



ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

CITY OF FOREST GROVE
For the Year Ended June 30, 2011

TERM EXPIRES
November

MAYOR

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

Thomas BeLusko Jr 2240 A Street Forest Grove, OR 97116	2012
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Thomas Johnston 2323 15 th Avenue Forest Grove, OR 97116	2014
---	------

Camille Miller 2410 Pansy Court Forest Grove, OR 97116	2014
--	------

Victoria Lowe 3206 17 th Place Forest Grove, OR 97116	2012
--	------

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

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

CITY MANAGER

Michael Sykes
1924 Council Street
Forest Grove, OR 97116

CITY OF FOREST GROVE
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF FOREST GROVE**, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF FOREST GROVE**, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
April 1, 2012

By:



Brad Bingenheimer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total assets of the City exceeded its liabilities by \$97.5 million at June 30, 2011. Of this amount, \$27.5 million were reported as unrestricted net assets which may be used to meet the City's obligations to its citizens and creditors.
- During the year, the City's net assets increased by \$0.4 million. The increase in Net Assets is primarily due to revenues exceeding expenditures in the General Fund and the Light Fund.
- The general fund reported a fund balance this year of \$4,434,290 which is an increase of \$60,480 from the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

The City has the following types of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
ASSETS						
Current and other assets	\$ 16,680	\$ 16,288	\$ 23,074	\$ 23,414	\$ 39,754	\$ 39,702
Capital assets	<u>30,084</u>	<u>30,632</u>	<u>39,529</u>	<u>39,826</u>	<u>69,613</u>	<u>70,458</u>
Total assets	<u>46,764</u>	<u>46,920</u>	<u>62,603</u>	<u>63,240</u>	<u>109,367</u>	<u>110,160</u>
LIABILITIES						
Current and other liabilities	808	877	1,020	1,284	1,829	2,161
Long-term debt	<u>3,812</u>	<u>4,205</u>	<u>6,247</u>	<u>6,682</u>	<u>10,059</u>	<u>10,887</u>
Total liabilities	<u>4,620</u>	<u>5,082</u>	<u>7,267</u>	<u>7,966</u>	<u>11,887</u>	<u>13,048</u>
NET ASSETS						
Invested in capital assets, net of related debt	27,718	27,757	33,546	33,405	61,264	61,162
Restricted	5,833	5,733	2,838	2,641	8,671	8,374
Unrestricted	<u>8,593</u>	<u>8,348</u>	<u>18,952</u>	<u>19,229</u>	<u>27,545</u>	<u>27,577</u>
Total net assets	<u>\$ 42,144</u>	<u>\$ 41,838</u>	<u>\$ 55,336</u>	<u>\$ 55,275</u>	<u>\$ 97,480</u>	<u>\$ 97,113</u>

Governmental Activities

Capital assets represent 64% of the total governmental assets. The decrease in Capital Assets is primarily due to depreciation. There were small increases of capital assets consisting mostly of construction of new sidewalks and completing a walking trail within the City.

Business-type Activities

Capital assets represent over 63% of the total business type assets. The primary reason for the decrease in Capital Assets is due to depreciation expense. There were small capital purchases of equipment in the Water Fund but not a lot of capital spending during the year.

CITY OF FOREST GROVE - CHANGE IN NET ASSETS

(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES:						
Program revenues:						
Charges for services	\$ 5,070	\$ 6,768	\$ 21,204	\$ 21,355	\$ 26,274	\$ 28,123
Operating grants	81	1,268	429	96	510	1,364
Capital grants	1,673	1,011	647	871	2,320	1,882
General revenues:						
Taxes	8,837	8,660	-	-	8,837	8,660
Other	146	204	(392)	(797)	(246)	(593)
Total revenues	<u>15,807</u>	<u>17,911</u>	<u>21,888</u>	<u>21,525</u>	<u>37,695</u>	<u>39,436</u>
EXPENSES:						
General government	7,307	6,425	-	-	7,307	6,425
Public safety	6,914	6,957	-	-	6,914	6,957
Highways and streets	1,302	2,129	-	-	1,302	2,129
Culture and recreation	1,065	695	-	-	1,065	695
Power services	-	-	12,141	12,380	12,141	12,380
Sewer services	-	-	4,447	3,997	4,447	3,997
Water services	-	-	3,286	3,429	3,286	3,429
Surface water management	-	-	874	1,028	874	1,028
Interest on long-term debt	34	162	-	-	34	162
Total expenses	<u>16,622</u>	<u>16,368</u>	<u>20,748</u>	<u>20,834</u>	<u>37,370</u>	<u>37,202</u>
Change in net assets before transfers	(815)	1,543	1,140	691	325	2,234
Transfers	<u>1,079</u>	<u>1,030</u>	<u>(1,079)</u>	<u>(1,030)</u>	<u>-</u>	<u>-</u>
Change in net assets	264	2,573	61	(339)	325	2,234
Net assets at beginning of year	41,837	39,264	55,275	55,614	97,112	94,878
Prior period adjustment	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-</u>
Net assets at end of year	<u>\$ 42,144</u>	<u>\$ 41,837</u>	<u>\$ 55,336</u>	<u>\$ 55,275</u>	<u>\$ 97,480</u>	<u>\$ 97,112</u>

The City's total revenues were \$37.7 million. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 56% and 23% of total revenues, respectively. The total cost of all programs was \$37.37 million. Net Assets increased by \$0.4 million indicating an increase in the City's overall financial position.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental fund balances totaled \$14,141,407 at June 30, 2011 for an increase of \$723,979. Proprietary net assets totaled \$55,335,817 for an overall increase of \$61,755. The Light Fund net assets increased significantly due to the cost of purchased power being lower than anticipated. The Water Fund net assets declined significantly due to a decline in the value of the investment in joint assets after agreement was reached on value of joint venture assets. A summary of changes in governmental and proprietary fund balances is as follows:

CITY OF FOREST GROVE - CHANGE IN GOVERNMENTAL FUND BALANCES

	Balance at June 30, 2011	Balance at June 30, 2010	Change
General Fund	\$ 4,434,290	\$ 4,373,810	\$ 60,480
Street Fund	788,906	918,126	(129,220)
Other Governmental Funds	<u>8,918,211</u>	<u>8,166,948</u>	<u>751,263</u>
Total	<u>\$ 14,141,407</u>	<u>\$ 13,458,884</u>	<u>\$ 682,523</u>

CITY OF FOREST GROVE - CHANGE IN PROPRIETARY NET ASSETS

	Balance at June 30, 2010	Balance at June 30, 2010	Change
Light Fund	\$ 21,469,215	\$ 20,378,739	\$ 1,090,476
Sewer Fund	8,541,545	8,574,925	(33,380)
Water Fund	16,134,484	17,214,547	(1,080,063)
Surface Water Management Fund	6,352,271	6,465,246	(112,975)
Other Proprietary Funds	<u>2,838,302</u>	<u>2,640,605</u>	<u>197,697</u>
Total	<u>\$ 55,335,817</u>	<u>\$ 55,274,062</u>	<u>\$ 61,755</u>

General Fund Budgetary Highlights

The fund balance in the General Fund was increased by \$60,840. The Net Change in Fund Balance resulted from revenues being excess of expenditures due to: 1) property taxes collected in excess of amount estimated; and 2) the departments not spending all of their budgeted appropriations in order increase the carryover available for future years.

The General Fund budget was adjusted for additional grant (\$34,065) and other revenues (\$11,800) received during the year and a transfer of appropriations from contingency of \$45,000 to non-departmental expenditures.

CAPITAL ASSETS

At June 30, 2011, the City had \$69,622,947 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets, net of accumulated depreciation decreased by \$834,102 as previously discussed. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2011, the City had \$5,855,000 in outstanding bonds payable, and \$2,494,146 in outstanding notes and contracts payable. The City has had no change in its credit rating. In 2011, the City issued no additional debt but did refinance its \$2,875,000 General Obligation Debt in October 2010. The refinancing will save significant interest costs and will allow the City to pay off that debt in 2016 instead of 2018. More detailed information about the City's long term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Factors considered in preparing the City's budget for the 2012 fiscal year were, but not limited to the following:

- The City recognizes that costs of providing services at the current level will increase at a faster rate than the revenue used to fund those services. The City has been able to maintain General Fund Balance due to departments spending less than appropriated mostly due to unanticipated vacancies in public safety. The City does not expect to be able to maintain fund balance it has accumulated. The City's Local Option Operating Property Tax Levy of \$1.35 per thousand dollar of assessed value expires in June 2013. The City is asking voters to increase the levy rate to \$1.60 in May 2012. If the City is unable to renew the levy, significant reductions will occur in FY 2013-14 as the current levy is 12% of the General Fund revenue. The City is preparing a budget for FY 2012-13 that does not increase the level of services.
- New home construction continues to increase has rebounded and is back to levels prior to the recession of 1998. Building permit and planning revenue has increased. Average home prices the new houses is significantly lower than a few years ago which will impact the of growth of property taxes in the future since assessed value growth in Oregon is limited to 3% per year for residential property. The City relies on residential growth to increase its property tax revenue as the industrial properties' assessed value continues to decline moderately.
- The City has added a defined contribution plan for new non-public safety employees who will now no longer be eligible for the City's existing defined benefit plan. The intent of this change is to try to stabilize retirement plan costs as current employees leave and replaced with new employees.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF FOREST GROVE

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and investments	\$ 15,872,059	\$ 14,197,472	\$ 30,069,531
Receivables, net	648,676	926,318	1,574,994
Accrued interest receivable	23,469	-	23,469
Inventory	-	546,540	546,540
Prepaid items	30,438	1,164	31,602
Deferred charge	105,053	-	105,053
Investment in joint venture	-	7,402,718	7,402,718
Capital assets:			
Land and construction in progress	7,117,304	1,283,704	8,401,008
Other capital assets, net	22,967,243	38,244,696	61,211,939
TOTAL ASSETS	46,764,242	62,602,612	109,366,854
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	353,090	649,954	1,003,044
Payroll related liabilities	313,479	106,228	419,707
Accrued interest payable	9,822	58,508	68,330
Deposits	711	37,315	38,026
Due to CWS	-	168,078	168,078
Bond premium, net	131,537	-	131,537
Long-term obligations:			
Due within one year	1,264,780	719,112	1,983,892
Due in more than one year:			
Bonds and loans	1,948,305	5,527,600	7,475,905
Net other post-employment benefits	598,557	-	598,557
TOTAL LIABILITIES	4,620,281	7,266,795	11,887,076
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	27,718,356	33,545,445	61,263,801
Restricted for:			
Highways and streets	4,501,181	-	4,501,181
Culture and recreation	641,380	-	641,380
Capital projects	-	2,838,302	2,838,302
Debt service	251,720	-	251,720
Other purposes	438,636	-	438,636
Unrestricted	8,592,688	18,952,070	27,544,758
TOTAL NET ASSETS	\$ 42,143,961	\$ 55,335,817	\$ 97,479,778

See notes to basic financial statements

CITY OF FOREST GROVE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 7,307,314	\$ 4,305,773	\$ 6,962	\$ 424,320	\$ (2,570,259)		\$ (2,570,259)
Public safety	6,913,694	696,901	60,403	-	(6,156,390)		(6,156,390)
Highways and streets	1,301,555	4,107	-	830,655	(466,793)		(466,793)
Culture and recreation	1,065,433	63,585	13,408	418,547	(569,893)		(569,893)
Interest on long-term obligations	34,188	-	-	-	(34,188)		(34,188)
Total governmental activities	16,622,184	5,070,366	80,773	1,673,522	(9,797,523)		(9,797,523)
Business-type Activities:							
Power	12,140,934	13,711,463	429,020	-		\$ 1,999,549	1,999,549
Sewer	4,447,242	4,043,170	-	362,753		(41,319)	(41,319)
Water	3,286,281	2,678,500	-	266,191		(341,590)	(341,590)
Surface water management	873,845	770,508	-	18,455		(84,882)	(84,882)
Total business-type activities	20,748,302	21,203,641	429,020	647,399		1,531,758	1,531,758
Totals	\$ 37,370,486	\$ 26,274,007	\$ 509,793	\$ 2,320,921	(9,797,523)	1,531,758	(8,265,765)
General revenues:							
Property taxes, levied for:							
General purposes					6,103,025	-	6,103,025
Other					473,308	-	473,308
Franchise taxes					520,395	-	520,395
Transient room tax					52,697	-	52,697
Grants and contributions not restricted to specific programs					578,205	-	578,205
Fuel taxes					1,109,337	-	1,109,337
Unrestricted investment earnings					100,485	69,738	170,223
Rents					-	35,928	35,928
Miscellaneous					56,419	760,030	816,449
(Loss) on sale of capital assets					(11,268)	(141,018)	(152,286)
(Loss) on investment in joint venture					-	(1,115,834)	(1,115,834)
Transfers					1,078,847	(1,078,847)	-
Total general revenues and transfers					10,061,450	(1,470,003)	8,591,447
Change in net assets					263,927	61,755	325,682
Prior period adjustment					41,456	-	41,456
Net assets - beginning					41,838,578	55,274,062	97,112,640
Net assets - ending					\$ 42,143,961	\$ 55,335,817	\$ 97,479,778

See notes to basic financial statements

CITY OF FOREST GROVE

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011**

	General	Street	Other Governmental Funds	Totals
<u>ASSETS</u>				
Cash and investments	\$ 4,706,651	\$ 821,579	\$ 8,896,916	\$ 14,425,146
Receivables, net	274,245	-	374,431	648,676
Accrued interest receivable	-	-	23,469	23,469
Prepaid items	28,471	-	1,967	30,438
TOTAL ASSETS	<u>\$ 5,009,367</u>	<u>\$ 821,579</u>	<u>\$ 9,296,783</u>	<u>\$ 15,127,729</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 88,378	\$ 21,965	\$ 208,172	\$ 318,515
Payroll related liabilities	289,073	10,708	8,235	308,016
Deposits	-	-	686	686
Deferred revenue	197,626	-	161,479	359,105
TOTAL LIABILITIES	<u>575,077</u>	<u>32,673</u>	<u>378,572</u>	<u>986,322</u>
<u>FUND BALANCE</u>				
Nonspendable	28,471	-	43,153	71,624
Restricted	-	788,906	4,877,957	5,666,863
Committed	-	-	645,841	645,841
Assigned	-	-	3,351,260	3,351,260
Unassigned	4,405,819	-	-	4,405,819
TOTAL FUND BALANCE	<u>4,434,290</u>	<u>788,906</u>	<u>8,918,211</u>	14,141,407
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,009,367</u>	<u>\$ 821,579</u>	<u>\$ 9,296,783</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,084,547
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	359,105
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	\$ 2,606,847
Plus: Compensated absences of the internal service fund included below	5,463
Less: Capital assets of the internal service fund included above	<u>(1,205,460)</u>
Deferred charges are reported in the statement of net assets but are not reported in the funds	105,053
The bond premium is reported in the statement of net assets but is not reported in the funds	(131,537)
The net post-employment benefits obligation is reported in the statement of net assets but is not reported in the funds	(598,557)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,222,907)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 42,143,961**

See notes to basic financial statements

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	General	Street	Other Governmental Funds	Totals
REVENUES				
Property taxes	\$ 6,112,367	\$ -	\$ 474,654	\$ 6,587,021
Other taxes	208,952	-	247,593	456,545
Licenses and permits	78,875	4,900	463,958	547,733
Intergovernmental	1,596,670	1,099,077	631,809	3,327,556
Fees and fines	263,083	-	228,873	491,956
Franchise fees	520,395	-	-	520,395
Interest	36,378	2,905	53,575	92,858
Grants	31,760	25,000	296,071	352,831
Charges for services	3,118,740	-	242,243	3,360,983
Miscellaneous	259,980	4,107	64,866	328,953
TOTAL REVENUES	<u>12,227,200</u>	<u>1,135,989</u>	<u>2,703,642</u>	<u>16,066,831</u>
EXPENDITURES				
General government	5,105,570	-	482,307	5,587,877
Public safety	6,737,293	-	105,959	6,843,252
Highways and streets	-	925,778	515,538	1,441,316
Culture and recreation	681,485	-	107,366	788,851
Capital outlay	670	339,431	509,483	849,584
Debt service	-	-	598,218	598,218
TOTAL EXPENDITURES	<u>12,525,018</u>	<u>1,265,209</u>	<u>2,318,871</u>	<u>16,109,098</u>
Excess (deficiency) of revenues over expenditures	<u>(297,818)</u>	<u>(129,220)</u>	<u>384,771</u>	<u>(42,267)</u>
OTHER FINANCING SOURCES (USES)				
Refunding bonds issued	-	-	2,842,844	2,842,844
Payment to refunded bond escrow agent	-	-	(2,937,742)	(2,937,742)
Proceeds from sale of capital assets	-	-	2,450	2,450
Transfers in	903,298	-	642,850	1,546,148
Transfers out	(545,000)	-	(183,910)	(728,910)
TOTAL OTHER FINANCING SOURCES (USES)	<u>358,298</u>	<u>-</u>	<u>366,492</u>	<u>724,790</u>
Net change in fund balances	60,480	(129,220)	751,263	682,523
Fund balances at beginning of year	4,373,810	918,126	8,166,948	13,458,884
Fund balances at end of year	<u>\$ 4,434,290</u>	<u>\$ 788,906</u>	<u>\$ 8,918,211</u>	<u>\$ 14,141,407</u>

See notes to basic financial statements

CITY OF FOREST GROVE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 682,523

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

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

Capitalized expenditures	\$ 720,640	
Depreciation	<u>(1,416,131)</u>	(695,491)

The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets (144)

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	(10,688)	
Other	<u>(386,703)</u>	(397,391)

The change in other post-employment benefits are reported as additional expenses in the Statement of Activities (209,786)

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

Bond premium proceeds	(157,844)	
Debt issuance costs	113,515	
Amortization of deferred charges	(8,462)	
Amortization of bond premium	26,307	
Accrued interest	6,405	
Principal payments	<u>679,007</u>	658,928

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		(75,718)
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Additional transfer from business-type activities for capital assets purchased by the light and water funds for the governmental activities 48,023

Net income of internal service funds after eliminating transfers and income reported above 252,983

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 263,927

CITY OF FOREST GROVE

**GENERAL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 6,094,780	\$ 6,094,780	\$ 6,112,367	\$ 17,587
Transient room tax	48,000	48,000	52,697	4,697
Licenses and permits	107,951	107,951	78,775	(29,176)
Intergovernmental	1,584,167	1,584,167	1,596,670	12,503
Construction excise tax	100,000	100,000	156,255	56,255
Fees and fines	264,120	264,120	263,183	(937)
Franchise fees	564,962	564,962	520,395	(44,567)
Interest	75,000	75,000	36,378	(38,622)
Grants	110,300	144,365	31,760	(112,605)
Charges for services	3,076,959	3,076,959	3,118,740	41,781
Miscellaneous	225,035	236,835	259,980	23,145
TOTAL REVENUES	<u>12,251,274</u>	<u>12,297,139</u>	<u>12,227,200</u>	<u>(69,939)</u>
EXPENDITURES				
Legislative and executive				
Personal services	427,184	427,184	425,330	1,854
Materials and services	87,266	87,266	84,715	2,551
Total legislative and executive	<u>514,450</u>	<u>514,450</u>	<u>510,045</u>	<u>4,405</u>
Administrative services				
Personal services	1,428,981	1,428,981	1,449,980	(20,999)
Materials and services	662,118	673,918	547,539	126,379
Total administrative services	<u>2,091,099</u>	<u>2,102,899</u>	<u>1,997,519</u>	<u>105,380</u>
Library				
Personal services	760,893	760,893	752,379	8,514
Materials and services	147,512	147,512	145,918	1,594
Total library	<u>908,405</u>	<u>908,405</u>	<u>898,297</u>	<u>10,108</u>

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

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

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Planning				
Personal services	\$ 344,768	\$ 344,768	\$ 343,424	\$ 1,344
Materials and services	149,364	149,364	43,300	106,064
Total planning	494,132	494,132	386,724	107,408
Fire				
Personal services	2,291,381	2,291,381	2,302,126	(10,745)
Materials and services	476,082	476,082	453,981	22,101
Total fire	2,767,463	2,767,463	2,756,107	11,356
Engineering				
Personal services	524,291	524,291	528,595	(4,304)
Materials and services	79,636	79,636	47,937	31,699
Total engineering	603,927	603,927	576,532	27,395
Police				
Personal services	3,732,278	3,732,278	3,483,214	249,064
Materials and services	501,504	501,504	497,972	3,532
Capital outlay	-	34,065	670	33,395
Total police	4,233,782	4,267,847	3,981,856	285,991
Aquatics				
Personal services	417,071	417,071	393,330	23,741
Materials and services	192,048	192,048	162,393	29,655
Total aquatics	609,119	609,119	555,723	53,396
Parks and recreation				
Personal services	414,045	414,045	403,434	10,611
Materials and services	141,735	141,735	127,146	14,589
Total parks and recreation	555,780	555,780	530,580	25,200

See notes to basic financial statements
Continued on page 8

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

	Budget		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Municipal court				
Personal services	\$ 131,717	\$ 131,717	\$ 121,823	\$ 9,894
Materials and services	<u>82,372</u>	<u>82,372</u>	<u>58,080</u>	<u>24,292</u>
Total municipal court	<u>214,089</u>	<u>214,089</u>	<u>179,903</u>	<u>34,186</u>
Nondepartmental				
Materials and services	<u>124,500</u>	<u>169,500</u>	<u>151,732</u>	<u>17,768</u>
Operating contingency	<u>1,227,535</u>	<u>1,182,535</u>	<u>-</u>	<u>1,182,535</u>
TOTAL EXPENDITURES	<u>14,344,281</u>	<u>14,390,146</u>	<u>12,525,018</u>	<u>1,865,128</u>
Excess (deficiency) of revenues over expenditures	<u>(2,093,007)</u>	<u>(2,093,007)</u>	<u>(297,818)</u>	<u>1,795,189</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	894,504	894,504	903,298	8,794
Transfers out	<u>(565,000)</u>	<u>(565,000)</u>	<u>(545,000)</u>	<u>20,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>329,504</u>	<u>329,504</u>	<u>358,298</u>	<u>28,794</u>
Net change in fund balance	(1,763,503)	(1,763,503)	60,480	1,823,983
Fund balance at beginning of year	<u>4,163,503</u>	<u>4,163,503</u>	<u>4,373,810</u>	<u>210,307</u>
Fund balance at end of year	<u>\$ 2,400,000</u>	<u>\$ 2,400,000</u>	<u>\$ 4,434,290</u>	<u>\$ 2,034,290</u>

See notes to basic financial statements

CITY OF FOREST GROVE

STREET

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Grants	\$ -	\$ -	\$ 25,000	\$ 25,000
Licenses and permits	-	-	4,900	4,900
Intergovernmental	925,409	925,409	1,099,077	173,668
Interest	7,438	7,438	2,905	(4,533)
Miscellaneous	109,000	109,000	4,107	(104,893)
TOTAL REVENUES	<u>1,041,847</u>	<u>1,041,847</u>	<u>1,135,989</u>	<u>94,142</u>
EXPENDITURES				
Personal services	248,421	248,421	232,258	16,163
Materials and services	775,241	775,241	693,520	81,721
Capital outlay	296,000	341,000	339,431	1,569
Contingency	150,000	105,000	-	105,000
TOTAL EXPENDITURES	<u>1,469,662</u>	<u>1,469,662</u>	<u>1,265,209</u>	<u>204,453</u>
Net change in fund balance	(427,815)	(427,815)	(129,220)	298,595
Fund balance at beginning of year	<u>743,815</u>	<u>743,815</u>	<u>918,126</u>	<u>174,311</u>
Fund balance at end of year	<u>\$ 316,000</u>	<u>\$ 316,000</u>	<u>\$ 788,906</u>	<u>\$ 472,906</u>

See notes to basic financial statements

CITY OF FOREST GROVE

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011**

	Enterprise					Totals	Governmental
	Light	Sewer	Water	Surface Water Management	Other		Internal Service Funds
ASSETS							
Current assets							
Cash and investments	\$ 6,735,427	\$ 2,005,318	\$ 2,271,021	\$ 319,779	\$ 2,865,927	\$ 14,197,472	\$ 1,446,913
Receivables, net	547,249	209,489	129,104	40,476	-	926,318	-
Inventory	402,127	7,086	137,327	-	-	546,540	-
Prepaid expense	1,164	-	-	-	-	1,164	-
Total current assets	7,685,967	2,221,893	2,537,452	360,255	2,865,927	15,671,494	1,446,913
Investment in joint venture	-	-	7,402,718	-	-	7,402,718	-
Capital assets							
Land	721,723	81,022	373,686	-	-	1,176,431	-
Construction in progress	107,273	-	-	-	-	107,273	-
Other capital assets, net	13,493,069	7,845,949	10,883,870	6,021,808	-	38,244,696	1,205,460
Total capital assets, net	14,322,065	7,926,971	11,257,556	6,021,808	-	39,528,400	1,205,460
TOTAL ASSETS	22,008,032	10,148,864	21,197,726	6,382,063	2,865,927	62,602,612	2,652,373
LIABILITIES							
Current liabilities							
Accounts payable and accrued expenses	290,962	231,775	84,316	15,276	27,625	649,954	34,600
Payroll related liabilities	71,819	4,255	25,558	4,596	-	106,228	5,463
Accrued interest payable	-	19,976	38,532	-	-	58,508	-
Customer deposits	37,315	-	-	-	-	37,315	-
Due to CWS	-	158,158	-	9,920	-	168,078	-
Total current liabilities	400,096	414,164	148,406	29,792	27,625	1,020,083	40,063
Long-term obligations							
Due within one year	138,721	169,551	410,840	-	-	719,112	5,463
Due in more than one year	-	1,023,604	4,503,996	-	-	5,527,600	-
Total long-term liabilities	138,721	1,193,155	4,914,836	-	-	6,246,712	5,463
TOTAL LIABILITIES	538,817	1,607,319	5,063,242	29,792	27,625	7,266,795	45,526
NET ASSETS							
Invested in capital assets, net of related debt	14,322,065	6,733,816	6,467,756	6,021,808	-	33,545,445	1,205,460
Restricted for:							
Capital projects	-	-	-	-	2,838,302	2,838,302	-
Unreserved	7,147,150	1,807,729	9,666,728	330,463	-	18,952,070	1,401,387
TOTAL NET ASSETS	\$ 21,469,215	\$ 8,541,545	\$ 16,134,484	\$ 6,352,271	\$ 2,838,302	\$ 55,335,817	\$ 2,606,847

See notes to basic financial statements

CITY OF FOREST GROVE
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Enterprise					Totals	Governmental Activities
	Light	Sewer	Water	Surface Water Management	Other		Internal Service Funds
OPERATING REVENUES							
Charges for services	\$13,654,807	\$ 4,043,170	\$ 2,668,108	\$ 770,508	\$ -	\$ 21,136,593	\$ 1,341,465
Licenses, permits, and fees	5,148	-	-	-	-	5,148	-
TOTAL OPERATING REVENUES	\$13,659,955	\$ 4,043,170	\$ 2,668,108	\$ 770,508	\$ -	\$ 21,141,741	\$ 1,341,465
OPERATING EXPENSES							
System operation and maintenance	3,276,990	3,363,087	1,392,045	532,515	287,939	8,852,576	1,153,487
Electricity and water purchases	7,308,630	-	-	-	-	7,308,630	-
General fund administration charges	1,022,807	500,179	837,254	149,019	-	2,509,259	3,355
General and administrative costs	36,382	8,204	405,931	5,720	54,873	511,110	-
Depreciation and amortization	496,125	237,537	416,700	158,817	-	1,309,179	173,826
TOTAL OPERATING EXPENSES	12,140,934	4,109,007	3,051,930	846,071	342,812	20,490,754	1,330,668
OPERATING INCOME (LOSS)	1,519,021	(65,837)	(383,822)	(75,563)	(342,812)	650,987	10,797
NONOPERATING REVENUES (EXPENSES)							
Interest earned	32,315	10,439	9,963	1,178	17,005	70,900	8,284
Interest	-	(50,423)	(207,125)	-	-	(257,548)	-
(Loss) on sale of capital assets	(141,018)	-	-	-	-	(141,018)	(11,124)
(Loss) on investment in joint venture	-	-	(1,115,834)	-	-	(1,115,834)	-
System development charges	-	-	-	-	645,499	645,499	-
Rents	-	-	35,928	-	-	35,928	-
Grants	4,000	-	-	-	-	4,000	-
Miscellaneous	476,528	738	770,422	-	-	1,247,688	31,440
TOTAL NONOPERATING REVENUES (EXPENSES)	371,825	(39,246)	(506,646)	1,178	662,504	489,615	28,600
Income (loss) before transfers	1,890,846	(105,083)	(890,468)	(74,385)	319,692	1,140,602	39,397
TRANSFERS							
Transfers in	11,614	121,995	-	-	-	133,609	276,872
Transfers out	(811,984)	(50,292)	(189,595)	(38,590)	(121,995)	(1,212,456)	(63,286)
TOTAL TRANSFERS	(800,370)	71,703	(189,595)	(38,590)	(121,995)	(1,078,847)	213,586
Change in net assets	1,090,476	(33,380)	(1,080,063)	(112,975)	197,697	61,755	252,983
Net assets at beginning of year	20,378,739	8,574,925	17,214,547	6,465,246	2,640,605	55,274,062	2,353,864
Net assets at end of year	\$21,469,215	\$ 8,541,545	\$ 16,134,484	\$ 6,352,271	\$ 2,838,302	\$ 55,335,817	\$ 2,606,847

See notes to basic financial statements

CITY OF FOREST GROVE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011**

	Enterprise					Totals	Governmental
	Light	Sewer	Water	Surface Water			Internal
				Management	Other		
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 13,904,622	\$ 4,045,553	\$ 2,760,896	\$ 768,217	\$ -	\$ 21,479,288	\$ 1,343,405
Cash paid to employees	(1,059,897)	(507,846)	(1,235,630)	(157,705)	-	(2,961,078)	(2,217)
Cash paid to suppliers	(10,748,985)	(3,364,263)	(1,482,480)	(529,774)	(365,517)	(16,491,019)	(1,174,618)
Net cash provided by (used in) operating activities	2,095,740	173,444	42,786	80,738	(365,517)	2,027,191	166,570
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in	11,614	-	-	-	-	11,614	276,872
Transfers out	(777,550)	(50,292)	(177,844)	(38,590)	(121,995)	(1,166,271)	(63,286)
Net cash provided by (used in) non-capital financing activities	(765,936)	(50,292)	(177,844)	(38,590)	(121,995)	(1,154,657)	213,586
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition of capital assets	(947,410)	-	(189,890)	(64,518)	-	(1,201,818)	(302,209)
Proceeds from sale of equipment	2,580	-	-	-	-	2,580	16,600
System development charges received	-	-	-	-	645,499	645,499	-
Other	480,528	738	806,350	-	-	1,287,616	31,440
Principal paid on long-term obligations	-	(74,487)	(274,762)	-	-	(349,249)	-
Interest paid on long-term obligations	-	(19,518)	(209,535)	-	-	(229,053)	-
Net cash provided by (used in) capital and related financing activities	(464,302)	(93,267)	132,163	(64,518)	645,499	155,575	(254,169)
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	32,315	10,439	9,963	1,178	17,005	70,900	8,284
Net increase (decrease) in cash and cash equivalents	897,817	40,324	7,068	(21,192)	174,992	1,099,009	134,271
Cash and cash equivalents at beginning of year	5,837,610	1,964,994	2,263,953	340,971	2,690,935	13,098,463	1,312,642
Cash and cash equivalent at end of year	\$ 6,735,427	\$ 2,005,318	\$ 2,271,021	\$ 319,779	\$ 2,865,927	\$ 14,197,472	\$ 1,446,913

Continued on page 13

See notes to basic financial statements

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

	Enterprise					Totals	Internal Service Funds
	Light	Sewer	Water	Surface Water Management	Other		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 1,519,021	\$ (65,837)	\$ (383,822)	\$ (75,563)	\$ (342,812)	\$ 650,987	\$ 10,797
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							-
Depreciation	496,125	237,537	416,700	158,817	-	1,309,179	173,826
Decrease (increase) in assets							
Receivables, net	228,371	2,383	92,788	(2,291)	-	321,251	1,940
Inventory	8,825	304	(5,559)	-	-	3,570	-
Prepaid expense	(1,164)	-	-	-	-	(1,164)	-
Increase (decrease) in liabilities							
Accounts payable and accrued expenses	(171,026)	1,762	(84,876)	1,515	(22,705)	(275,330)	(21,131)
Payroll related liabilities	(708)	537	7,555	(2,966)	-	4,418	1,138
Customer deposits	16,296	-	-	-	-	16,296	-
Due to CWS	-	(3,242)	-	1,226	-	(2,016)	-
Net cash provided by (used in) operating activities	<u>\$ 2,095,740</u>	<u>\$ 173,444</u>	<u>\$ 42,786</u>	<u>\$ 80,738</u>	<u>\$ (365,517)</u>	<u>\$ 2,027,191</u>	<u>\$ 166,570</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS							
Transfers in	-	121,995	-	-	-	121,995	-
Transfers out	(34,434)	-	(11,751)	-	-	(46,185)	-
Total noncash transactions	<u>\$ (34,434)</u>	<u>\$ 121,995</u>	<u>\$ (11,751)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,810</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**BALANCE SHEET
FIDUCIARY FUND**

June 30, 2011

	<u>Agency</u>	<u>Pension Trust</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and investments	\$ 296,806	\$ 26,247,291	\$ 26,544,097
<u>LIABILITIES</u>			
Amounts held in trust	\$ 296,806	-	296,806
<u>NET ASSETS</u>			
Amounts held in trust			
Pension benefits		\$ 26,247,291	\$ 26,247,291

CITY OF FOREST GROVE

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

For the Year Ended June 30, 2011

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 1,747,227
Investment earnings	<u>3,253,772</u>
Total additions	<u>5,000,999</u>
DEDUCTIONS	
Benefits	1,169,668
Administrative	58,445
Investment expense	<u>14,510</u>
Total deductions	<u>1,242,623</u>
Change in net assets	3,758,376
Net assets - beginning of year	<u>22,488,915</u>
Net assets - end of year	<u>\$ 26,247,291</u>

See notes to basic financial statements

CITY OF FOREST GROVE

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

1. Summary of Significant Accounting Policies

A. Organization (reporting entity)

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

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

The accompanying financial statements present all activities and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with no includable component units.

B. Government-wide financial statements and financial statement presentation

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

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

The City also includes the following fund types as other governmental funds and other enterprise funds:

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

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

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

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

D. Budget policies and budgetary control

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

E. Cash and cash equivalents

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

F. User charges and fines receivable

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

The City has uncollected municipal court fines and fees. The City maintains a listing of receivables they believe are collectible as of June 30, 2011.

G. Capital assets

Government-wide statements

Capital assets are recorded at amounts estimated by the City and adjusted by estimated amounts for accumulated depreciation in the Statement of Net Assets and depreciation expense in the Statement of Activities.

Fund financial statements

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

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

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

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)

H. Long-term obligations

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

I. Compensated absences

1. Vacation

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

2. Sick leave

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

J. Equity classification

Government-wide and proprietary fund financial statements

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

- a. ***Invested in capital assets, net of related debt*** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. ***Restricted*** – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. ***Unrestricted*** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

J. Equity classification (continued)

Governmental Fund Type Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories list below:

- a. Non-spendable* — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted* — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed* — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
- d. Assigned* — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Manager or Director of Administrative Services has authority to assign fund balance amounts.
- e. Unassigned* — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of Significant Accounting Policies (continued)

K. Use of estimates

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2. Deposits and Investments

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

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

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

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

Investments: As of June 30, 2011, the City held the following investments and maturities:

Investment Type	Carrying Value	Weighted Average Maturity in Months	% of investment Portfolio
U.S. Treasuries	\$ 3,084,771	23.67	11%
U.S. government agency	9,032,680	28.06	33%
LGIP	15,206,353	8	55%
Certificates of deposit	240,000	5	1%
Total	\$ 27,563,804		100%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Interest Rate Risk: The City has a formal investment policy to limit exposure to losses arising from rising interest rates. Investment types are limited to a maximum % of the portfolio (see table below) and also must not directly invest in securities maturing in more than 36 months (unless matched to a specific cash flow) and the average weighted maturity of the portfolio may not exceed 18 months. As of June 30, 2011, 55% of the investments in LGIP mature in 93 days or less, 23% mature in 94 days up to one year and 22% mature in one to three years.

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

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

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

<u>Investment Type</u>	<u>Rating From Moody's or S&P Corporation</u>	
	<u>Carrying Value</u>	<u>Rating</u>
U.S. Treasuries	\$ 3,084,771	AAA
Federal Farm Credit Bank	2,999,150	Aaa/AAA
Federal Home Loan Mtg Corp	6,033,530	AAA
LGIP	15,206,353	Aa2/AA
Certificates of deposit	240,000	Not Rated
Total	<u>\$ 27,563,804</u>	

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

Cash and Investments – Pension Trust Fund: The City of Forest Grove Retirement Plan Trust's assets are invested with Union Bank. As of June 30, 2011, the Pension Trust Fund's cash and investment balances were reported as follows:

<u>Investment Type</u>	<u>Market Value</u>
Interest bearing cash	\$ 140,024
U.S. Government Securities	1,717,745
Mutual Funds	24,389,522
Total	<u>\$ 26,247,291</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments (continued)

Custodial Credit Risk—Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2011, \$5,434,118 of the City's bank balances was exposed to custodial risk.

- A. The City's deposits and investments (excluding the Pension Trust) at June 30, 2011 are as follows:

Investments	\$ 27,563,804
Deposits with financial institutions	2,801,053
Cash on hand	<u>1,480</u>
Total deposits and investments	<u>\$ 30,366,337</u>

- B. Cash and investments by fund (excluding the Pension Trust):

Governmental activities/funds	
General	\$ 4,706,651
Street	821,579
Other governmental funds	<u>8,896,916</u>
Total governmental funds	14,425,146
Internal service funds	<u>1,446,913</u>
Total governmental activities	<u>15,872,059</u>
Business-type activities/Enterprise funds	
Light	6,735,427
Sewer	2,005,318
Water	2,271,021
Surface water management	319,779
Other enterprise funds	<u>2,865,927</u>
Total business-type activities/Enterprise funds	<u>14,197,472</u>
Fiduciary funds	
Agency	<u>296,806</u>
Total cash and investments	<u>\$ 30,366,337</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

A. The City's receivables at June 30, 2011 are shown below:

	Governmental Activities/Funds		Business-type Activities/Enterprise Funds				Totals
	General	Other Governmental	Light	Sewer	Water	Surface Water Management	
Property taxes	\$ 254,952	\$ 19,764	\$ -	\$ -	\$ -	\$ -	\$ 274,716
Accounts	19,293	221,202	15,674	-	1,169	-	257,338
Assessments	-	133,465	-	-	-	-	133,465
User charges	-	-	665,356	222,336	143,891	45,493	1,077,076
Allowance for doubtful accounts	-	-	(133,781)	(12,847)	(15,956)	(5,017)	(167,601)
	<u>\$ 274,245</u>	<u>\$ 374,431</u>	<u>\$ 547,249</u>	<u>\$ 209,489</u>	<u>\$ 129,104</u>	<u>\$ 40,476</u>	<u>\$ 1,574,994</u>

B. Property taxes

i. Collection procedures

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

ii. Transactions

	Balances July 1, 2010	2010-11 Levy	Adjustments	Net Interest (Discounts)	Collections	Balances June 30, 2011
Current	\$ --	\$6,763,964	\$ (29,296)	\$ (169,872)	\$ 6,404,920	\$ 159,876
Prior	<u>290,075</u>	--	<u>(9,365)</u>	<u>20,902</u>	<u>186,772</u>	<u>114,840</u>
Totals	<u>\$ 290,075</u>	<u>\$6,763,964</u>	<u>\$ (38,661)</u>	<u>\$ (148,970)</u>	6,591,692	<u>\$ 274,716</u>
Less prior year accrual					(73,803)	
Plus current year accrual					<u>69,132</u>	
Total property tax revenue					<u>\$ 6,587,021</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables (continued)

B. Property taxes

iii. Ensuing year's levy

The permanent tax rate is \$3.9554 per \$1,000 of assessed value. In addition, a local option operating tax levy of \$1.3500 per \$1,000 of assessed value, approved by voters, will also be levied.

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

In addition, a general debt service tax levy, approved by voters, will also be levied. The general debt service levy is \$446,847 for 2011-12.

4. Capital Assets

	Balances June 30, 2010	Additions	Deletions	Balances June 30, 2011
A. <i>Governmental activities</i>				
Capital assets not being depreciated				
Land and land improvements	\$ 6,722,053	\$ 387,620	\$ -	\$ 7,109,673
Construction in progress	485,667	7,631	(485,667)	7,631
Total capital assets not being depreciated	<u>7,207,720</u>	<u>395,251</u>	<u>(485,667)</u>	<u>7,117,304</u>
Capital assets being depreciated				
Buildings and improvements	11,531,663	-	-	11,531,663
Machinery and equipment	6,115,469	717,850	(366,377)	6,466,942
Infrastructure	23,459,958	453,439	-	23,913,397
Total capital assets being depreciated	<u>41,107,090</u>	<u>1,171,289</u>	<u>(366,377)</u>	<u>41,912,002</u>
Less accumulated depreciation	<u>17,683,310</u>	<u>1,589,957</u>	<u>(328,508)</u>	<u>18,944,759</u>
Total capital assets being depreciated, net	<u>23,423,780</u>	<u>(418,668)</u>	<u>(37,869)</u>	<u>22,967,243</u>
Governmental activities capital assets, net	<u>\$ 30,631,500</u>	<u>\$ (23,417)</u>	<u>\$ (523,536)</u>	<u>\$ 30,084,547</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital Assets (continued)

	Balances June 30, 2010	Additions	Deletions	Balances June 30, 2011
<i>B. Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 1,176,431	\$ -	\$ -	\$ 1,176,431
Work in progress	81,297	1,020,684	(994,708)	107,273
Total capital assets not being depreciated	<u>1,257,728</u>	<u>1,020,684</u>	<u>(994,708)</u>	<u>1,283,704</u>
Capital assets, being depreciated				
Buildings and improvements	9,118,358	33,677	-	9,152,035
Machinery and equipment	20,730,636	1,008,346	(181,620)	21,557,362
Infrastructure	38,317,794	87,628	-	38,405,422
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated	<u>69,874,272</u>	<u>1,129,651</u>	<u>(181,620)</u>	<u>70,822,303</u>
Less accumulated depreciation and amortization:				
Capital assets being depreciated	30,343,992	1,266,402	(38,023)	31,572,371
Intangible-water rights	962,459	42,777	-	1,005,236
Total accumulated depreciation	<u>31,306,451</u>	<u>1,309,179</u>	<u>(38,023)</u>	<u>32,577,607</u>
Total capital assets, being depreciated, net	<u>38,567,821</u>	<u>(179,528)</u>	<u>(143,597)</u>	<u>38,244,696</u>
Business-type activities capital assets, net	<u>\$ 39,825,549</u>	<u>\$ 841,156</u>	<u>\$ (1,138,305)</u>	<u>\$ 39,528,400</u>

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

Governmental activities:

General government	\$ 279,535
Public safety	205,825
Highways and streets	769,904
Culture and recreation	334,693

Total governmental activities

\$ 1,589,957

Business-type activities:

Light	\$ 496,125
Sewer	237,537
Water	416,700
Surface water management	158,817

Total business-type activities

\$ 1,309,179

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Deferred Revenue

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

	Governmental Activities/Funds		Totals
	General	Other Governmental	
		Funds	
Property taxes	\$ 190,793	\$ 14,790	\$ 205,583
Accounts receivable	6,833	146,689	153,522
	<u>\$ 197,626</u>	<u>\$ 161,479</u>	<u>\$ 359,105</u>

6. Long-Term Obligations

A. *Transactions for governmental activities for the year ended June 30, 2011 were as follows:*

<i>Governmental activities</i>	Balances July 1, 2010	Additions	Reductions	Balances June 30, 2011	Balances Due Within One Year
<u>Bonded Debt</u>					
1994 General Obligation					
Fire Station Bonds - original issue \$975,000, 20 years, interest from 3.25 to 5.9 percent					
Principal	\$ 275,000	\$ -	\$ 275,000	\$ -	-
Interest	1,173	-	1,173	-	-
	<u>276,173</u>	<u>6,940</u>	<u>283,113</u>	<u>-</u>	<u>-</u>
1999 General Obligation					
Improvement Bonds – original issue \$5,000,000 30 years, interest from 4.0 to 4.85 percent					
Principal	2,600,000	-	2,600,000	-	-
Interest	9,149	-	9,149	-	-
	<u>2,609,149</u>	<u>45,480</u>	<u>2,654,629</u>	<u>-</u>	<u>-</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

A. *Transactions for governmental activities for the year ended June 30, 2011 were as follows (continued):*

	Balances			Balances	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2010			2011	One Year
<u>Bonded Debt (continued)</u>					
2010 General Obligation –					
Refunding Bonds - original					
issue \$2,265,000, 6 years					
interest from 3.0 to 4.0					
percent					
Principal	\$ -	\$ 2,685,000	\$ 420,000	\$ 2,265,000	\$ 400,000
Interest	-	54,680	48,222	6,458	
	-	2,739,680	468,222	2,271,458	
<u>Loans</u>					
Oregon Economic Development					
Department (OEDD) - annual					
installments of \$54,656					
including interest at 6.59 percent					
Principal	51,278	-	51,278	-	
Interest	1,953	1,425	3,378	-	
	53,231	1,425	54,656	-	
Oregon Economic Development					
Department (OEDD) - annual					
installments of \$21,000					
including interest at 5.47 percent					
Principal	118,920	-	17,729	101,191	17,886
Interest	3,953	6,249	6,838	3,364	
	122,873	6,249	24,567	104,555	
Compensated absences	770,606	846,894	770,606	846,894	846,894
Total long-term obligations	3,832,032	3,594,248	4,203,373	3,222,907	\$ 1,264,780
Interest	16,228	62,354	68,760	9,822	
Principal	\$ 3,815,804	\$ 3,531,894	\$ 4,134,613	\$ 3,213,085	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

B. Transactions for business-type activities for the year ended June 30, 2011 were as follows:

	Balances			Balances	Balances
	July 1,	Additions	Reductions	June 30,	Due Within
	2010			2011	One Year
<u>Bonded Debt</u>					
2003 Full Faith and Credit					
Bonds – original					
issue \$5,285,000, 15 years,					
interest from 2 to 4.685					
percent					
Principal	\$ 3,835,000	\$ -	\$ 245,000	\$ 3,590,000	\$ 255,000
Interest	40,943	164,089	166,500	38,532	
	<u>3,875,943</u>	<u>164,089</u>	<u>411,500</u>	<u>3,628,532</u>	
<u>Loans</u>					
US Department of Interior					
Scoggins Reservoir Contract,					
installments of \$72,797 through 2035,					
including interest at 3.5 percent					
Principal	1,229,562	-	29,762	1,199,800	30,804
Interest	-	43,035	43,035	-	
	<u>1,229,562</u>	<u>43,035</u>	<u>72,797</u>	<u>1,199,800</u>	
Clean Water Services					
Forest Grove Rehabilitation Project,					
annual installments of					
\$94,004 through 2016, including					
interest at 3.77 percent					
Principal	536,223	-	74,487	461,736	77,321
Interest	10,080	15,287	19,517	5,850	
	<u>546,303</u>	<u>15,287</u>	<u>94,004</u>	<u>467,586</u>	
Clean Water Services					
Forest Grove Sunset Sewer Project,					
annual installments of					
\$121,995 through 2018, including					
interest at 3.77 percent					
Principal	819,894	-	88,475	731,419	92,230
Interest	15,834	31,812	33,520	14,126	
	<u>-</u>	<u>31,812</u>	<u>121,995</u>	<u>745,545</u>	
Compensated absences	<u>261,109</u>	<u>263,757</u>	<u>261,109</u>	<u>263,757</u>	<u>263,757</u>
Total long-term obligations	5,912,917	517,980	961,405	6,305,220	\$ <u>719,112</u>
Interest	66,857	254,223	262,572	58,508	
Principal	<u>\$ 5,846,060</u>	<u>\$ 263,757</u>	<u>\$ 698,833</u>	<u>\$ 6,246,712</u>	

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

C. *The future maturities as of June 30, 2011 are as follows:*

Governmental activities

Fiscal Year	2010 Refunding		OEDD		Compensated	Totals	
	Principal	Interest	Principal	Interest	Absences	Principal	Interest
2012	\$ 400,000	\$ 63,875	\$ 17,886	\$ 5,820	\$ 846,894	\$ 1,264,780	\$ 69,695
2013	425,000	55,875	18,053	4,791	-	443,053	60,666
2014	455,000	45,250	18,228	3,753	-	473,228	49,003
2015	480,000	31,600	23,414	2,704	-	503,414	34,304
2016	505,000	18,200	23,610	1,358	-	528,610	19,558
	<u>\$ 2,265,000</u>	<u>\$ 214,800</u>	<u>\$ 101,191</u>	<u>\$ 18,426</u>	<u>\$ 846,894</u>	<u>\$ 3,213,085</u>	<u>\$ 3,446,311</u>

Business-type activities

Fiscal Year	2003 Full Faith and Credit		US Dept. of Interior Scoggins Dam		Clean Water Service Rehabilitation Project	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 255,000	\$ 156,700	\$ 30,804	\$ 41,993	\$ 77,321	\$ 16,683
2013	260,000	146,181	31,882	40,915	80,264	13,741
2014	255,000	135,131	32,998	39,799	83,318	10,686
2015	265,000	124,931	34,152	38,645	86,489	7,515
2016	275,000	114,331	35,348	37,449	89,780	4,224
2017-21	1,555,000	384,350	196,185	167,798	44,564	838
2022-2026	725,000	51,301	233,008	130,977	-	-
2027-2031	-	-	276,741	87,244	-	-
2032-2036	-	-	328,682	35,303	-	-
	<u>\$ 3,590,000</u>	<u>\$ 1,112,925</u>	<u>\$ 1,199,800</u>	<u>\$ 620,123</u>	<u>\$ 461,736</u>	<u>\$ 53,687</u>

Fiscal Year	Clean Water Service Sewer Project		Compensated	Totals	
	Principal	Interest	Absences	Principal	Interest
2012	\$ 92,230	\$ 29,765	\$ 263,757	\$ 719,112	\$ 245,141
2013	96,144	25,850	-	468,290	226,687
2014	100,225	21,770	-	471,541	207,386
2015	104,478	17,516	-	490,119	188,607
2016	108,912	13,082	-	509,040	169,086
2017-21	229,430	12,101	-	2,025,179	565,087
2022-2026	-	-	-	958,008	182,278
2027-2031	-	-	-	276,741	87,244
2032-2036	-	-	-	328,682	35,303
	<u>\$ 731,419</u>	<u>\$ 120,084</u>	<u>\$ 263,757</u>	<u>\$ 6,246,712</u>	<u>\$ 1,906,819</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-Term Obligations (continued)

D. *Advance refunding*

The City issued \$2,265,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$2,875,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$62,742. This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 7 years by \$551,711 and resulted in an economic gain of \$359,220. At June 30, 2011, the amount of defeased bonds outstanding totaled \$2,540,000.

7. Conduit Debt

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

On September 1, 2005, Pacific University issued \$41,000,000 in revenue bonds to improve campus facilities. At June 30, 2011, \$41,000,000 was outstanding. The bonds mature May 1, 2036.

Pacific University issued \$5,625,000 in revenue bonds on September 1, 2005 to improve campus facilities. The bond matures May 1, 2012 and the amount outstanding at June 30, 2011 was \$1,055,000.

On June 29, 2007, the Oak Tree Foundation issued \$30,460,000 in revenue bonds to construct student housing for Pacific University. At June 30, 2011, \$30,135,000 was outstanding. The bonds mature March 1, 2037.

Pacific University issued \$35,305,000 in revenue bonds on July 23, 2009 to improve campus facilities. At June 30, 2011, \$35,305,000 was outstanding. The bonds mature June 30, 2039.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan

Plan Description

Substantially all employees are participants in the defined benefit retirement plan of City of Forest Grove, Oregon (the Plan), a single employer defined benefit public employee retirement system.

All full-time employees are eligible to participate in the Plan after six months of employment. Employees are divided into two groups: Public Safety Members (consisting of firefighters and police officers) and General Members. All full-time employees of the City are eligible to participate in the plan after six months of employment, except that employees over the age of 57 at the date of hire shall not be eligible for the fire and police employee plan and employees over the age of 64 at the date of hire shall not be eligible for the general employee plan. Benefits generally vest after five years of service. Public Safety Members are eligible for retirement at age 58, while general members are eligible at age 65. Beginning July 1, 2003, the employee groups were combined for reporting purposes. Early retirement is available after age 50, with reduced benefits except for public safety employees with at least 25 years of service or general members with at least 30 years of service.

Retirement benefits are calculated using a formula based on salary and length of service and are payable in a lump sum or monthly. The Plan also provides death and disability benefits. These benefit provisions, contributions and other requirements are established by state statutes.

The total Plan membership at June 30, 2011, of 233 includes 132 active employees, 29 terminated employees entitled to benefits and 72 retired employees with deferred benefits. Of the 132 active employees covered by the Plan, 29 were non-vested and 103 were vested. Of the 29 terminated members, 8 were entitled to their account balances only and 21 were members with vested accrued benefits.

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

Funding Policy

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of seven percent of covered salaries in addition to the remaining amount necessary to fund the Plan. Costs of administering the Plan are paid by the Plan.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

Annual Pension Cost

The Plan's funding policy provides for actuarially determined periodic contributions that are sufficient to pay benefits when due. The actuarial costing method used to determine the contribution required for formula benefits in excess of employee and employer account balances was the "individual entry age method." The actuarial values of the Plan assets are determined by the fair value of the mutual fund investments of the Plan as of the actuarial valuation date. The June 30, 2011, actuarial assumptions included:

- Future investment earnings of the assets of the plan will accrue at a net annual rate of 7.25%.
- Interest on member contributions will accrue at a net annual rate of 7.25%.
- Projected salary increases of 4.5 percent per annum (includes both merit and cost of living increases).
- Post-retirement benefit increases of 2 percent per year.

The unfunded actuarial accrued liability is being amortized over a closed 30-year period.

The following table presents a schedule of the City's required annual contributions:

<u>Year Ended June 30,</u>	<u>Annual Required Contributions</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2011	\$ 1,144,710	\$ 1,148,360	100%
2010	1,063,795	1,075,147	101%
2009	807,092	957,795	118%
2008	832,428	1,025,834	123%
2007	817,960	984,440	120%
2006	734,571	883,831	121%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

The following table presents a schedule of funding progress for the City:

<u>Actuarial Valuation as of June 30, 2011</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>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</u>
2011	\$ 26,247,291	\$ 37,232,568	\$ 10,985,277	71%	\$ 8,754,047	126%
2010	22,488,915	34,331,163	11,842,248	66%	9,007,213	132%
2009	19,562,273	37,449,276	2,633,573	61%	8,594,171	147%
2008	21,031,579	29,772,076	8,740,497	71%	7,652,811	114%
2007	21,206,225	27,291,995	6,085,770	78%	7,904,747	77%
2006	17,745,264	24,620,703	6,875,439	72%	7,263,639	95%

The following table presents the annual pension cost and change in net pension obligation for the City estimated as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Annual Required Contribution (ARC)	\$ 1,144,710	\$ 1,063,795
Interest on Net Pension Obligation	(46,051)	(44,454)
Adjustment to Annual Required Contribution	<u>37,055</u>	<u>34,515</u>
Annual Pension Cost	1,135,714	1,053,856
Contributions made	<u>(1,148,360)</u>	<u>(1,075,147)</u>
Change in Net Pension Obligation	(12,646)	(21,291)
Net Pension Obligation (Asset) - beginning of year	<u>(614,016)</u>	<u>(592,725)</u>
Net Pension Obligation (Asset) - end of year	<u>\$ (626,662)</u>	<u>\$ (614,016)</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Defined Benefit Pension Plan (continued)

Three-year trend information

	<u>Annual Pension Cost</u>	<u>Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 1,135,714	\$ 1,148,360	100.32%	\$ (626,662)
June 30, 2010	1,053,856	1,075,147	101.07%	(614,016)
June 30, 2009	798,826	957,795	118.67%	(592,725)

9. 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. For employees hired before July 1, 2003 the City will pay the group health insurance for retired employees. As required by ORS 243.303(2) retirees who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The plan does not issue a separate stand-alone financial report.

Membership

The City's membership in the plan at August 1, 2010 (the date of the latest actuarial valuation) consisted of the following:

Active employees	148
Retirees, spouses or dependents	<u>10</u>
Total	<u><u>158</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Other Post-Employment Benefits (continued)

Funding policy and contributions

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

For retirees	\$	534
For spouses of retirees		509

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

Annual OPEB cost and net OPEB Obligation

The City had its first actuarial valuation performed as of August 1, 2008 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

Normal cost	\$	167,858
Amortization of UAAL		<u>139,389</u>
Annual required contribution	\$	<u>307,247</u>

The net OPEB obligation as of June 30, 2011 was calculated as follows:

Annual required contribution	\$	307,247
Interest on prior year Net OPEB		17,495
Adjustment to ARC		27,442
Contributions made		<u>(87,514)</u>
Increase in net OPEB obligation		209,786
Net OPEB obligation at beginning of year		<u>388,771</u>
Net OPEB obligation at end of year	\$	<u>598,557</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. 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, 2011, 2010 and 2009 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, 2011	\$ 297,300	29%	\$ 598,557
June 30, 2010	283,203	34%	388,771
June 30, 2009	276,797	27%	202,542

Actuarial methods and assumptions

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

In the August 1, 2010 actuarial valuation, the projected unit credit cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 4 percent rate for discounting future liabilities, a payroll growth of 3.75 percent per year, annual premium rate increases from 8.5 percent initially to 5 percent in 2059, and participation rate of 65 percent of future retirees hired after July 1, 2003 electing coverage under the plan. The unfunded actuarial liability is being amortized using the level percentage of payroll over an open period of 15 years.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. 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.

Unfunded

Actuarial Valuation as of August 1,	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Accrued Liability as a Percent of Covered Payroll
2010	\$ --	\$ 1,809,723	\$ 1,809,723	0%	\$ 9,007,213	20%
2008	--	1,685,541	1,685,541	0%	7,652,811	22%
2006	--	1,452,217	1,452,217	0%	7,263,639	20%

10. Joint Ventures and Intergovernmental Agreements

The City is a party to the Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission, an entity organized under ORS 190. As a member of the Commission, the City owns a 13.3% interest in a joint water service system. The City's investment in the commission at June 30, 2011 is \$6,685,116. The Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Joint Ventures and Intergovernmental Agreements (continued)

The City together with the cities of Hillsboro and Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District is a party to the Barney Reservoir Joint Ownership Commission, an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir," located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir." As a member of the commission, the City owns a 2.5% interest in the reservoir. The City's investment in the Commission at June 30, 2011 is \$717,602. The Barney Reservoir Joint Commission issues a publicly available financial report which may be obtained by writing the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1% of sewer service charges collected, 20% of connection charges collected, and 75% of surface water management fees collected in accordance with agreements between the City and CWS. The amount due collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2011 was \$3,146,017. The amount due to and payable to CWS at June 30, 2011 is \$168,078.

11. 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, 2011, employees of the City had accumulated 9,630 days of sick leave.

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1981 the League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$5 million for each insured event.

The City continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Segment Information

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

Summary financial information for sewer and water for the year ended June 30, 2011 is as follows:

Condensed statement of net assets	<u>Sewer</u>	<u>Water</u>
<u>Assets</u>		
Current assets	\$ 3,277,654	\$ 4,130,596
Investment in joint venture	-	7,402,718
Capital assets, net	<u>7,926,971</u>	<u>11,257,556</u>
Total assets, net	<u>11,204,625</u>	<u>22,790,870</u>
<u>Liabilities</u>		
Current liabilities	430,564	159,631
Noncurrent liabilities	<u>1,193,155</u>	<u>4,914,836</u>
Total liabilities	<u>1,623,719</u>	<u>5,074,467</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	6,733,816	6,467,756
Restricted	1,039,361	1,581,919
Unrestricted	<u>1,807,729</u>	<u>9,666,728</u>
Total net assets	<u>\$ 9,580,906</u>	<u>\$ 17,716,403</u>
Condensed statement of revenues, expenses and changes in net assets		
Operating revenue	\$ 4,043,170	\$ 2,668,108
Depreciation expense	237,537	416,700
Other operating expenses	<u>4,159,282</u>	<u>2,662,456</u>
Operating (loss)	(353,649)	(411,048)
Non operating revenues (expenses)	<u>329,132</u>	<u>(231,994)</u>
(Loss) before transfers	(24,517)	(643,042)
Transfers	<u>(50,292)</u>	<u>(189,595)</u>
Change in fund net assets	(74,809)	(832,637)
Fund net assets - beginning	<u>9,655,715</u>	<u>18,549,040</u>
Fund net assets - ending	<u>\$ 9,580,906</u>	<u>\$ 17,716,403</u>
Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	(148,298)	26,785
Non-capital financing activities	(172,287)	(177,844)
Capital and related financing	268,748	397,192
Investing activities	<u>16,802</u>	<u>19,586</u>
Net increase (decrease) in cash	(35,035)	265,719
Cash and cash equivalents - beginning of year	<u>3,096,114</u>	<u>3,598,446</u>
Cash and cash equivalents - end of year	<u>\$ 3,061,079</u>	<u>\$ 3,864,165</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

15. Interfund Transfers

	Transfers	
	In	Out
General	\$ 903,298	\$ 545,000
Other governmental funds	642,850	183,910
Governmental activities	48,023	-
Light	11,614	777,550
Light - non-cash	-	34,434
Sewer	-	50,292
Sewer - non-cash	121,995	-
Water	-	177,844
Water - non-cash	-	11,751
Surface water management	-	38,590
Other enterprise funds	-	121,995
Internal service funds	276,872	63,286
	<u>\$ 2,004,652</u>	<u>\$ 2,004,652</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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. Subsequent Events

On February 7, 2008, the City of Forest Grove was sued in US District Court by a developer for inverse condemnation and various constitutional claims violations under 42 USC Section 1983 including: first amendment retaliation, denial of equal protection, and denial of substantive and procedural due processes related to a subdivision development. In September 2011, a trial was held in US District and the jury decided in favor of the plaintiff who was awarded \$6,539,176 in damages. Plaintiff has submitted a motion subsequent to the jury award for attorney fees and costs totaling \$1,741,808. The Judge will not rule on that motion until the Judge rules on post trial motions for the City. The City's insurance limit is \$5 million. If any damages over \$5 million are ultimately paid, that amount would be paid by the City out of funds accumulated for capital purchases.

The City has filed post-trial motions to have the Court reduce or eliminate the verdict for a variety of legal reasons. These motions are pending before the trial judge who will take the motions under advisement as of May 1, 2012. If the trial judge does not reduce or eliminate the verdict, the City's current intent is to appeal the case to the Ninth Circuit Court of Appeals. Additional legal issues will be raised if the case is appealed. The City expects the appeal process, if filed, to take up to two years.

On October 22, 2009, the City of Forest Grove was sued in US District Court for violation of 42 USC Section 1983, supplemental state law claims of inverse condemnation, intentional interference with prospective business advantage and nuisance related to an earlier failed attempt by the City to condemn property for City park use. In November 2011, the City settled the case with plaintiff for \$300,000 with neither party admitting to any wrongdoing. The \$300,000 settlement payment was split equally between the City and the City's insurance company. The City's portion of the payment was paid out of funds accumulated for capital purchases.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2011

	Special Revenue	Capital Projects	Debt Service	Permanent Private Purpose Trust - Library Endowment	Totals
<u>ASSETS</u>					
Cash and investments	\$ 639,481	\$ 8,117,253	\$ 98,492	\$ 41,690	\$ 8,896,916
Receivables, net	190,535	30,667	153,229	-	374,431
Accrued interest receivable	-	82	23,387	-	23,469
Prepaid items	1,967	-	-	-	1,967
TOTAL ASSETS	<u>\$ 831,983</u>	<u>\$ 8,148,002</u>	<u>\$ 275,108</u>	<u>\$ 41,690</u>	<u>\$ 9,296,783</u>
<u>LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 204,661	\$ 3,511	\$ -	\$ -	\$ 208,172
Payroll related liabilities	8,235	-	-	-	8,235
Deposits	686	-	-	-	686
Deferred revenue	-	13,224	148,255	-	161,479
TOTAL LIABILITIES	<u>213,582</u>	<u>16,735</u>	<u>148,255</u>	<u>-</u>	<u>378,572</u>
<u>FUND BALANCE</u>					
Nonspendable	1,967	-	-	41,186	43,153
Restricted	461,829	4,288,771	126,853	504	4,877,957
Committed	154,605	491,236	-	-	645,841
Assigned	-	3,351,260	-	-	3,351,260
TOTAL FUND BALANCE	<u>618,401</u>	<u>8,131,267</u>	<u>126,853</u>	<u>41,690</u>	<u>8,918,211</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 831,983</u>	<u>\$ 8,148,002</u>	<u>\$ 275,108</u>	<u>\$ 41,690</u>	<u>\$ 9,296,783</u>

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	Special Revenue	Capital Projects	Debt Service	Permanent Private Purpose Trust - Library Endowment	Totals
REVENUES					
Property taxes	\$ -	\$ -	\$ 474,654	\$ -	\$ 474,654
Other taxes	-	247,593	-	-	247,593
Grants	1,692	294,379	-	-	296,071
Fees and fines	57,873	171,000	-	-	228,873
Licenses and permits	463,947	11	-	-	463,958
Charges for services	-	214,495	27,748	-	242,243
Intergovernmental	593,598	38,211	-	-	631,809
Interest	3,136	45,642	4,563	234	53,575
Miscellaneous	-	64,866	-	-	64,866
TOTAL REVENUES	<u>1,120,246</u>	<u>1,076,197</u>	<u>506,965</u>	<u>234</u>	<u>2,703,642</u>
EXPENDITURES					
General government	482,307	-	-	-	482,307
Public safety	105,959	-	-	-	105,959
Highways and streets	515,538	-	-	-	515,538
Culture and recreation	107,366	-	-	-	107,366
Capital outlay	-	509,483	-	-	509,483
Debt service	-	-	598,218	-	598,218
TOTAL EXPENDITURES	<u>1,211,170</u>	<u>509,483</u>	<u>598,218</u>	<u>-</u>	<u>2,318,871</u>
Excess (deficiency) of revenues over expenditures	<u>(90,924)</u>	<u>566,714</u>	<u>(91,253)</u>	<u>234</u>	<u>384,771</u>
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	-	2,842,844	-	2,842,844
Payment to refunded bond escrow agent	-	-	(2,937,742)	-	(2,937,742)
Proceeds from the sale of equipment	-	2,450	-	-	2,450
Transfers in	-	642,850	-	-	642,850
Transfers out	-	(183,910)	-	-	(183,910)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>461,390</u>	<u>(94,898)</u>	<u>-</u>	<u>366,492</u>
Net change in fund balance	(90,924)	1,028,104	(186,151)	234	751,263
Fund balance at beginning of year	<u>709,325</u>	<u>7,103,163</u>	<u>313,004</u>	<u>41,456</u>	<u>8,166,948</u>
Fund balance at end of year	<u>\$ 618,401</u>	<u>\$ 8,131,267</u>	<u>\$ 126,853</u>	<u>\$ 41,690</u>	<u>\$ 8,918,211</u>

CITY OF FOREST GROVE

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

June 30, 2011

	<u>Building Permits</u>	<u>Street Tree</u>	<u>Forfeiture Sharing</u>
<u>ASSETS</u>			
Cash and investments	\$ 460,953	\$ 88,050	\$ 731
Receivables, net	-	-	-
Prepaid items	<u>1,967</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 462,920</u>	<u>\$ 88,050</u>	<u>\$ 731</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 14,126	\$ -	\$ -
Payroll related liabilities	8,235	-	-
Deposits	<u>-</u>	<u>-</u>	<u>686</u>
TOTAL LIABILITIES	<u>22,361</u>	<u>-</u>	<u>686</u>
<u>FUND BALANCE</u>			
Nonspendable	1,967	-	-
Restricted	438,592	-	45
Committed	<u>-</u>	<u>88,050</u>	<u>-</u>
TOTAL FUND BALANCE	<u>440,559</u>	<u>88,050</u>	<u>45</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 462,920</u>	<u>\$ 88,050</u>	<u>\$ 731</u>

<u>Library Donations</u>	<u>Community Enhancement</u>	<u>Trail System</u>	<u>Transportation Services</u>	<u>Public Arts Donation</u>	<u>Totals</u>
\$ 1,483	\$ 14,193	\$ 66,555	\$ -	\$ 7,516	\$ 639,481
-	-	-	190,535	-	190,535
-	-	-	-	-	1,967
<u>\$ 1,483</u>	<u>\$ 14,193</u>	<u>\$ 66,555</u>	<u>\$ 190,535</u>	<u>\$ 7,516</u>	<u>\$ 831,983</u>
\$ -	\$ -	\$ -	\$ 190,535	\$ -	\$ 204,661
-	-	-	-	-	8,235
-	-	-	-	-	686
-	-	-	190,535	-	213,582
-	-	-	-	-	1,967
1,483	14,193	-	-	7,516	461,829
-	-	66,555	-	-	154,605
<u>1,483</u>	<u>14,193</u>	<u>66,555</u>	<u>-</u>	<u>7,516</u>	<u>618,401</u>
<u>\$ 1,483</u>	<u>\$ 14,193</u>	<u>\$ 66,555</u>	<u>\$ 190,535</u>	<u>\$ 7,516</u>	<u>\$ 831,983</u>

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2011**

	Building Permits	Street Tree	911 Emergency	Forfeiture Sharing
REVENUES				
Grants	\$ -	\$ -	\$ -	\$ -
Fees and fines	-	-	-	-
Licenses and permits	422,652	41,295	-	-
Intergovernmental	-	-	105,959	-
Interest	2,251	335	-	-
TOTAL REVENUES	<u>424,903</u>	<u>41,630</u>	<u>105,959</u>	<u>-</u>
EXPENDITURES				
General government	404,946	-	-	-
Public safety	-	-	105,959	-
Highways and streets	-	27,899	-	-
Culture and recreation	-	-	-	-
TOTAL EXPENDITURES	<u>404,946</u>	<u>27,899</u>	<u>105,959</u>	<u>-</u>
Net change in fund balance	19,957	13,731	-	-
Fund balance at beginning of year	<u>420,602</u>	<u>74,319</u>	<u>-</u>	<u>45</u>
Fund balance at end of year	<u>\$ 440,559</u>	<u>\$ 88,050</u>	<u>\$ -</u>	<u>\$ 45</u>

Library Donations	Community Enhancement	Trail System	Transportation Services	Public Arts Donation	Totals
\$ -	\$ 1,038	\$ -	\$ -	\$ 654	\$ 1,692
-	57,873	-	-	-	57,873
-	-	-	-	-	463,947
-	-	-	487,639	-	593,598
-	33	474	-	43	3,136
-	58,944	474	487,639	697	1,120,246
-	77,361	-	-	-	482,307
-	-	-	-	-	105,959
-	-	-	487,639	-	515,538
-	-	96,605	-	10,761	107,366
-	77,361	96,605	487,639	10,761	1,211,170
-	(18,417)	(96,131)	-	(10,064)	(90,924)
1,483	32,610	162,686	-	17,580	709,325
<u>\$ 1,483</u>	<u>\$ 14,193</u>	<u>\$ 66,555</u>	<u>\$ -</u>	<u>\$ 7,516</u>	<u>\$ 618,401</u>

CITY OF FOREST GROVE

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS**

June 30, 2011

	<u>Traffic Impact</u>	<u>Transportation Development Tax</u>	<u>Park Acquisition and Development</u>
<u>ASSETS</u>			
Cash and investments	\$ 3,218,982	\$ 409,543	\$ 576,498
Receivables, net	-	-	-
Accrued interest receivable	-	-	-
TOTAL ASSETS	<u>\$ 3,218,982</u>	<u>\$ 409,543</u>	<u>\$ 576,498</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE</u>			
Restricted	3,218,982	409,543	576,498
Committed	-	-	-
Assigned	-	-	-
TOTAL FUND BALANCE	<u>3,218,982</u>	<u>409,543</u>	<u>576,498</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,218,982</u>	<u>\$ 409,543</u>	<u>\$ 576,498</u>

Capital Projects	Fire Equipment Replacement	Bike and Pedestrian Pathways	CIP Excise	Facility Major Maintenance	Totals
\$ 2,806,855	\$ 401,276	\$ 83,748	\$ 74,185	\$ 546,166	\$ 8,117,253
190	17,525	-	12,952	-	30,667
82	-	-	-	-	82
<u>\$ 2,807,127</u>	<u>\$ 418,801</u>	<u>\$ 83,748</u>	<u>\$ 87,137</u>	<u>\$ 546,166</u>	<u>\$ 8,148,002</u>
\$ 1,761	\$ 1,750	\$ -	\$ -	\$ -	\$ 3,511
272	-	-	12,952	-	13,224
<u>2,033</u>	<u>1,750</u>	<u>-</u>	<u>12,952</u>	<u>-</u>	<u>16,735</u>
-	-	83,748	-	-	4,288,771
-	417,051	-	74,185	-	491,236
<u>2,805,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>546,166</u>	<u>3,351,260</u>
<u>2,805,094</u>	<u>417,051</u>	<u>83,748</u>	<u>74,185</u>	<u>546,166</u>	<u>8,131,267</u>
<u>\$ 2,807,127</u>	<u>\$ 418,801</u>	<u>\$ 83,748</u>	<u>\$ 87,137</u>	<u>\$ 546,166</u>	<u>\$ 8,148,002</u>

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2011**

	<u>Traffic Impact</u>	<u>Transportation Development Tax</u>	<u>Park Acquisition and Development</u>
REVENUES			
Other taxes	\$ -	\$ 247,593	\$ -
Grants	-	-	124,272
System development charges	-	-	171,000
Licenses and permits	-	-	-
Charges for services	-	-	-
Intergovernmental	-	-	-
Interest	19,169	1,563	2,263
Miscellaneous	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	19,169	249,156	297,535
EXPENDITURES			
Capital outlay	-	-	18,590
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	19,169	249,156	278,945
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of equipment	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	19,169	249,156	278,945
Fund balance at beginning of year	3,199,813	160,387	297,553
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ 3,218,982	\$ 409,543	\$ 576,498
	<hr/>	<hr/>	<hr/>

<u>Capital Projects</u>	<u>Fire Equipment Replacement</u>	<u>Bike and Pedestrian Pathways</u>	<u>CIP Excise</u>	<u>Facility Major Maintenance</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 247,593
122,275	47,832	-	-	-	294,379
-	-	-	-	-	171,000
-	-	11	-	-	11
-	-	-	214,495	-	214,495
-	27,951	10,260	-	-	38,211
18,749	2,088	313	331	1,166	45,642
64,866	-	-	-	-	64,866
205,890	77,871	10,584	214,826	1,166	1,076,197
257,450	159,254	3,650	70,539	-	509,483
(51,560)	(81,383)	6,934	144,287	1,166	566,714
-	2,450	-	-	-	2,450
-	97,850	-	-	545,000	642,850
-	-	-	(183,910)	-	(183,910)
-	100,300	-	(183,910)	545,000	461,390
(51,560)	18,917	6,934	(39,623)	546,166	1,028,104
2,856,654	398,134	76,814	113,808	-	7,103,163
<u>\$ 2,805,094</u>	<u>\$ 417,051</u>	<u>\$ 83,748</u>	<u>\$ 74,185</u>	<u>\$ 546,166</u>	<u>\$ 8,131,267</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
June 30, 2011

	General Debt Service	Special Public Works Debt Service	Totals
<u>ASSETS</u>			
Cash and investments	\$ 53,429	\$ 45,063	\$ 98,492
Receivables, net	19,764	133,465	153,229
Accrued interest receivable	-	23,387	23,387
TOTAL ASSETS	\$ 73,193	\$ 201,915	\$ 275,108
<u>LIABILITIES</u>			
Deferred revenue	\$ 14,790	\$ 133,465	\$ 148,255
<u>FUND BALANCE</u>			
Restricted	58,403	68,450	126,853
TOTAL LIABILITIES AND FUND BALANCE	\$ 73,193	\$ 201,915	\$ 275,108

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUNDS
For the Year Ended June 30, 2011**

	General Debt Service	Special Public Works Debt Service	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 474,654	\$ -	\$ 474,654
Charges for services	-	27,748	27,748
Interest	<u>1,772</u>	<u>2,791</u>	<u>4,563</u>
 TOTAL REVENUES	 476,426	 30,539	 506,965
 EXPENDITURES			
Debt service	<u>518,995</u>	<u>79,223</u>	<u>598,218</u>
 Excess (deficiency) of revenues over expenditures	 <u>(42,569)</u>	 <u>(48,684)</u>	 <u>(91,253)</u>
 OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	2,842,844	-	2,842,844
Payment to refunded bond escrow agent	<u>(2,937,742)</u>	<u>-</u>	<u>(2,937,742)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(94,898)</u>	 <u>-</u>	 <u>(94,898)</u>
 Net change in fund balance	 (137,467)	 (48,684)	 (186,151)
Fund balance at beginning of year	<u>195,870</u>	<u>117,134</u>	<u>313,004</u>
 Fund balance at end of year	 <u>\$ 58,403</u>	 <u>\$ 68,450</u>	 <u>\$ 126,853</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 248,207	\$ 422,652	\$ 174,445
Interest	<u>3,156</u>	<u>2,251</u>	<u>(905)</u>
TOTAL REVENUES	<u>251,363</u>	<u>424,903</u>	<u>173,540</u>
EXPENDITURES			
Personal services	287,452	288,170	(718)
Materials and services	115,358	116,776	(1,418)
Contingency	<u>111,908</u>	<u>-</u>	<u>111,908</u>
TOTAL EXPENDITURES	<u>514,718</u>	<u>404,946</u>	<u>109,772</u>
Excess (deficiency) of revenues over expenditures	(263,355)	19,957	283,312
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balance	(243,355)	19,957	263,312
Fund balance at beginning of year	<u>313,355</u>	<u>420,602</u>	<u>107,247</u>
Fund balance at end of year	<u>\$ 70,000</u>	<u>\$ 440,559</u>	<u>\$ 370,559</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 12,000	\$ 41,295	\$ 29,295
Interest	<u>750</u>	<u>335</u>	<u>(415)</u>
TOTAL REVENUES	12,750	41,630	28,880
EXPENDITURES			
Materials and services	<u>85,635</u>	<u>27,899</u>	<u>57,736</u>
Net change in fund balance	(72,885)	13,731	86,616
Fund balance at beginning of year	<u>72,885</u>	<u>74,319</u>	<u>1,434</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 88,050</u>	<u>\$ 88,050</u>

CITY OF FOREST GROVE

**911 EMERGENCY - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 120,000	\$ 105,959	\$ (14,041)
EXPENDITURES			
Materials and services	<u>120,000</u>	<u>105,959</u>	<u>14,041</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**FORFEITURE SHARING - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fees and fines	\$ 10,000	\$ -	\$ (10,000)
EXPENDITURES			
Materials and services	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>45</u>	<u>45</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 45</u>	<u>\$ 45</u>

CITY OF FOREST GROVE

**LIBRARY DONATIONS - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Materials and services	\$ 730	\$ -	\$ 730
Excess (deficiency) of revenues over expenditures	(730)	-	730
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>635</u>	<u>-</u>	<u>(635)</u>
Net change in fund balance	(95)	-	95
Fund balance at beginning of year	<u>95</u>	<u>1,483</u>	<u>1,388</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 1,483</u>	<u>\$ 1,483</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ -	\$ 1,038	\$ 1,038
Intergovernmental	66,000	57,873	(8,127)
Interest	<u>-</u>	<u>33</u>	<u>33</u>
 TOTAL REVENUES	 66,000	 58,944	 (7,056)
 EXPENDITURES			
Materials and services	<u>79,869</u>	<u>77,361</u>	<u>2,508</u>
 Net change in fund balance	 (13,869)	 (18,417)	 (4,548)
Fund balance at beginning of year	<u>35,230</u>	<u>32,610</u>	<u>(2,620)</u>
 Fund balance at end of year	 <u>\$ 21,361</u>	 <u>\$ 14,193</u>	 <u>\$ (7,168)</u>

CITY OF FOREST GROVE

**TRAIL SYSTEM - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 1,200	\$ 474	\$ (726)
 EXPENDITURES			
Materials and services	15,000	-	15,000
Capital outlay	187,815	96,605	91,210
 TOTAL EXPENDITURES	202,815	96,605	106,210
 Net change in fund balance	(201,615)	(96,131)	105,484
Fund balance at beginning of year	201,615	162,686	(38,929)
 Fund balance at end of year	\$ -	\$ 66,555	\$ 66,555

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 490,000	\$ 487,639	\$ (2,361)
EXPENDITURES			
Materials and services	<u>490,000</u>	<u>487,639</u>	<u>2,361</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ 1,000	\$ 654	\$ (346)
Interest	<u>180</u>	<u>43</u>	<u>(137)</u>
 TOTAL REVENUES	 1,180	 697	 (483)
EXPENDITURES			
Materials and services	<u>18,707</u>	<u>10,761</u>	<u>7,946</u>
 Net change in fund balance	 (17,527)	 (10,064)	 7,463
Fund balance at beginning of year	<u>17,527</u>	<u>17,580</u>	<u>53</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 7,516</u>	 <u>\$ 7,516</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 31,420	\$ 19,169	\$ (12,251)
EXPENDITURES			
Capital outlay	<u>3,173,350</u>	<u>-</u>	<u>3,173,350</u>
Net change in fund balance	(3,141,930)	19,169	3,161,099
Fund balance at beginning of year	<u>3,141,930</u>	<u>3,199,813</u>	<u>57,883</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,218,982</u>	<u>\$ 3,218,982</u>

CITY OF FOREST GROVE

**TRANSPORTATION DEVELOPMENT TAX - CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Other taxes	\$ 130,000	\$ 247,593	\$ 117,593
Interest	<u>1,300</u>	<u>1,563</u>	<u>263</u>
 TOTAL REVENUES	 131,300	 249,156	 117,856
 EXPENDITURES			
Capital outlay	<u>260,272</u>	<u>-</u>	<u>260,272</u>
 Net change in fund balance	 (128,972)	 249,156	 378,128
Fund balance at beginning of year	<u>128,972</u>	<u>160,387</u>	<u>31,415</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 409,543</u>	 <u>\$ 409,543</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ -	\$ 124,272	\$ 124,272
System development charges	150,000	171,000	21,000
Interest	<u>3,500</u>	<u>2,263</u>	<u>(1,237)</u>
 TOTAL REVENUES	 153,500	 297,535	 144,035
EXPENDITURES			
Capital outlay	<u>471,471</u>	<u>18,590</u>	<u>452,881</u>
 Net change in fund balance	 (402,971)	 278,945	 681,916
Fund balance at beginning of year	<u>402,971</u>	<u>297,553</u>	<u>(105,418)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 576,498</u>	 <u>\$ 576,498</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, 2011**

	Budget	Actual	Variance
REVENUES			
Grants	\$ -	\$ 122,275	\$ 122,275
Interest	30,000	18,749	(11,251)
Miscellaneous	-	64,866	64,866
 TOTAL REVENUES	 30,000	 205,890	 175,890
 EXPENDITURES			
Capital outlay	2,856,509	257,450	2,599,059
Net change in fund balance	(2,826,509)	(51,560)	2,774,949
Fund balance at beginning of year	2,826,509	2,856,654	30,145
 Fund balance at end of year	 \$ -	 \$ 2,805,094	 \$ 2,805,094

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, 2011**

	Budget	Actual	Variance
REVENUES			
Grants	\$ 68,900	\$ 47,832	\$ (21,068)
Intergovernmental	37,500	27,951	(9,549)
Interest	3,700	2,088	(1,612)
 TOTAL REVENUES	 110,100	 77,871	 (32,229)
EXPENDITURES			
Capital outlay	193,900	159,254	34,646
Excess (deficiency) of revenues over expenditures	(83,800)	(81,383)	2,417
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	2,450	2,450
Transfers in	97,850	97,850	-
 TOTAL OTHER FINANCING SOURCES (USES)	 97,850	 100,300	 2,450
 Net change in fund balance	 14,050	 18,917	 4,867
Fund balance at beginning of year	389,032	398,134	9,102
 Fund balance at end of year	 \$ 403,082	 \$ 417,051	 \$ 13,969

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 50	\$ 11	\$ (39)
Intergovernmental	8,215	10,260	2,045
Interest	<u>762</u>	<u>313</u>	<u>(449)</u>
 TOTAL REVENUES	 9,027	 10,584	 1,557
EXPENDITURES			
Capital outlay	<u>85,241</u>	<u>3,650</u>	<u>81,591</u>
 Net change in fund balance	 (76,214)	 6,934	 83,148
Fund balance at beginning of year	<u>76,214</u>	<u>76,814</u>	<u>600</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 83,748</u>	 <u>\$ 83,748</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 202,000	\$ 214,495	\$ 12,495
Interest	<u>1,000</u>	<u>331</u>	<u>(669)</u>
 TOTAL REVENUES	 203,000	 214,826	 11,826
EXPENDITURES			
Capital outlay	<u>131,299</u>	<u>70,539</u>	<u>60,760</u>
 Excess (deficiency) of revenues over expenditures	 71,701	 144,287	 72,586
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(183,910)</u>	<u>(183,910)</u>	<u>-</u>
 Net change in fund balance	 (112,209)	 (39,623)	 72,586
Fund balance at beginning of year	<u>112,209</u>	<u>113,808</u>	<u>1,599</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 74,185</u>	 <u>\$ 74,185</u>

CITY OF FOREST GROVE

**FACILITY MAJOR MAINTENANCE FUND - CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 5,000	\$ 1,166	\$ (3,834)
EXPENDITURES			
Capital outlay	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Excess (deficiency) of revenues over expenditures	(115,000)	1,166	116,166
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>545,000</u>	<u>545,000</u>	<u>-</u>
Net change in fund balance	430,000	546,166	116,166
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 430,000</u>	<u>\$ 546,166</u>	<u>\$ 116,166</u>

CITY OF FOREST GROVE

**GENERAL DEBT SERVICE - DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 468,481	\$ 474,654	\$ 6,173
Interest	<u>2,700</u>	<u>1,772</u>	<u>(928)</u>
 TOTAL REVENUES	 471,181	 476,426	 5,245
EXPENDITURES			
Debt service	<u>621,180</u>	<u>518,995</u>	<u>102,185</u>
 Excess (deficiency) of revenues over expenditures	 <u>(149,999)</u>	 <u>(42,569)</u>	 <u>107,430</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	2,842,844	2,842,844
Payment to refunded bond escrow agent	<u>-</u>	<u>(2,937,742)</u>	<u>(2,937,742)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>-</u>	 <u>(94,898)</u>	 <u>(94,898)</u>
 Net change in fund balance	 (149,999)	 (137,467)	 12,532
Fund balance at beginning of year	<u>194,068</u>	<u>195,870</u>	<u>1,802</u>
 Fund balance at end of year	 <u>\$ 44,069</u>	 <u>\$ 58,403</u>	 <u>\$ 14,334</u>

CITY OF FOREST GROVE

**SPECIAL PUBLIC WORKS DEBT SERVICE - DEBT SERVICE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 6,700	\$ 27,748	\$ 21,048
Interest	<u>44,765</u>	<u>2,791</u>	<u>(41,974)</u>
 TOTAL REVENUES	 51,465	 30,539	 (20,926)
EXPENDITURES			
Debt service	<u>79,226</u>	<u>79,223</u>	<u>3</u>
 Net change in fund balance	 (27,761)	 (48,684)	 (20,923)
Fund balance at beginning of year	<u>39,266</u>	<u>117,134</u>	<u>77,868</u>
 Fund balance at end of year	 <u>\$ 11,505</u>	 <u>\$ 68,450</u>	 <u>\$ 56,945</u>

CITY OF FOREST GROVE

LIBRARY ENDOWMENT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 440	\$ 234	\$ (206)
 OTHER FINANCING SOURCES (USES)			
Transfers out	(635)	-	635
Net change in fund balance	(195)	234	429
Fund balance at beginning of year	41,382	41,456	74
Fund balance at end of year	\$ 41,187	\$ 41,690	\$ 503
<i>Reconciliation to generally accepted accounting principles</i>			
Net assets-ending		\$ 41,690	

CITY OF FOREST GROVE

LIBRARY ENDOWMENT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL**

For the Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 440	\$ 234	\$ (206)
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(635)</u>	<u>-</u>	<u>635</u>
Net change in fund balance	(195)	234	429
Fund balance at beginning of year	<u>41,382</u>	<u>41,456</u>	<u>74</u>
Fund balance at end of year	<u>\$ 41,187</u>	<u>\$ 41,690</u>	<u>\$ 503</u>

Reconciliation to generally accepted accounting principles

Net assets-ending	<u>\$ 41,690</u>
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CITY OF FOREST GROVE

**LIGHT - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 13,377,000	\$ 13,654,807	\$ 277,807
Grants	20,000	4,000	(16,000)
Licenses and permits	22,000	5,148	(16,852)
Sale of materials	15,000	18,902	3,902
Interest	60,000	32,315	(27,685)
Miscellaneous	440,000	457,626	17,626
	<u>13,934,000</u>	<u>14,172,798</u>	<u>238,798</u>
EXPENDITURES			
Personal services	2,898,905	2,615,450	283,455
Materials and services	10,822,009	9,574,588	1,247,421
Capital outlay	924,000	392,184	531,816
Contingency	1,980,924	-	1,980,924
	<u>16,625,838</u>	<u>12,582,222</u>	<u>4,043,616</u>
TOTAL EXPENDITURES	<u>16,625,838</u>	<u>12,582,222</u>	<u>4,043,616</u>
Excess (deficiency) of revenues over expenditures	<u>(2,691,838)</u>	<u>1,590,576</u>	<u>4,282,414</u>
OTHER FINANCING (USES)			
Proceeds from sale of capital assets	-	2,580	2,580
Transfers in	11,614	11,614	-
Transfers out	(777,550)	(777,550)	-
	<u>(765,936)</u>	<u>(763,356)</u>	<u>2,580</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(765,936)</u>	<u>(763,356)</u>	<u>2,580</u>
Net change in fund balance	(3,457,774)	827,220	4,284,994
Fund balance at beginning of year	<u>5,176,953</u>	<u>6,056,524</u>	<u>879,571</u>
Fund balance at end of year	<u>\$ 1,719,179</u>	<u>6,883,744</u>	<u>\$ 5,164,565</u>

Reconciliation to generally accepted accounting principles

Inventory	402,127
Capital assets, net	14,322,065
Compensated absences payable	<u>(138,721)</u>
Net assets - ending	<u>\$ 21,469,215</u>

CITY OF FOREST GROVE

**SEWER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 4,043,466	\$ 4,043,170	\$ (296)
Interest	15,381	10,439	(4,942)
Licenses and permits	<u>800</u>	<u>738</u>	<u>(62)</u>
TOTAL REVENUES	<u>4,059,647</u>	<u>4,054,347</u>	<u>(5,300)</u>
EXPENDITURES			
Personal services	341,269	249,812	91,457
Materials and services	3,607,410	3,533,975	73,435
Capital outlay	185,000	87,380	97,620
Debt service	94,004	94,004	-
Contingency	<u>319,855</u>	<u>-</u>	<u>319,855</u>
TOTAL EXPENDITURES	<u>4,547,538</u>	<u>3,965,171</u>	<u>582,367</u>
Excess (deficiency) of revenues over expenditures	(487,891)	89,176	577,067
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(50,292)</u>	<u>(50,292)</u>	<u>-</u>
Net change in fund balance	(538,183)	38,884	577,067
Fund balance at beginning of year	<u>1,538,183</u>	<u>1,781,735</u>	<u>243,552</u>
Fund balance at end of year	<u>\$ 1,000,000</u>	1,820,619	<u>\$ 820,619</u>

Reconciliation to generally accepted accounting principles

Inventory	7,086
Capital assets, net	7,926,971
Accrued interest payable	(19,976)
Long-term obligations	<u>(1,193,155)</u>
Net assets-ending	<u>\$ 8,541,545</u>

CITY OF FOREST GROVE

**WATER - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 5,000	\$ 10,392	\$ 5,392
Charges for services	2,764,068	2,668,108	(95,960)
Sales of materials	700,000	760,030	60,030
Interest	20,907	9,963	(10,944)
Rents	<u>35,928</u>	<u>35,928</u>	<u>-</u>
TOTAL REVENUES	<u>3,525,903</u>	<u>3,484,421</u>	<u>(41,482)</u>
EXPENDITURES			
Personal services	897,673	893,238	4,435
Materials and services	1,996,623	1,889,158	107,465
Capital outlay	204,096	46,802	157,294
Debt service	484,297	484,297	-
Contingency	<u>848,250</u>	<u>-</u>	<u>848,250</u>
TOTAL EXPENDITURES	<u>4,430,939</u>	<u>3,313,495</u>	<u>1,117,444</u>
Excess (deficiency) of revenues over expenditures	(905,036)	170,926	1,075,962
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(180,203)</u>	<u>(177,844)</u>	<u>2,359</u>
Net change in fund balance	(1,085,239)	(6,918)	1,078,321
Fund balance at beginning of year	<u>2,090,718</u>	<u>2,297,169</u>	<u>206,451</u>
Fund balance at end of year	<u>\$ 1,005,479</u>	2,290,251	<u>\$ 1,284,772</u>

Reconciliation to generally accepted accounting principles

Inventory	137,327
Investment in joint venture	7,402,718
Capital assets, net	10,555,307
Intangibles, net	702,249
Accrued interest payable	(38,532)
Long-term obligations	<u>(4,914,836)</u>
Net assets - ending	<u>\$ 16,134,484</u>

CITY OF FOREST GROVE

**SURFACE WATER MANAGEMENT - ENTERPRISE FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 771,804	\$ 770,508	\$ (1,296)
Interest	3,246	1,178	(2,068)
TOTAL REVENUES	775,050	771,686	(3,364)
EXPENDITURES			
Personal services	309,384	294,991	14,393
Materials and services	475,193	450,510	24,683
Capital outlay	113,000	6,271	106,729
TOTAL EXPENDITURES	897,577	751,772	145,805
Excess (deficiency) of revenues over expenditures	(122,527)	19,914	142,441
OTHER FINANCING SOURCES (USES)			
Transfers out	(38,590)	(38,590)	-
Net change in fund balance	(161,117)	(18,676)	142,441
Fund balance at beginning of year	324,620	349,139	24,519
Fund balance at end of year	\$ 163,503	330,463	\$ 166,960
<i>Reconciliation to generally accepted accounting principles</i>			
Capital assets, net		6,021,808	
Net assets - ending		\$ 6,352,271	

CITY OF FOREST GROVE

**COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
June 30, 2011**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,055,761	\$ 1,593,144	\$ 217,022	\$ 2,865,927
LIABILITIES				
CURRENT LIABILITES				
Accounts payable	<u>16,400</u>	<u>11,225</u>	<u>-</u>	<u>27,625</u>
NET ASSETS				
Restricted for capital projects	<u>\$ 1,039,361</u>	<u>\$ 1,581,919</u>	<u>\$ 217,022</u>	<u>\$ 2,838,302</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
For the Year Ended June 30, 2011**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
OPERATING EXPENSES				
System operation and maintenance	\$ 287,812	\$ -	\$ 127	\$ 287,939
General and administrative costs	-	27,226	27,647	54,873
TOTAL OPERATING EXPENSES	<u>287,812</u>	<u>27,226</u>	<u>27,774</u>	<u>342,812</u>
Operating (loss)	<u>(287,812)</u>	<u>(27,226)</u>	<u>(27,774)</u>	<u>(342,812)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	6,363	9,623	1,019	17,005
System development charges	362,015	265,029	18,455	645,499
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>368,378</u>	<u>274,652</u>	<u>19,474</u>	<u>662,504</u>
Income (loss) before transfers	80,566	247,426	(8,300)	319,692
TRANSFERS				
Transfers out	<u>(121,995)</u>	-	-	<u>(121,995)</u>
Change in net assets	(41,429)	247,426	(8,300)	197,697
Net assets at beginning of year	<u>1,080,790</u>	<u>1,334,493</u>	<u>225,322</u>	<u>2,640,605</u>
Net assets at end of year	<u>\$ 1,039,361</u>	<u>\$ 1,581,919</u>	<u>\$ 217,022</u>	<u>\$ 2,838,302</u>

CITY OF FOREST GROVE

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2011**

	Enterprise			
	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid to suppliers	(321,742)	(16,001)	(27,774)	(365,517)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	(121,995)	-	-	(121,995)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	362,015	265,029	18,455	645,499
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	6,363	9,623	1,019	17,005
Net increase (decrease) in cash and cash equivalents	(75,359)	258,651	(8,300)	174,992
Cash and cash equivalents at beginning of year	1,131,120	1,334,493	225,322	2,690,935
Cash and cash equivalent at end of year	<u>\$ 1,055,761</u>	<u>\$ 1,593,144</u>	<u>\$ 217,022</u>	<u>\$ 2,865,927</u>
Reconciliation of operating (loss) to net cash (used in) operating activities				
Operating (loss)	\$ (287,812)	\$ (27,226)	\$ (27,774)	\$ (342,812)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Increase in liabilities				
Accounts payable	(33,930)	11,225	-	(22,705)
Net cash (used in) operating activities	<u>\$ (321,742)</u>	<u>\$ (16,001)</u>	<u>\$ (27,774)</u>	<u>\$ (365,517)</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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fees and fines	\$ 2,000	\$ 2,250	\$ 250
System development charges	365,000	359,765	(5,235)
Interest	<u>10,564</u>	<u>6,363</u>	<u>(4,201)</u>
 TOTAL REVENUES	 <u>377,564</u>	 <u>368,378</u>	 <u>(9,186)</u>
 EXPENDITURES			
Materials and services	324,000	287,812	36,188
Capital outlay	50,000	-	50,000
Debt service	121,995	121,995	-
Contingency	<u>87,976</u>	<u>-</u>	<u>87,976</u>
 TOTAL EXPENDITURES	 <u>583,971</u>	 <u>409,807</u>	 <u>174,164</u>
 Net change in fund balance	 (206,407)	 (41,429)	 164,978
Fund balance at beginning of year	<u>1,056,407</u>	<u>1,080,790</u>	<u>24,383</u>
 Fund balance at end of year	 <u>\$ 850,000</u>	 <u>\$ 1,039,361</u>	 <u>\$ 189,361</u>

Reconciliation to generally accepted accounting principles

Net assets - ending \$ 1,039,361

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 200,000	\$ 265,029	\$ 65,029
Interest	<u>11,696</u>	<u>9,623</u>	<u>(2,073)</u>
 TOTAL REVENUES	 <u>211,696</u>	 <u>274,652</u>	 <u>62,956</u>
 EXPENDITURES			
Materials and services	35,000	27,226	7,774
Capital outlay	290,000	-	290,000
Contingency	<u>75,000</u>	<u>-</u>	<u>75,000</u>
 TOTAL EXPENDITURES	 <u>400,000</u>	 <u>27,226</u>	 <u>372,774</u>
 Net change in fund balance	 (188,304)	 247,426	 435,730
Fund balance at beginning of year	<u>1,169,662</u>	<u>1,334,493</u>	<u>164,831</u>
 Fund balance at end of year	 <u>\$ 981,358</u>	 <u>\$ 1,581,919</u>	 <u>\$ 600,561</u>

Reconciliation to generally accepted accounting principles

Net assets - ending \$ 1,581,919

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 25,000	\$ 18,455	\$ (6,545)
Interest	<u>2,068</u>	<u>1,019</u>	<u>(1,049)</u>
TOTAL REVENUES	<u>27,068</u>	<u>19,474</u>	<u>(7,594)</u>
EXPENDITURES			
Capital outlay	30,000	27,774	2,226
Contingency	<u>203,879</u>	<u>-</u>	<u>203,879</u>
TOTAL EXPENDITURES	<u>233,879</u>	<u>27,774</u>	<u>206,105</u>
Net change in fund balance	(206,811)	(8,300)	198,511
Fund balance at beginning of year	<u>206,811</u>	<u>225,322</u>	<u>18,511</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 217,022</u>	<u>\$ 217,022</u>

Reconciliation to generally accepted accounting principles

Net assets-ending \$ 217,022

CITY OF FOREST GROVE

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2011**

	Information Systems	Equipment	Risk Management	Totals
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	\$ 620,317	\$ 273,948	\$ 552,648	\$ 1,446,913
Capital assets				
Other capital assets, net	-	1,205,460	-	1,205,460
TOTAL ASSETS	<u>620,317</u>	<u>1,479,408</u>	<u>552,648</u>	<u>2,652,373</u>
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable	-	9,808	24,792	34,600
Accrued payroll liabilities	-	5,463	-	5,463
Long-term obligations				
Due within one year	-	5,463	-	5,463
TOTAL LIABILITIES	<u>-</u>	<u>20,734</u>	<u>24,792</u>	<u>45,526</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	-	1,205,460	-	1,205,460
Restricted for capital projects	620,317	253,214	527,856	1,401,387
TOTAL NET ASSETS	<u>\$ 620,317</u>	<u>\$ 1,458,674</u>	<u>\$ 527,856</u>	<u>\$ 2,606,847</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011**

	Information Systems	Equipment	City Utility	Risk Management	Totals
OPERATING REVENUES					
Charges for services	\$ 218,492	\$ 744,741	\$ -	\$ 378,232	\$ 1,341,465
OPERATING EXPENSES					
Systems operation and maintenance	184,694	507,906	160,641	300,246	1,153,487
General fund administrative charges	-	3,355	-	-	3,355
Depreciation	-	173,826	-	-	173,826
Total operating expenses	184,694	685,087	160,641	300,246	1,330,668
Operating income (loss)	33,798	59,654	(160,641)	77,986	10,797
NONOPERATING REVENUES (EXPENSES)					
Interest earned	3,740	1,157	-	3,387	8,284
(Loss) on sale of capital asset	-	(11,124)	-	-	(11,124)
Miscellaneous	6,973	3,478	-	20,989	31,440
TOTAL NONOPERATING REVENUES (EXPENSES)	10,713	(6,489)	-	24,376	28,600
Income (loss) before transfers	44,511	53,165	(160,641)	102,362	39,397
TRANSFERS					
Transfers in	-	116,231	160,641	-	276,872
Transfers out	(1,838)	-	-	(61,448)	(63,286)
TOTAL TRANSFERS	(1,838)	116,231	160,641	(61,448)	213,586
Change in net assets	42,673	169,396	-	40,914	252,983
Net assets at beginning of year	577,644	1,289,278	-	486,942	2,353,864
Net assets at end of year	<u>\$ 620,317</u>	<u>\$ 1,458,674</u>	<u>\$ -</u>	<u>\$ 527,856</u>	<u>\$ 2,606,847</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2011**

	Information		Risk		Totals
	Systems	Equipment	City Utility	Management	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 218,492	\$ 744,741	\$ -	\$ 380,172	\$ 1,343,405
Cash paid to employees	-	(2,217)	-	-	(2,217)
Cash paid to suppliers	(198,432)	(524,741)	(160,641)	(290,804)	(1,174,618)
Net cash provided by (used in) operating activities	20,060	217,783	(160,641)	89,368	166,570
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	-	116,231	160,641	-	276,872
Transfers out	(1,838)	-	-	(61,448)	(63,286)
Net cash provided by (used in) non-capital financing activities	(1,838)	116,231	160,641	(61,448)	213,586
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	(302,209)	-	-	(302,209)
Proceeds from sale of equipment	-	16,600	-	-	16,600
Other	6,973	3,478	-	20,989	31,440
Net cash provided by (used in) capital and related financing activities	6,973	(282,131)	-	20,989	(254,169)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	3,740	1,157	-	3,387	8,284
Net increase in cash and cash equivalents	28,935	53,040	-	52,296	134,271
Cash and cash equivalents at beginning of year	591,382	220,908	-	500,352	1,312,642
Cash and cash equivalent at end of year	\$ 620,317	\$ 273,948	\$ -	\$ 552,648	\$ 1,446,913
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 33,798	\$ 59,654	\$ (160,641)	\$ 77,986	\$ 10,797
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	173,826	-	-	173,826
Decrease (increase) in assets					
Receivables, net	-	-	-	1,940	1,940
Increase (decrease) in liabilities					
Accounts payable and accrued expenses	(13,738)	(16,835)	-	9,442	(21,131)
Payroll related liabilities	-	1,138	-	-	1,138
Net cash provided by (used in) operating activities	\$ 20,060	\$ 217,783	\$ (160,641)	\$ 89,368	\$ 166,570

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 218,489	\$ 218,492	\$ 3
Interest	<u>5,000</u>	<u>3,740</u>	<u>(1,260)</u>
TOTAL REVENUES	<u>223,489</u>	<u>229,205</u>	<u>5,716</u>
EXPENDITURES			
Materials and services	266,530	160,028	106,502
Capital outlay	77,341	26,504	50,837
Contingency	<u>10,000</u>	<u>-</u>	<u>10,000</u>
TOTAL EXPENDITURES	<u>353,871</u>	<u>186,532</u>	<u>167,339</u>
Net change in fund balance	(130,382)	42,673	173,055
Fund balance at beginning of year	<u>520,347</u>	<u>577,644</u>	<u>57,297</u>
Fund balance at end of year	<u>\$ 389,965</u>	<u>\$ 620,317</u>	<u>\$ 230,352</u>
 <i>Reconciliation to generally accepted accounting principles</i>			
Net assets-ending		<u>\$ 620,317</u>	

CITY OF FOREST GROVE

**EQUIPMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 704,643	\$ 830,801	\$ 126,158
Interest	<u>1,786</u>	<u>1,157</u>	<u>(629)</u>
TOTAL REVENUES	<u>706,429</u>	<u>835,436</u>	<u>129,007</u>
EXPENDITURES			
Personal services	208,302	200,949	7,353
Materials and services	328,948	324,705	4,243
Capital outlay	315,000	287,246	27,754
Contingency	<u>39,000</u>	<u>-</u>	<u>39,000</u>
TOTAL EXPENDITURES	<u>891,250</u>	<u>812,900</u>	<u>78,350</u>
Excess (deficiency) of revenues over expenditures	<u>(184,821)</u>	<u>22,536</u>	<u>207,357</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	10,000	16,600	6,600
Transfers in	<u>116,231</u>	<u>30,171</u>	<u>(86,060)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>126,231</u>	<u>46,771</u>	<u>(79,460)</u>
Net change in fund balance	(58,590)	69,307	127,897
Fund balance at beginning of year	<u>178,562</u>	<u>189,370</u>	<u>10,808</u>
Fund balance at end of year	<u>\$ 119,972</u>	258,677	<u>\$ 138,705</u>

Reconciliation to generally accepted accounting principles

Capital assets, net	1,205,460	
Long-term obligations	<u>(5,463)</u>	
Net assets-ending	<u>\$ 1,458,674</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, 2011**

	Budget	Actual	Variance
EXPENDITURES			
Materials and services	\$ 163,000	\$ 160,641	\$ 2,359
Excess (deficiency) of revenues over expenditures	(163,000)	(160,641)	2,359
OTHER FINANCING SOURCES (USES)			
Transfers in	163,000	160,641	(2,359)
Net change in fund balance	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -
 <i>Reconciliation to generally accepted accounting principles</i>			
Net assets-ending		\$ -	

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 378,368	\$ 378,232	\$ (136)
Interest	5,200	3,387	(1,813)
Miscellaneous	<u>-</u>	<u>20,989</u>	<u>20,989</u>
TOTAL REVENUES	383,568	402,608	19,040
EXPENDITURES			
Materials and services	<u>396,273</u>	<u>300,246</u>	<u>96,027</u>
Excess (deficiency) of revenues over expenditures	(12,705)	102,362	115,067
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(61,448)</u>	<u>(61,448)</u>	<u>-</u>
Net change in fund balance	(74,153)	40,914	115,067
Fund balance at beginning of year	<u>504,458</u>	<u>486,942</u>	<u>(17,516)</u>
Fund balance at end of year	<u>\$ 430,305</u>	<u>\$ 527,856</u>	<u>\$ 97,551</u>
 <i>Reconciliation to generally accepted accounting principles</i>			
Net assets-ending		<u>\$ 527,856</u>	

CITY OF FOREST GROVE

**UNSEGREGATED TAX AND INTEREST AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balances</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances</u> <u>June 30, 2011</u>
Assets				
Cash and investments	<u>\$ 301,446</u>	<u>\$ 24,190</u>	<u>\$ 28,830</u>	<u>\$ 296,806</u>
Liabilities				
Money held for others	<u>\$ 301,446</u>	<u>\$ 24,190</u>	<u>\$ 28,830</u>	<u>\$ 296,806</u>

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

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

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

We have audited the basic financial statements of the CITY OF FOREST GROVE as of and for the year ended June 30, 2011, and have issued our report thereon dated April 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

- 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>
Building permits			
Personal services	\$ 287,452	\$ 288,170	\$ (718)
Materials and services	115,358	116,776	(1,418)

Internal Control OAR 162-10-0230

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

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

Boldt, Carlisle & Smith, LLC

Salem, Oregon

April 1, 2012