104,501</u>	<u>19,983</u>
Excess (deficiency) of revenues over expenditures	<u>(11,072)</u>	<u>25,462</u>	<u>36,534</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(6,500)</u>	<u>(6,500)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(6,500)</u>	<u>(6,500)</u>	<u>-</u>
Net change in fund balance	(17,572)	18,962	36,534
Fund balance at beginning of year	<u>39,086</u>	<u>40,803</u>	<u>1,717</u>
Fund balance at end of year	<u>\$ 21,514</u>	<u>\$ 59,765</u>	<u>\$ 38,251</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 550,000	\$ 373,047	\$ (176,953)
<b>TOTAL REVENUES</b>	<u>550,000</u>	<u>373,047</u>	<u>(176,953)</u>
<b>EXPENDITURES</b>			
Materials and services	<u>550,000</u>	<u>373,047</u>	<u>176,953</u>
<b>TOTAL EXPENDITURES</b>	<u>550,000</u>	<u>373,047</u>	<u>176,953</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	\$ 20,000	\$ 20,783	\$ 783
Interest	<u>40</u>	<u>6</u>	<u>(34)</u>
<b>TOTAL REVENUES</b>	<u>20,040</u>	<u>20,789</u>	<u>749</u>
<b>EXPENDITURES</b>			
Materials and services	<u>30,260</u>	<u>29,448</u>	<u>812</u>
<b>TOTAL EXPENDITURES</b>	<u>30,260</u>	<u>29,448</u>	<u>812</u>
Net change in fund balance	(10,220)	(8,659)	1,561
Fund balance at beginning of year	<u>10,220</u>	<u>13,416</u>	<u>3,196</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 4,757</u>	<u>\$ 4,757</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Grants	<u>\$ 16,000</u>	<u>\$ 9,732</u>	<u>\$ (6,268)</u>
TOTAL REVENUES	<u>16,000</u>	<u>9,732</u>	<u>(6,268)</u>
<b>EXPENDITURES</b>			
Fire SAFER grant services	<u>16,000</u>	<u>9,732</u>	<u>6,268</u>
TOTAL EXPENDITURES	<u>16,000</u>	<u>9,732</u>	<u>6,268</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**

**TRAFFIC IMPACT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 12,000	\$ 31,769	\$ 19,769
Miscellaneous	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>
<b>TOTAL REVENUES</b>	<u>137,000</u>	<u>31,769</u>	<u>(105,231)</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>3,254,427</u>	<u>18,878</u>	<u>3,235,549</u>
<b>TOTAL EXPENDITURES</b>	<u>3,254,427</u>	<u>18,878</u>	<u>3,235,549</u>
Net change in fund balance	(3,117,427)	12,891	3,130,318
Fund balance at beginning of year	<u>3,117,427</u>	<u>3,135,146</u>	<u>17,719</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,148,037</u>	<u>\$ 3,148,037</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 1,060,000	\$ 538,091	\$ (521,909)
Grants	250,000	301,500	51,500
Interest	<u>6,000</u>	<u>14,723</u>	<u>8,723</u>
 TOTAL REVENUES	 <u>1,316,000</u>	 <u>854,314</u>	 <u>(461,686)</u>
 <b>EXPENDITURES</b>			
Park system construction	<u>2,827,242</u>	<u>418,928</u>	<u>2,408,314</u>
 TOTAL EXPENDITURES	 <u>2,827,242</u>	 <u>418,928</u>	 <u>2,408,314</u>
 Net change in fund balance	 (1,511,242)	 435,386	 1,946,628
Fund balance at beginning of year	<u>1,511,242</u>	<u>1,525,384</u>	<u>14,142</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 1,960,770</u>	 <u>\$ 1,960,770</u>

**CITY OF FOREST GROVE**

**CAPITAL PROJECTS - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 2,950	\$ 29,851	\$ 26,901
Grants	<u>325,000</u>	<u>17,183</u>	<u>(307,817)</u>
<b>TOTAL REVENUES</b>	<u>327,950</u>	<u>47,034</u>	<u>(280,916)</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>772,712</u>	<u>63,891</u>	<u>708,821</u>
<b>TOTAL EXPENDITURES</b>	<u>772,712</u>	<u>63,891</u>	<u>708,821</u>
Excess (deficiency) of revenues over expenditures	<u>(444,762)</u>	<u>(16,857)</u>	<u>427,905</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Advances to other funds	<u>(965,000)</u>	<u>(962,561)</u>	<u>2,439</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(965,000)</u>	<u>(962,561)</u>	<u>2,439</u>
Net change in fund balance	(1,409,762)	(979,418)	430,344
Fund balance at beginning of year	<u>1,409,762</u>	<u>1,418,119</u>	<u>8,357</u>
Fund balance at end of year	<u>\$ -</u>	438,701	<u>\$ 438,701</u>
<b>Reconciliation to generally accepted accounting principles</b>			
Due from other funds		<u>2,062,561</u>	
		<u>\$ 2,501,262</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 475,000	\$ 493,480	\$ 18,480
Interest	<u>-</u>	<u>3,264</u>	<u>3,264</u>
<b>TOTAL REVENUES</b>	<u>475,000</u>	<u>496,744</u>	<u>21,744</u>
<b>EXPENDITURES</b>			
Capital outlay	1,075,100	986,960	88,140
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,175,100</u>	<u>986,960</u>	<u>188,140</u>
Excess (deficiency) of revenues over expenditures	<u>(700,100)</u>	<u>(490,216)</u>	<u>209,884</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	100,000	4,346	(95,654)
Transfers in	<u>167,000</u>	<u>167,000</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>267,000</u>	<u>171,346</u>	<u>(95,654)</u>
Net change in fund balance	(433,100)	(318,870)	114,230
Fund balance at beginning of year	<u>493,429</u>	<u>488,349</u>	<u>(5,080)</u>
Fund balance at end of year	<u>\$ 60,329</u>	<u>\$ 169,479</u>	<u>\$ 109,150</u>

**CITY OF FOREST GROVE**

**BIKE AND PEDESTRIAN PATHWAYS - CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Intergovernmental	\$ 13,000	\$ 13,915	\$ 915
Interest	<u>60</u>	<u>-</u>	<u>(60)</u>
<b>TOTAL REVENUES</b>	<u>13,060</u>	<u>13,915</u>	<u>855</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>47,344</u>	<u>-</u>	<u>47,344</u>
<b>TOTAL EXPENDITURES</b>	<u>47,344</u>	<u>-</u>	<u>47,344</u>
Net change in fund balance	(34,284)	13,915	48,199
Fund balance at beginning of year	<u>34,284</u>	<u>33,039</u>	<u>(1,245)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 46,954</u>	<u>\$ 46,954</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	\$ 300	\$ 384	\$ 84
Charges for services	<u>338,000</u>	<u>353,167</u>	<u>15,167</u>
<b>TOTAL REVENUES</b>	<u>338,300</u>	<u>353,551</u>	<u>15,251</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>208,755</u>	<u>53,102</u>	<u>155,653</u>
<b>TOTAL EXPENDITURES</b>	<u>208,755</u>	<u>53,102</u>	<u>155,653</u>
Excess of revenues over expenditures	<u>129,545</u>	<u>300,449</u>	<u>170,904</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(256,177)</u>	<u>(256,177)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(256,177)</u>	<u>(256,177)</u>	<u>-</u>
Net change in fund balance	(126,632)	44,272	170,904
Fund balance at beginning of year	<u>126,632</u>	<u>163,562</u>	<u>36,930</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 207,834</u>	<u>\$ 207,834</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Interest	<u>\$ 4,500</u>	<u>\$ 10,647</u>	<u>\$ 6,147</u>
TOTAL REVENUES	<u>4,500</u>	<u>10,647</u>	<u>6,147</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>500,000</u>	<u>102,723</u>	<u>397,277</u>
TOTAL EXPENDITURES	<u>500,000</u>	<u>102,723</u>	<u>397,277</u>
Net change in fund balance	(495,500)	(92,076)	403,424
Fund balance at beginning of year	<u>1,108,142</u>	<u>1,056,249</u>	<u>(51,893)</u>
Fund balance at end of year	<u>\$ 612,642</u>	<u>\$ 964,173</u>	<u>\$ 351,531</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, 2017**

	Budget	Actual	Variance
<b>REVENUES</b>			
Interest	\$ 225	\$ 458	\$ 233
<b>TOTAL REVENUES</b>	225	458	233
<b>EXPENDITURES</b>			
Materials and services	961	-	961
<b>TOTAL EXPENDITURES</b>	961	-	961
Net change in fund balance	(736)	458	1,194
Fund balance at beginning of year	41,923	41,942	19
Fund balance at end of year	\$ 41,187	\$ 42,400	\$ 1,213

**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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 16,018,226	\$ 17,562,155	\$ 1,543,929
Conservation incentive	283,678	241,280	(42,398)
Licenses and permits	30,000	107,691	77,691
Sale of materials	16,500	14,485	(2,015)
Interest	<u>-</u>	<u>42,895</u>	<u>42,895</u>
<b>TOTAL REVENUES</b>	<u>16,348,404</u>	<u>17,968,506</u>	<u>1,620,102</u>
<b>EXPENDITURES</b>			
Electric services	17,580,136	16,728,631	851,505
Debt service	398,778	305,888	92,890
Contingency	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
<b>TOTAL EXPENDITURES</b>	<u>18,978,914</u>	<u>17,034,519</u>	<u>1,944,395</u>
Excess (deficiency) of revenues over expenditures	<u>(2,630,510)</u>	<u>933,987</u>	<u>3,564,497</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of capital assets	3,000	15,373	12,373
Transfers out	<u>(946,345)</u>	<u>(933,221)</u>	<u>13,124</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(943,345)</u>	<u>(917,848)</u>	<u>25,497</u>
Net change in fund balance	(3,573,855)	16,139	3,589,994
Fund balance at beginning of year	<u>5,459,607</u>	<u>6,281,397</u>	<u>821,790</u>
Fund balance at end of year	<u>\$ 1,885,752</u>	6,297,536	<u>\$ 4,411,784</u>

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

Inventory	612,010
Capital assets, net	20,730,656
Deferred outflows of resources	2,073,198
Accrued interest payable	(22,187)
Compensated absences payable	(151,568)
Net other post-employment benefits	(277,931)
Net pension liability	(5,204,648)
Long-term obligations	(3,609,000)
Deferred inflows of resources	<u>(23,894)</u>
Net position - ending	<u>\$ 20,424,172</u>

**CITY OF FOREST GROVE**

**SEWER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 5,202,000	\$ 5,396,624	\$ 194,624
Interest	10,000	25,126	15,126
<b>TOTAL REVENUES</b>	<b>5,212,000</b>	<b>5,421,750</b>	<b>209,750</b>
<b>EXPENDITURES</b>			
Sewer services	5,308,601	5,022,756	285,845
Debt service	-	45,401	(45,401)
Contingency	703,760	-	703,760
<b>TOTAL EXPENDITURES</b>	<b>6,012,361</b>	<b>5,068,157</b>	<b>944,204</b>
Excess (deficiency) of revenues over expenditures	(800,361)	353,593	1,153,954
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(81,094)	(81,094)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(81,094)</b>	<b>(81,094)</b>	<b>-</b>
Net change in fund balance	(881,455)	272,499	1,153,954
Fund balance at beginning of year	2,722,091	2,853,170	131,079
Fund balance at end of year	<b>\$ 1,840,636</b>	<b>3,125,669</b>	<b>\$ 1,285,033</b>

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

Inventory	7,597
Capital assets, net	8,738,782
Deferred outflows of resources	223,709
Net other post-employment benefits	(21,249)
Net pension liability	(561,610)
Long-term obligations	(115,895)
Deferred inflows of resources	(2,578)
Net position-ending	<b>\$ 11,394,425</b>

**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, 2017**

	Budget	Actual	Variance
<b>REVENUES</b>			
Licenses and permits	\$ 5,000	\$ 5,365	\$ 365
Charges for services	4,079,000	4,401,218	322,218
Sales of materials	940,000	1,074,159	134,159
Rents	48,862	36,050	(12,812)
Interest	18,000	66,388	48,388
<b>TOTAL REVENUES</b>	<b>5,090,862</b>	<b>5,583,180</b>	<b>492,318</b>
<b>EXPENDITURES</b>			
Water services	4,551,193	3,830,493	720,700
Debt service	435,132	435,132	-
Contingency	1,138,014	-	1,138,014
<b>TOTAL EXPENDITURES</b>	<b>6,124,339</b>	<b>4,265,625</b>	<b>1,858,714</b>
Excess (deficiency) of revenues over expenditures	(1,033,477)	1,317,555	2,351,032
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(281,686)	(281,686)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(281,686)</b>	<b>(281,686)</b>	<b>-</b>
Net change in fund balance	(1,315,163)	1,035,869	2,351,032
Fund balance at beginning of year	5,777,217	6,168,921	391,704
Fund balance at end of year	\$ 4,462,054	7,204,790	\$ 2,742,736

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

Inventory	164,607
Investment in joint ventures	6,313,228
Capital assets, net	10,762,048
Deferred outflows of resources	594,196
Accrued interest payable	(13,307)
Bond premium, net	(15,772)
Net other post-employment benefits	(82,841)
Net pension liability	(1,419,326)
Long-term obligations	(3,140,381)
Deferred inflows of resources	(6,516)
Net position - ending	\$ 20,360,726

**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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 1,400,000	\$ 1,334,847	\$ (65,153)
Interest	<u>500</u>	<u>857</u>	<u>357</u>
<b>TOTAL REVENUES</b>	<u>1,400,500</u>	<u>1,335,704</u>	<u>(64,796)</u>
<b>EXPENDITURES</b>			
SWM services	1,222,232	1,123,925	98,307
Contingency	<u>60,000</u>	<u>-</u>	<u>60,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,282,232</u>	<u>1,123,925</u>	<u>158,307</u>
Excess (deficiency) of revenues over expenditures	<u>118,268</u>	<u>211,779</u>	<u>93,511</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(61,500)</u>	<u>(61,500)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(61,500)</u>	<u>(61,500)</u>	<u>-</u>
Net change in fund balance	56,768	150,279	93,511
Fund balance at beginning of year	<u>549,702</u>	<u>551,765</u>	<u>2,063</u>
Fund balance at end of year	<u>\$ 606,470</u>	702,044	<u>\$ 95,574</u>

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

Capital assets, net	6,392,855
Deferred outflows of resources	220,846
Net other post-employment benefits	(31,201)
Net pension liability	(554,423)
Deferred inflows of resources	<u>(2,545)</u>
Net position - ending	<u>\$ 6,727,576</u>

**CITY OF FOREST GROVE**

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

**June 30, 2017**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
	<u>Charges</u>	<u>Charges</u>	<u>Charges</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 821,877	\$ 4,904,923	\$ 430,672	\$ 6,157,472
Investments	4,506	26,892	2,361	33,759
Receivables, net	<u>240,000</u>	<u>-</u>	<u>-</u>	<u>240,000</u>
<b>TOTAL ASSETS</b>	<u>1,066,383</u>	<u>4,931,815</u>	<u>433,033</u>	<u>6,431,231</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	<u>330,545</u>	<u>-</u>	<u>1,100</u>	<u>331,645</u>
<b>TOTAL LIABILITIES</b>	<u>330,545</u>	<u>-</u>	<u>1,100</u>	<u>331,645</u>
<b>NET POSITION</b>				
Restricted for capital projects	<u>\$ 735,838</u>	<u>\$ 4,931,815</u>	<u>\$ 431,933</u>	<u>\$ 6,099,586</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2017**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
<b>OPERATING EXPENSES</b>				
System operation and maintenance	\$ 768,052	\$ -	\$ 6,574	\$ 774,626
General and administrative costs	<u>-</u>	<u>-</u>	<u>71,087</u>	<u>71,087</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>768,052</u>	<u>-</u>	<u>77,661</u>	<u>845,713</u>
Operating (loss)	<u>(768,052)</u>	<u>-</u>	<u>(77,661)</u>	<u>(845,713)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest earned	6,121	48,810	4,369	59,300
Grants	240,065	-	-	240,065
Miscellaneous	2,250	-	-	2,250
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>248,436</u>	<u>48,810</u>	<u>4,369</u>	<u>301,615</u>
Income (loss) before capital contributions and transfers	(519,616)	48,810	(73,292)	(544,098)
Capital contributions	1,109,224	610,600	57,215	1,777,039
Transfers out	<u>(531,036)</u>	<u>(331,587)</u>	<u>-</u>	<u>(862,623)</u>
Change in net position	58,572	327,823	(16,077)	370,318
Net position at beginning of year	<u>677,266</u>	<u>4,603,992</u>	<u>448,010</u>	<u>5,729,268</u>
Net position at end of year	<u>\$ 735,838</u>	<u>\$ 4,931,815</u>	<u>\$ 431,933</u>	<u>\$ 6,099,586</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2017**

	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	\$ (454,320)	\$ -	\$ (76,561)	\$ (530,881)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers out	-	(1,400)	-	(1,400)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital contributions	1,109,224	610,600	57,215	1,777,039
Grants	65	-	-	65
Other	2,250	-	-	2,250
Acquisition of capital assets	(409,041)	(330,187)	-	(739,228)
Principal paid on long-term obligations	(113,535)	-	-	(113,535)
Interest paid on long-term obligations	(8,460)	-	-	(8,460)
Net cash provided by capital and related financing activities	<u>580,503</u>	<u>280,413</u>	<u>57,215</u>	<u>918,131</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest	<u>6,121</u>	<u>48,810</u>	<u>4,369</u>	<u>59,300</u>
Net increase (decrease) in cash and cash equivalents	132,304	327,823	(14,977)	445,150
Cash and cash equivalents at beginning of year	<u>689,573</u>	<u>4,577,100</u>	<u>445,649</u>	<u>5,712,322</u>
Cash and cash equivalent at end of year	<u>\$ 821,877</u>	<u>\$ 4,904,923</u>	<u>\$ 430,672</u>	<u>\$ 6,157,472</u>
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>				
Operating (loss)	\$ (768,052)	\$ -	\$ (77,661)	\$ (845,713)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
(Decrease) in liabilities				
Accounts payable	<u>313,732</u>	<u>-</u>	<u>1,100</u>	<u>314,832</u>
Net cash (used in) operating activities	<u>\$ (454,320)</u>	<u>\$ -</u>	<u>\$ (76,561)</u>	<u>\$ (530,881)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>				
Transfers out	<u>\$ (531,036)</u>	<u>\$ -</u>	<u>\$ (330,187)</u>	<u>\$ (861,223)</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Fees and fines	\$ -	\$ 2,250	\$ 2,250
System development charges	486,000	1,109,224	623,224
Interest	3,000	6,121	3,121
Grants	<u>240,000</u>	<u>240,065</u>	<u>65</u>
 TOTAL REVENUES	 <u>729,000</u>	 <u>1,357,660</u>	 <u>628,660</u>
 <b>EXPENDITURES</b>			
Sewer infrastructure construction	903,800	1,177,093	(273,293)
Debt service	121,995	121,995	-
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
 TOTAL EXPENDITURES	 <u>1,125,795</u>	 <u>1,299,088</u>	 <u>(173,293)</u>
 Net change in fund balance	 (396,795)	 58,572	 455,367
Fund balance at beginning of year	<u>463,179</u>	<u>677,266</u>	<u>214,087</u>
 Fund balance at end of year	 <u>\$ 66,384</u>	 <u>\$ 735,838</u>	 <u>\$ 669,454</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 493,020	\$ 610,600	\$ 117,580
Interest	<u>17,000</u>	<u>48,810</u>	<u>31,810</u>
<b>TOTAL REVENUES</b>	<u>510,020</u>	<u>659,410</u>	<u>149,390</u>
<b>EXPENDITURES</b>			
Water infrastructure construction	945,000	330,187	614,813
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>TOTAL EXPENDITURES</b>	<u>1,045,000</u>	<u>330,187</u>	<u>714,813</u>
Excess (deficiency) of revenues over expenditures	<u>(534,980)</u>	<u>329,223</u>	<u>864,203</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers out	<u>(1,400)</u>	<u>(1,400)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,400)</u>	<u>(1,400)</u>	<u>-</u>
Net change in fund balance	(536,380)	327,823	864,203
Fund balance at beginning of year	<u>4,471,256</u>	<u>4,603,992</u>	<u>132,736</u>
Fund balance at end of year	<u>\$ 3,934,876</u>	<u>\$ 4,931,815</u>	<u>\$ 996,939</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
System development charges	\$ 24,750	\$ 57,215	\$ 32,465
Interest	<u>1,900</u>	<u>4,369</u>	<u>2,469</u>
 TOTAL REVENUES	 <u>26,650</u>	 <u>61,584</u>	 <u>34,934</u>
 <b>EXPENDITURES</b>			
SWC infrastructure construction	200,000	77,661	122,339
Contingency	<u>279,118</u>	<u>-</u>	<u>279,118</u>
 TOTAL EXPENDITURES	 <u>479,118</u>	 <u>77,661</u>	 <u>401,457</u>
 Net change in fund balance	 (452,468)	 (16,077)	 436,391
Fund balance at beginning of year	<u>452,468</u>	<u>448,010</u>	<u>(4,458)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 431,933</u>	 <u>\$ 431,933</u>

**CITY OF FOREST GROVE**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2017**

	Information Systems	Equipment	Risk Management	Totals
<b><u>ASSETS</u></b>				
Current assets				
Cash and cash equivalents	\$ 752,588	\$ 1,259,976	\$ 211,514	\$ 2,224,078
Investments	4,126	6,908	1,160	12,194
Prepays	-	-	179,854	179,854
Total current assets	756,714	1,266,884	392,528	2,416,126
Capital assets				
Other capital assets, net	-	2,039,804	-	2,039,804
<b>TOTAL ASSETS</b>	<b>756,714</b>	<b>3,306,688</b>	<b>392,528</b>	<b>4,455,930</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Pension related items	-	119,454	-	119,454
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>119,454</b>	<b>-</b>	<b>119,454</b>
<b><u>LIABILITIES</u></b>				
Current liabilities				
Accounts payable	7,641	12,022	8,961	28,624
Accrued payroll liabilities	-	2,695	-	2,695
Current portion of long-term obligations	-	5,566	-	5,566
Total current liabilities	7,641	20,283	8,961	36,885
Long-term obligations				
Net pension liability	-	299,883	-	299,883
Total long-term obligations	-	299,883	-	299,883
<b>TOTAL LIABILITIES</b>	<b>7,641</b>	<b>320,166</b>	<b>8,961</b>	<b>336,768</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension related items	-	1,377	-	1,377
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>1,377</b>	<b>-</b>	<b>1,377</b>
<b><u>NET POSITION</u></b>				
Investment in capital assets	-	2,039,804	-	2,039,804
Unrestricted	749,073	1,064,795	383,567	2,197,435
<b>TOTAL NET POSITION</b>	<b>\$ 749,073</b>	<b>\$ 3,104,599</b>	<b>\$ 383,567</b>	<b>\$ 4,237,239</b>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2017**

	Information Systems	Equipment	City Utility	Risk Management	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 328,685	\$ 906,384	\$ -	\$ 496,069	\$ 1,731,138
Total operating revenues	<u>328,685</u>	<u>906,384</u>	<u>-</u>	<u>496,069</u>	<u>1,731,138</u>
<b>OPERATING EXPENSES</b>					
Systems operation and maintenance	224,646	581,485	204,487	634,983	1,645,601
Depreciation	<u>-</u>	<u>283,070</u>	<u>-</u>	<u>-</u>	<u>283,070</u>
Total operating expenses	<u>224,646</u>	<u>864,555</u>	<u>204,487</u>	<u>634,983</u>	<u>1,928,671</u>
Operating income (loss)	<u>104,039</u>	<u>41,829</u>	<u>(204,487)</u>	<u>(138,914)</u>	<u>(197,533)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest earned	3,508	9,490	-	4,762	17,760
Miscellaneous	8,501	30,346	-	75,461	114,308
Gain on sale of capital assets	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>12,009</u>	<u>42,836</u>	<u>-</u>	<u>80,223</u>	<u>135,068</u>
Income (loss) before transfers	116,048	84,665	(204,487)	(58,691)	(62,465)
Transfers in	-	159,177	204,487	-	363,664
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Change in net position	116,048	243,842	-	(98,691)	261,199
Net position at beginning of year	<u>633,025</u>	<u>2,860,757</u>	<u>-</u>	<u>482,258</u>	<u>3,976,040</u>
Net position at end of year	<u>\$ 749,073</u>	<u>\$ 3,104,599</u>	<u>\$ -</u>	<u>\$ 383,567</u>	<u>\$ 4,237,239</u>

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2017**

	Information Systems	Equipment	City Utility	Risk Management	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from interfund services provided	\$ 328,685	\$ 906,384	\$ -	\$ 496,069	\$ 1,731,138
Cash paid to employees	-	(228,828)	-	-	(228,828)
Cash paid to suppliers	<u>(227,649)</u>	<u>(634,996)</u>	<u>(204,487)</u>	<u>(808,388)</u>	<u>(1,875,520)</u>
Net cash provided by (used in) operating activities	<u>101,036</u>	<u>42,560</u>	<u>(204,487)</u>	<u>(312,319)</u>	<u>(373,210)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
Transfers in	-	-	204,487	-	204,487
Transfers out	-	-	-	<u>(40,000)</u>	<u>(40,000)</u>
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>-</u>	<u>204,487</u>	<u>(40,000)</u>	<u>164,487</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Transfers in	-	159,177	-	-	159,177
Sale of capital assets	-	11,021	-	-	11,021
Other	8,501	30,346	-	75,461	114,308
Acquisition of capital assets	-	<u>(234,060)</u>	-	-	<u>(234,060)</u>
Net cash provided by (used in) capital and related financing activities	<u>8,501</u>	<u>(33,516)</u>	<u>-</u>	<u>75,461</u>	<u>50,446</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	<u>3,508</u>	<u>9,490</u>	<u>-</u>	<u>4,762</u>	<u>17,760</u>
Net increase (decrease) in cash and cash equivalents	113,045	18,534	-	(272,096)	(140,517)
Cash and cash equivalents at beginning of year	<u>639,543</u>	<u>1,241,442</u>	<u>-</u>	<u>483,610</u>	<u>2,364,595</u>
Cash and cash equivalent at end of year	<u>\$ 752,588</u>	<u>\$ 1,259,976</u>	<u>\$ -</u>	<u>\$ 211,514</u>	<u>\$ 2,224,078</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ 104,039	\$ 41,829	\$ (204,487)	\$ (138,914)	\$ (197,533)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	283,070	-	-	283,070
Net pension liability	-	85,506	-	-	85,506
Decrease (increase) in assets and deferred outflows					
Prepaid expenses	-	-	-	(179,854)	(179,854)
Pension related items	-	(26,419)	-	-	(26,419)
Increase in liabilities and deferred inflows					
Accounts payable	(3,003)	(333,585)	-	6,449	(330,139)
Payroll related liabilities	-	(7,622)	-	-	(7,622)
Pension related items	-	(219)	-	-	(219)
Net cash provided by (used in) operating activities	<u>\$ 101,036</u>	<u>\$ 42,560</u>	<u>\$ (204,487)</u>	<u>\$ (312,319)</u>	<u>\$ (373,210)</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, 2017**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 328,333	\$ 328,685	\$ 352
Interest	2,800	3,508	708
Miscellaneous	-	8,501	8,501
<b>TOTAL REVENUES</b>	<b>331,133</b>	<b>340,694</b>	<b>9,561</b>
<b>EXPENDITURES</b>			
Information system services	358,312	224,646	133,666
Contingency	40,000	-	40,000
<b>TOTAL EXPENDITURES</b>	<b>398,312</b>	<b>224,646</b>	<b>173,666</b>
Net change in fund balance	(67,179)	116,048	183,227
Fund balance at beginning of year	617,154	633,025	15,871
Fund balance at end of year	<b>\$ 549,975</b>	<b>\$ 749,073</b>	<b>\$ 199,098</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, 2017**

	Budget	Actual	Variance
<b>REVENUES</b>			
Charges for services	\$ 884,587	\$ 906,384	\$ 21,797
Interest	4,500	9,490	4,990
Miscellaneous	<u>35,000</u>	<u>30,346</u>	<u>(4,654)</u>
TOTAL REVENUES	<u>924,087</u>	<u>946,220</u>	<u>22,133</u>
<b>EXPENDITURES</b>			
Vehicle services	872,803	757,146	115,657
Contingency	<u>250,000</u>	<u>-</u>	<u>250,000</u>
TOTAL EXPENDITURES	<u>1,122,803</u>	<u>757,146</u>	<u>365,657</u>
Excess (deficiency) of revenues over expenditures	<u>(198,716)</u>	<u>189,074</u>	<u>387,790</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	14,000	11,021	(2,979)
Transfers in	<u>159,177</u>	<u>159,177</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>173,177</u>	<u>170,198</u>	<u>(2,979)</u>
Net change in fund balance	(25,539)	359,272	384,811
Fund balance at beginning of year	<u>821,287</u>	<u>892,895</u>	<u>71,608</u>
Fund balance at end of year	<u>\$ 795,748</u>	1,252,167	<u>\$ 456,419</u>

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

Capital assets, net	2,039,804
Deferred outflows of resources	119,454
Net pension liability	(299,883)
Long-term obligations	(5,566)
Deferred inflows of resources	<u>(1,377)</u>
Net position-ending	<u>\$ 3,104,599</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES</b>			
Materials and services	\$ 217,611	\$ 204,487	\$ 13,124
<b>TOTAL EXPENDITURES</b>	<u>217,611</u>	<u>204,487</u>	<u>13,124</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>217,611</u>	<u>204,487</u>	<u>(13,124)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>217,611</u>	<u>204,487</u>	<u>(13,124)</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF FOREST GROVE**

**RISK MANAGEMENT - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Charges for services	\$ 496,054	\$ 496,069	\$ 15
Interest	2,668	4,762	2,094
Miscellaneous	<u>-</u>	<u>75,461</u>	<u>75,461</u>
<b>TOTAL REVENUES</b>	<u>498,722</u>	<u>576,292</u>	<u>77,570</u>
<b>EXPENDITURES</b>			
Risk management services	873,622	634,983	238,639
Contingency	<u>50,000</u>	<u>-</u>	<u>50,000</u>
<b>TOTAL EXPENDITURES</b>	<u>923,622</u>	<u>634,983</u>	<u>288,639</u>
Excess (deficiency) of revenues over expenditures	<u>(424,900)</u>	<u>(58,691)</u>	<u>366,209</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balance	(464,900)	(98,691)	366,209
Fund balance at beginning of year	<u>574,403</u>	<u>482,258</u>	<u>(92,145)</u>
Fund balance at end of year	<u><u>\$ 109,503</u></u>	<u><u>\$ 383,567</u></u>	<u><u>\$ 274,064</u></u>

**CITY OF FOREST GROVE**

**UNSEGREGATED TAX AND INTEREST AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2017**

	<u>Balances</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2017</u>
Assets				
Cash and investments	<u>\$ 191,135</u>	<u>\$ 85,463</u>	<u>\$ 86,720</u>	<u>\$ 189,878</u>
Liabilities				
Amounts held in trust	<u>\$ 191,135</u>	<u>\$ 126,339</u>	<u>\$ 127,596</u>	<u>\$ 189,878</u>

## **COMPLIANCE SECTION**

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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, 2017, and have issued our report thereon dated December 26, 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:

**A. Budgets legally required (ORS Chapter 294)**

1. 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.
2. Resources as presented in the 2016-17 budget detail for the Building Permits Fund do not equal requirements.
3. 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.
4. Transfers in of \$2,000,262 and transfers out of \$2,001,763 were budgeted in the 2017-18 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>
General			
Municipal court	\$ 375,708	\$ 419,642	\$ (43,934)
Sewer			
Debt service	--	45,401	(45,401)
Sewer System Development Charges			
Sewer infrastructure construction	903,800	1,177,093	(273,293)

**B. 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.

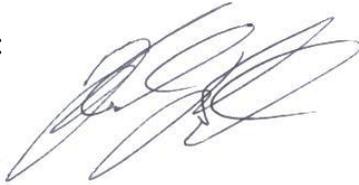
**INDEPENDENT AUDITOR'S REPORT REQUIRED BY  
OREGON STATE REGULATIONS (Continued)**

**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  
December 26, 2017

By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a faint, illegible background.

Bradley G. Bingenheimer, Member