



**Forest Grove, Oregon  
ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2014**

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**CITY OF FOREST GROVE  
OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2014**

| <b><u>MAYOR</u></b>   | <b><u>TERM EXPIRES</u></b><br><b><u>November,</u></b> |
|---|---|
| Peter Truax<br>3131 Forest Gale Drive<br>Forest Grove, OR 97116           | 2014  |
| <br><b><u>CITY COUNCIL</u></b>  |   |
| Richard Kidd<br>3022 Watercrest Road<br>Forest Grove, OR 97116            | 2016  |
| Thomas Johnston<br>2323 15 <sup>th</sup> Avenue<br>Forest Grove, OR 97116 | 2014  |
| Camille Miller<br>2410 Pansy Court<br>Forest Grove, OR 97116              | 2014  |
| Victoria Lowe<br>3206 17 <sup>th</sup> Place<br>Forest Grove, OR 97116    | 2016  |
| Ronald Thompson<br>3231 Lavina Drive<br>Forest Grove, OR 97116            | 2014  |
| Elena Uhing<br>1633 Pacific Avenue<br>Forest Grove, OR 97116              | 2016  |

**CITY ADDRESS**

1924 Council Street  
P.O. Box 326  
Forest Grove, OR 97116

**CITY MANAGER**

Michael Sykes

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **CITY OF FOREST GROVE**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF FOREST GROVE**, as of June 30, 2014, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparisons for the General and Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT (Continued)

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 31, 2014, on our consideration of the City's compliance with certain provisions of laws and regulation, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith  
Certified Public Accountants  
Salem, Oregon  
December 31, 2014

By:



Bradley G. Bingenheimer, Member

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

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

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

**FINANCIAL HIGHLIGHTS**

- Total assets of the City exceeded its liabilities by \$110.6 million at June 30, 2014. Of this amount, \$27.6 million were reported as unrestricted net position which may be used to meet the City's obligations to its citizens and creditors.
- During the year, the City's net position increased by \$3.3 million in governmental assets and \$1.0 million in business-type activities for a total increase of \$4.3 million.
- The General Fund reported a fund balance this year of \$6,189,716 which is an increase of \$1,951,300 from the prior fiscal year. The increase is due to an \$800,000 transfer from the Capital Projects Fund for the purchase of property paid for by the General Fund in the prior fiscal year and results from operations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### Government-wide Statements

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

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

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

### Fund Financial Statements

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

The City has the following types of funds:

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

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

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

**NET POSITION – As of JUNE 30, 2014 and 2013  
(In thousands of dollars)**

|                                       | Governmental Activities |                  | Business-Type Activities |                  | Total             |                   |
|---------------------------------------|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
|                                       | 2014                    | 2013             | 2014                     | 2013             | 2014              | 2013              |
| <b>ASSETS</b>                         |                         |                  |                          |                  |                   |                   |
| Current and other assets              | \$ 23,223               | \$ 20,033        | \$ 27,116                | \$ 26,162        | \$ 50,339         | \$ 46,195         |
| Capital assets, net                   | <u>30,071</u>           | <u>30,390</u>    | <u>40,975</u>            | <u>40,936</u>    | <u>71,046</u>     | <u>71,326</u>     |
| Total assets                          | <u>53,294</u>           | <u>50,423</u>    | <u>68,091</u>            | <u>67,098</u>    | <u>121,385</u>    | <u>117,521</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                         |                  |                          |                  |                   |                   |
| Deferred interest from refunding      | -                       | -                | 43                       | -                | 43                | -                 |
| <b>LIABILITIES</b>                    |                         |                  |                          |                  |                   |                   |
| Current and other liabilities         | 988                     | 1,070            | 1,894                    | 1,506            | 2,882             | 2,576             |
| Long-term obligations                 | <u>2,770</u>            | <u>3,077</u>     | <u>5,217</u>             | <u>5,588</u>     | <u>7,987</u>      | <u>8,665</u>      |
| Total liabilities                     | <u>3,758</u>            | <u>4,147</u>     | <u>7,111</u>             | <u>7,094</u>     | <u>10,869</u>     | <u>11,241</u>     |
| <b>NET POSITION</b>                   |                         |                  |                          |                  |                   |                   |
| Net investment in capital assets      | 29,039                  | 28,885           | 36,357                   | 35,876           | 65,396            | 64,761            |
| Restricted                            | 12,429                  | 8,224            | 5,097                    | 4,259            | 17,526            | 12,483            |
| Unrestricted                          | <u>8,068</u>            | <u>9,167</u>     | <u>19,569</u>            | <u>19,868</u>    | <u>27,637</u>     | <u>29,035</u>     |
| Total net position                    | <u>\$ 49,536</u>        | <u>\$ 46,276</u> | <u>\$ 61,023</u>         | <u>\$ 60,003</u> | <u>\$ 110,559</u> | <u>\$ 106,279</u> |

**Governmental Activities**

Capital assets represent 56.4% of the total governmental assets and total capital assets are relatively unchanged from 2013. Total governmental activities declined due to a relatively small amount of capital assets purchased and depreciation expense.

The increase in total net position is primarily due to: 1) the collection of \$1.3 million transportation development taxes and parks system development taxes due to continued residential housing development; 2) transfer of \$1.6 million in funds from an internal service fund to the Capital Projects Fund that had been previously set aside in reserves to fund damages awarded in a lawsuit that were ultimately funded from outside insurance coverage.

**Business-type Activities**

Capital assets represent 60.2% of the total business-type assets and the total remained relatively unchanged from the prior year. The small increase in capital assets, after subtracting depreciation expense, was the completion of a vehicle storage building at the Light and Power facility.

The increase in total net position is due to: 1) the increase in net investment in capital assets; and 2) the collection of system development charges due to continued residential housing development.

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

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

**STATEMENT OF ACTIVITIES for FISCAL YEARS ENDING JUNE 30, 2014 and 2013**

*(In thousands of dollars)*

|   | Governmental Activities |                  | Business-Type Activities |                  | Total             |                   |
|---|-------------------------|------------------|--------------------------|------------------|-------------------|-------------------|
|   | 2014                    | 2013             | 2014                     | 2013             | 2014              | 2013              |
| <b>REVENUES:</b>                        |                         |                  |                          |                  |                   |                   |
| Program revenues:                       |                         |                  |                          |                  |                   |                   |
| Charges for services                    | \$ 7,178                | \$ 7,695         | \$ 21,322                | \$ 19,363        | \$ 28,500         | \$ 27,058         |
| Operating grants                        | 409                     | 196              | 246                      | 269              | 655               | 465               |
| Capital grants                          | 2,499                   | 3,383            | 1,793                    | 1,839            | 4,292             | 5,222             |
| General revenues:                       |                         |                  |                          |                  |                   |                   |
| Taxes                                   | 9,433                   | 8,721            | -                        | -                | 9,433             | 8,721             |
| Other                                   | 966                     | 806              | 153                      | 1,236            | 1,119             | 2,042             |
| Total revenues                          | <u>20,485</u>           | <u>20,801</u>    | <u>23,514</u>            | <u>22,707</u>    | <u>43,999</u>     | <u>43,508</u>     |
| <b>EXPENSES:</b>                        |                         |                  |                          |                  |                   |                   |
| General government                      | 6,929                   | 7,439            | -                        | -                | 6,929             | 7,439             |
| Public safety                           | 7,765                   | 7,709            | -                        | -                | 7,765             | 7,709             |
| Highways and streets                    | 1,922                   | 2,050            | -                        | -                | 1,922             | 2,050             |
| Culture and recreation                  | 1,799                   | 1,946            | -                        | -                | 1,799             | 1,946             |
| Power services                          | -                       | -                | 14,683                   | 13,050           | 14,683            | 13,050            |
| Sewer services                          | -                       | -                | 1,948                    | 1,616            | 1,948             | 1,616             |
| Water services                          | -                       | -                | 3,932                    | 3,608            | 3,932             | 3,608             |
| Surface water management                | -                       | -                | 726                      | 483              | 726               | 483               |
| Interest on long-term debt              | 15                      | 14               | -                        | -                | 15                | 14                |
| Total expenses                          | <u>18,430</u>           | <u>19,158</u>    | <u>21,289</u>            | <u>18,757</u>    | <u>39,719</u>     | <u>37,915</u>     |
| Change in net position before transfers | 2,055                   | 1,643            | 2,225                    | 3,950            | 4,280             | 5,593             |
| Transfers                               | <u>1,205</u>            | <u>1,205</u>     | <u>(1,205)</u>           | <u>(1,205)</u>   | -                 | -                 |
| Change in net position                  | 3,260                   | 2,848            | 1,020                    | 2,745            | 4,280             | 5,593             |
| Net position at beginning of year       | <u>46,276</u>           | <u>43,533</u>    | <u>60,003</u>            | <u>56,333</u>    | <u>106,279</u>    | <u>99,866</u>     |
| Net position at end of year             | <u>\$ 49,536</u>        | <u>\$ 46,276</u> | <u>\$ 61,023</u>         | <u>\$ 60,003</u> | <u>\$ 110,559</u> | <u>\$ 106,279</u> |

The City's total revenues were \$44.0 million. The major sources of revenues are business-type activity charges for services and governmental activity property taxes, which account for 48.5% and 21.4% of total revenues, respectively. The total cost of all programs was \$39.7 million. Net position increased by \$4.3 million indicating an increase in the City's overall financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental fund balances totaled \$19,393,389 at June 30, 2014 for an increase of \$5,485,733. Proprietary net position totaled \$61,023,371 for an overall increase of \$1,020,250. The reasons for the changes are explained in the preceding section. A summary of changes in governmental and proprietary fund balances is as follows:

#### CHANGE IN GOVERNMENTAL FUND BALANCES

| <u>Fund</u>           | <u>Balance at<br/>June 30, 2014</u> | <u>Balance at<br/>June 30, 2013</u> | <u>Change</u>       |
|-----------------------|-------------------------------------|-------------------------------------|---------------------|
| General               | \$ 6,189,716                        | \$ 4,238,416                        | \$ 1,951,300        |
| Street                | 1,043,727                           | 492,865                             | 550,862             |
| Nonmajor Governmental | 12,159,946                          | 9,176,375                           | 2,983,571           |
| Totals                | <u>\$ 19,393,389</u>                | <u>\$ 13,907,656</u>                | <u>\$ 5,485,733</u> |

#### CHANGE IN PROPRIETARY NET POSITION

| <u>Fund</u>              | <u>Balance at<br/>June 30, 2014</u> | <u>Balance at<br/>June 30, 2013</u> | <u>Change</u>       |
|--------------------------|-------------------------------------|-------------------------------------|---------------------|
| Light                    | \$ 22,880,656                       | \$ 23,168,695                       | \$ (288,039)        |
| Sewer                    | 9,423,718                           | 9,001,912                           | 421,806             |
| Water                    | 17,169,876                          | 17,163,082                          | 6,794               |
| Surface Water Management | 6,452,247                           | 6,410,769                           | 41,478              |
| Nonmajor Proprietary     | 5,096,874                           | 4,258,663                           | 838,211             |
| Totals                   | <u>\$ 61,023,371</u>                | <u>\$ 60,003,121</u>                | <u>\$ 1,020,250</u> |

#### General Fund Budgetary Highlights

The fund balance in the General Fund was increased by \$1,951,300. Most of that increase was due to a transfer of \$800,000 to the General Fund from an internal service fund to pay for a purchase of property by the General Fund in the prior fiscal year. Other than that transfer, revenues were in excess of expenditures due to: 1) property taxes collected and franchise fees received in excess of the amount estimated; and 2) the departments not spending all of their budgeted appropriations in order to increase the carryover available for future years.

#### CAPITAL ASSETS

At June 30, 2014, the City had \$71,046,052 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 \$279,859 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, 2014, the City had \$3,835,000 in outstanding bonds payable, and \$1,814,792 in outstanding notes and contracts payable. The City has had no change in its credit rating and the City issued no additional debt in fiscal year 2014. In July 2013, the City refunded the 2003 Full Faith and Credit Bonds to decrease the interest the City is paying on that debt. More detailed information about the City's long term debt is presented in the notes to the financial statements.

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

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

Factors considered in preparing the City's General Fund budget for the 2014 fiscal year were, but not limited to the following:

- The City recognizes that costs of providing General Fund 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 increase General Fund Balance due to increased property tax revenue and departments spending less than appropriated mostly due to unanticipated vacancies in public safety. The City will need to be diligent to maintain the fund balance while trying to address the increased need for services from growth over the next five years. Retirement costs will continue to be a challenge as the City addresses potential actuarial changes in the City's defined benefit plan.
- New single-family home construction continued at a high pace in FY 2013-14 with 99 building permits for single family residents issued. The City relies on residential growth to increase its property tax revenue as new industrial and commercial property development has not shown any increase. The new residential construction is helping the City's property taxes to increase at a rate greater than the 3% growth in assessed value for existing residential property allowed in Oregon. The additional property tax revenue should help the City maintain existing services longer than previously projected.
- The City formed an urban renewal district in the downtown area in June 2014 to help with redevelopment of the downtown. The district encompasses 6.6% of the City's area and 9.5% of the City's taxable assessed value. The effect on the City's future tax revenue is still being determined but loss of taxes from the City's permanent tax rate is expected and will offset some of the additional property taxes from new residential growth. The City's local option levy is exempt from the urban renewal district. The City has not identified any specific projects within the district.
- Electric and water rates are expected to increase six percent and eight percent per year, respectively, for the next three years as the City continues to address updating aging infrastructure for both of those utilities and adding additional capacity to address future electric and water needs.

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

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

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF FOREST GROVE**

**STATEMENT OF NET POSITION  
June 30, 2014**

|   | Governmental<br>Activities | Business-type<br>Activities | Totals                |
|---|----------------------------|-----------------------------|-----------------------|
| <b><u>ASSETS</u></b>  |                            |                             |                       |
| Cash and investments  | \$ 21,805,728              | \$ 17,441,525               | \$ 39,247,253         |
| Receivables, net  | 903,430                    | 2,399,843                   | 3,303,273             |
| Inventory   | -                          | 511,397                     | 511,397               |
| Prepaid items   | 31,881                     | -                           | 31,881                |
| Net pension obligation asset  | 481,624                    | 176,231                     | 657,855               |
| Investment in joint ventures  | -                          | 6,587,485                   | 6,587,485             |
| Capital assets:   |                            |                             |                       |
| Land and construction in progress   | 7,865,570                  | 1,200,119                   | 9,065,689             |
| Other capital assets, net   | 22,205,273                 | 39,775,090                  | 61,980,363            |
| <b>TOTAL ASSETS</b>   | <b>53,293,506</b>          | <b>68,091,690</b>           | <b>121,385,196</b>    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>  |                            |                             |                       |
| Excess of reacquisition price over carrying amount of<br>refunded long-term obligations | -                          | 43,242                      | 43,242                |
| <b><u>LIABILITIES</u></b>   |                            |                             |                       |
| Accounts payable and accrued expenses   | 463,572                    | 1,604,370                   | 2,067,942             |
| Payroll related liabilities   | 453,193                    | 177,236                     | 630,429               |
| Accrued interest payable  | 4,067                      | 30,552                      | 34,619                |
| Deposits  | 14,256                     | 53,628                      | 67,884                |
| Bond premium, net   | 52,616                     | 28,391                      | 81,007                |
| Long-term obligations:  |                            |                             |                       |
| Due within one year   | 1,431,802                  | 813,413                     | 2,245,215             |
| Due in more than one year:  | 1,338,433                  | 4,403,971                   | 5,742,404             |
| <b>TOTAL LIABILITIES</b>  | <b>3,757,939</b>           | <b>7,111,561</b>            | <b>10,869,500</b>     |
| <b><u>NET POSITION</u></b>  |                            |                             |                       |
| Net investment in capital assets  | 29,038,819                 | 36,357,441                  | 65,396,260            |
| Restricted for:   |                            |                             |                       |
| Highways and streets  | 1,068,119                  | -                           | 1,068,119             |
| Building operations   | 1,321,023                  | -                           | 1,321,023             |
| Community enhancement   | 26,757                     | -                           | 26,757                |
| Capital projects  | 9,799,360                  | 5,096,874                   | 14,896,234            |
| Debt service  | 211,614                    | -                           | 211,614               |
| Other purposes  | 2,058                      | -                           | 2,058                 |
| Unrestricted  | 8,067,817                  | 19,569,056                  | 27,636,873            |
| <b>TOTAL NET POSITION</b>   | <b>\$ 49,535,567</b>       | <b>\$ 61,023,371</b>        | <b>\$ 110,558,938</b> |

*See accompanying notes*

**CITY OF FOREST GROVE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

| Functions/Programs   | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          | Totals         |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|
|  | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities |                |
| <b>Governmental activities</b>                               |                  |                      |                                    |                                  |   |                          |                |
| General government   | \$ 6,928,974     | \$ 5,714,032         | \$ 4,713                           | \$ 345,813                       | \$ (864,416)                                      |                          | \$ (864,416)   |
| Public safety  | 7,765,269        | 823,768              | 330,308                            | -                                | (6,611,193)                                       |                          | (6,611,193)    |
| Highways and streets   | 1,922,118        | 128,953              | -                                  | 1,701,584                        | (91,581)  |                          | (91,581)       |
| Culture and recreation                                       | 1,798,690        | 511,666              | 74,390                             | 451,500                          | (761,134)   |                          | (761,134)      |
| Interest on long-term obligations                            | 14,836           | -                    | -                                  | -                                | (14,836)  |                          | (14,836)       |
| Total governmental activities                                | 18,429,887       | 7,178,419            | 409,411                            | 2,498,897                        | (8,343,160)                                       |                          | (8,343,160)    |
| <b>Business-type activities</b>                              |                  |                      |                                    |                                  |   |                          |                |
| Light  | 14,683,411       | 15,245,869           | 245,625                            | -                                |   | \$ 808,083               | 808,083        |
| Sewer  | 1,947,648        | 1,452,028            | -                                  | 1,054,498                        |   | 558,878                  | 558,878        |
| Water  | 3,932,573        | 3,806,110            | -                                  | 697,765                          |   | 571,302                  | 571,302        |
| Surface water management                                     | 725,771          | 818,738              | -                                  | 40,276                           |   | 133,243                  | 133,243        |
| Total business-type activities                               | 21,289,403       | 21,322,745           | 245,625                            | 1,792,539                        |   | 2,071,506                | 2,071,506      |
| Totals   | \$ 39,719,290    | \$ 28,501,164        | \$ 655,036                         | \$ 4,291,436                     | (8,343,160)                                       | 2,071,506                | (6,271,654)    |
| <b>General revenues</b>                                      |                  |                      |                                    |                                  |   |                          |                |
| Property taxes, levied for:                                  |                  |                      |                                    |                                  |   |                          |                |
| General purposes   |                  |                      |                                    |                                  | 6,977,069   | -                        | 6,977,069      |
| Other  |                  |                      |                                    |                                  | 500,918   | -                        | 500,918        |
| Franchise taxes  |                  |                      |                                    |                                  | 537,140   | -                        | 537,140        |
| Transient room tax   |                  |                      |                                    |                                  | 72,333  | -                        | 72,333         |
| Grants and contributions not restricted to specific programs |                  |                      |                                    |                                  | 542,619   | -                        | 542,619        |
| Fuel taxes   |                  |                      |                                    |                                  | 1,345,724   | -                        | 1,345,724      |
| Unrestricted investment earnings                             |                  |                      |                                    |                                  | 127,199   | 82,297                   | 209,496        |
| Rents  |                  |                      |                                    |                                  | -   | 35,928                   | 35,928         |
| Miscellaneous  |                  |                      |                                    |                                  | 335,097   | 532,786                  | 867,883        |
| (Loss) on sale of capital assets                             |                  |                      |                                    |                                  | (40,041)  | (279,612)                | (319,653)      |
| (Loss) on investment in joint ventures                       |                  |                      |                                    |                                  | -   | (217,961)                | (217,961)      |
| <b>Transfers</b>   |                  |                      |                                    |                                  | 1,204,694   | (1,204,694)              | -              |
| Total general revenues and transfers                         |                  |                      |                                    |                                  | 11,602,752  | (1,051,256)              | 10,551,496     |
| Change in net position                                       |                  |                      |                                    |                                  | 3,259,592   | 1,020,250                | 4,279,842      |
| Net position - beginning                                     |                  |                      |                                    |                                  | 46,275,975  | 60,003,121               | 106,279,096    |
| Net position - ending  |                  |                      |                                    |                                  | \$ 49,535,567                                     | \$ 61,023,371            | \$ 110,558,938 |

*See accompanying notes*

**CITY OF FOREST GROVE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

|   | <u>General</u>      | <u>Street</u>       | <u>Total<br/>Nonmajor<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---------------------|-------------------------------------|---|
| <b><u>ASSETS</u></b>  |                     |                     |                                     |   |
| Cash and investments  | \$ 6,597,404        | \$ 1,053,680        | \$ 12,164,856                       | \$ 19,815,940                           |
| Receivables, net  | 467,373             | 17,871              | 418,186                             | 903,430                                 |
| Prepaid items   | <u>31,631</u>       | <u>-</u>            | <u>250</u>                          | <u>31,881</u>                           |
| TOTAL ASSETS  | <u>\$ 7,096,408</u> | <u>\$ 1,071,551</u> | <u>\$ 12,583,292</u>                | <u>\$ 20,751,251</u>                    |
| <b><u>LIABILITIES</u></b>   |                     |                     |                                     |   |
| Accounts payable and accrued expenses                                 | \$ 212,359          | \$ 1,439            | \$ 188,878                          | \$ 402,676                              |
| Payroll related liabilities   | 411,748             | 10,028              | 23,849                              | 445,625                                 |
| Deposits  | <u>-</u>            | <u>-</u>            | <u>14,256</u>                       | <u>14,256</u>                           |
| TOTAL LIABILITIES   | <u>624,107</u>      | <u>11,467</u>       | <u>226,983</u>                      | <u>862,557</u>                          |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                           |                     |                     |                                     |   |
| Unavailable revenue   | <u>282,585</u>      | <u>16,357</u>       | <u>196,363</u>                      | <u>495,305</u>                          |
| <b><u>FUND BALANCES</u></b>   |                     |                     |                                     |   |
| Nonspendable  | 31,631              | -                   | 41,436                              | 73,067                                  |
| Restricted  | -                   | 1,043,727           | 9,302,260                           | 10,345,987                              |
| Committed   | -                   | -                   | 638,526                             | 638,526                                 |
| Assigned  | -                   | -                   | 2,177,724                           | 2,177,724                               |
| Unassigned  | <u>6,158,085</u>    | <u>-</u>            | <u>-</u>                            | <u>6,158,085</u>                        |
| TOTAL FUND BALANCES   | <u>6,189,716</u>    | <u>1,043,727</u>    | <u>12,159,946</u>                   | <u>19,393,389</u>                       |
| TOTAL LIABILITIES, DEFERRED INFLOWS<br>OF RESOURCES AND FUND BALANCES | <u>\$ 7,096,408</u> | <u>\$ 1,071,551</u> | <u>\$ 12,583,292</u>                |   |

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

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

|  |                      |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.                        | 30,070,843           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds | 495,305              |
| The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position                 | \$ 3,149,780         |
| Plus: Compensated absences of the internal service fund included below   | 4,009                |
| Less: Capital assets of the internal service fund included above   | <u>(1,232,465)</u>   |
| The bond premium is reported in the statement of net position but is not reported in the funds   | (52,616)             |
| The net pension obligation asset is reported in the statement of net position but is not reported in the funds                                   | 481,624              |
| The net post-employment benefits obligation is reported in the statement of net position but is not reported in the funds                        | (809,823)            |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.                                    | <u>(1,964,479)</u>   |
| NET POSITION OF GOVERNMENTAL ACTIVITIES  | <u>\$ 49,535,567</u> |

***See accompanying notes***

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

|   | General             | Street              | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|---------------------|----------------------------|--------------------------------|
| <b>REVENUES</b>                                   |                     |                     |                            |                                |
| Property taxes                                    | \$ 6,943,126        | \$ -                | \$ 499,902                 | \$ 7,443,028                   |
| Other taxes                                       | 83,602              | -                   | 950,257                    | 1,033,859                      |
| Licenses and permits                              | 206,720             | -                   | 934,158                    | 1,140,878                      |
| Intergovernmental                                 | 1,763,352           | 1,595,962           | 669,650                    | 4,028,964                      |
| Fees and fines                                    | 657,290             | -                   | 450,000                    | 1,107,290                      |
| Franchise fees                                    | 537,140             | -                   | -                          | 537,140                        |
| Interest  | 48,375              | 4,632               | 61,302                     | 114,309                        |
| Grants  | 156,862             | -                   | 257,931                    | 414,793                        |
| Charges for services                              | 3,394,753           | 130,740             | 313,429                    | 3,838,922                      |
| Miscellaneous                                     | <u>265,972</u>      | <u>83,887</u>       | <u>165,409</u>             | <u>515,268</u>                 |
| <b>TOTAL REVENUES</b>                             | <u>14,057,192</u>   | <u>1,815,221</u>    | <u>4,302,038</u>           | <u>20,174,451</u>              |
| <b>EXPENDITURES</b>                               |                     |                     |                            |                                |
| General government                                | 4,738,560           | -                   | 629,362                    | 5,367,922                      |
| Public safety                                     | 7,639,236           | -                   | 250,644                    | 7,889,880                      |
| Highways and streets                              | -                   | 1,108,732           | 520,603                    | 1,629,335                      |
| Culture and recreation                            | 1,556,394           | -                   | 50,781                     | 1,607,175                      |
| Capital outlay                                    | 26,881              | 155,627             | 854,796                    | 1,037,304                      |
| Debt service                                      | <u>-</u>            | <u>-</u>            | <u>522,231</u>             | <u>522,231</u>                 |
| <b>TOTAL EXPENDITURES</b>                         | <u>13,961,071</u>   | <u>1,264,359</u>    | <u>2,828,417</u>           | <u>18,053,847</u>              |
| Excess (deficiency) of revenues over expenditures | <u>96,121</u>       | <u>550,862</u>      | <u>1,473,621</u>           | <u>2,120,604</u>               |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                            |                                |
| Transfers in                                      | 1,855,179           | -                   | 1,799,500                  | 3,654,679                      |
| Transfers out                                     | <u>-</u>            | <u>-</u>            | <u>(289,550)</u>           | <u>(289,550)</u>               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>1,855,179</u>    | <u>-</u>            | <u>1,509,950</u>           | <u>3,365,129</u>               |
| Net change in fund balances                       | 1,951,300           | 550,862             | 2,983,571                  | 5,485,733                      |
| Fund balances at beginning of year                | <u>4,238,416</u>    | <u>492,865</u>      | <u>9,176,375</u>           | <u>13,907,656</u>              |
| Fund balances at end of year                      | <u>\$ 6,189,716</u> | <u>\$ 1,043,727</u> | <u>\$ 12,159,946</u>       | <u>\$ 19,393,389</u>           |

*See accompanying notes*

**CITY OF FOREST GROVE**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,485,733

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

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

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capitalized expenditures | \$ 1,086,300       |           |
| Depreciation             | <u>(1,480,399)</u> | (394,099) |

|   |          |
|---|----------|
| The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position | (11,007) |
|---|----------|

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 | 34,959       |        |
| Assessments    | (6,018)      |        |
| Fees           | 41,161       |        |
| Other          | <u>2,311</u> | 72,413 |

|   |        |
|---|--------|
| In the statement of activities, the change in net pension obligation is reported as additional expenses for increases and a reduction of expenses for decreases | 13,665 |
|---|--------|

|   |           |
|---|-----------|
| The change in other post-employment benefits are reported as additional expenses in the statement of activities | (140,803) |
|---|-----------|

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

|                              |                |         |
|------------------------------|----------------|---------|
| Amortization of bond premium | 26,307         |         |
| Accrued interest             | 5,603          |         |
| Principal payments           | <u>473,228</u> | 505,138 |

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 | (26,166) |
|----------------------|----------|

|  |                    |
|--|--------------------|
| Net income of internal service funds after eliminating transfers and income reported above | <u>(2,245,282)</u> |
|--|--------------------|

|   |                     |
|---|---------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 3,259,592</u> |
|---|---------------------|

*See accompanying notes*

**CITY OF FOREST GROVE**

**GENERAL  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                 | Budget            |                   | Actual            | Variance       |
|---------------------------------|-------------------|-------------------|-------------------|----------------|
|                                 | Original          | Final             |                   |                |
| <b>REVENUES</b>                 |                   |                   |                   |                |
| Property taxes                  | \$ 6,706,850      | \$ 6,706,850      | \$ 6,943,126      | \$ 236,276     |
| Transient room tax              | 55,500            | 55,500            | 72,333            | 16,833         |
| Licenses and permits            | 135,400           | 135,400           | 206,720           | 71,320         |
| Intergovernmental               | 1,804,418         | 1,804,418         | 1,763,352         | (41,066)       |
| Construction excise tax         | 350,000           | 350,000           | 11,269            | (338,731)      |
| Fees and fines                  | 556,664           | 556,664           | 657,290           | 100,626        |
| Franchise fees                  | 557,811           | 557,811           | 537,140           | (20,671)       |
| Interest                        | 56,000            | 56,000            | 48,375            | (7,625)        |
| Grants                          | 34,633            | 39,133            | 156,862           | 117,729        |
| Charges for services            | 3,344,659         | 3,344,659         | 3,394,753         | 50,094         |
| Miscellaneous                   | 256,540           | 256,540           | 265,972           | 9,432          |
| <b>TOTAL REVENUES</b>           | <u>13,858,475</u> | <u>13,862,975</u> | <u>14,057,192</u> | <u>194,217</u> |
| <b>EXPENDITURES</b>             |                   |                   |                   |                |
| Legislative and executive       |                   |                   |                   |                |
| Personal services               | 427,510           | 437,510           | 433,165           | 4,345          |
| Materials and services          | 66,382            | 66,382            | 63,706            | 2,676          |
| Total legislative and executive | <u>493,892</u>    | <u>503,892</u>    | <u>496,871</u>    | <u>7,021</u>   |
| Administrative services         |                   |                   |                   |                |
| Personal services               | 1,588,829         | 1,588,829         | 1,576,122         | 12,707         |
| Materials and services          | 654,119           | 654,119           | 589,797           | 64,322         |
| Total administrative services   | <u>2,242,948</u>  | <u>2,242,948</u>  | <u>2,165,919</u>  | <u>77,029</u>  |
| Library                         |                   |                   |                   |                |
| Personal services               | 860,882           | 860,882           | 836,987           | 23,895         |
| Materials and services          | 148,454           | 148,454           | 146,658           | 1,796          |
| Total library                   | <u>1,009,336</u>  | <u>1,009,336</u>  | <u>983,645</u>    | <u>25,691</u>  |

*Continued on next page*

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

|                                 | Budget           |                  | Actual           | Variance      |
|---------------------------------|------------------|------------------|------------------|---------------|
|                                 | Original         | Final            |                  |               |
| <b>EXPENDITURES (Continued)</b> |                  |                  |                  |               |
| Planning                        |                  |                  |                  |               |
| Personal services               | \$ 330,894       | \$ 330,894       | \$ 332,249       | \$ (1,355)    |
| Materials and services          | 92,459           | 92,459           | 58,163           | 34,296        |
| Total planning                  | <u>423,353</u>   | <u>423,353</u>   | <u>390,412</u>   | <u>32,941</u> |
| Fire                            |                  |                  |                  |               |
| Personal services               | 2,533,853        | 2,533,853        | 2,478,525        | 55,328        |
| Materials and services          | 586,016          | 586,016          | 571,548          | 14,468        |
| Capital outlay                  | <u>17,500</u>    | <u>17,500</u>    | <u>16,340</u>    | <u>1,160</u>  |
| Total fire                      | <u>3,137,369</u> | <u>3,137,369</u> | <u>3,066,413</u> | <u>70,956</u> |
| Engineering                     |                  |                  |                  |               |
| Personal services               | 564,367          | 564,367          | 565,799          | (1,432)       |
| Materials and services          | <u>74,815</u>    | <u>74,815</u>    | <u>46,864</u>    | <u>27,951</u> |
| Total engineering               | <u>639,182</u>   | <u>639,182</u>   | <u>612,663</u>   | <u>26,519</u> |
| Police                          |                  |                  |                  |               |
| Personal services               | 4,024,656        | 4,053,156        | 3,978,475        | 74,681        |
| Materials and services          | 598,339          | 599,339          | 610,688          | (11,349)      |
| Capital outlay                  | <u>10,800</u>    | <u>10,800</u>    | <u>10,541</u>    | <u>259</u>    |
| Total police                    | <u>4,633,795</u> | <u>4,663,295</u> | <u>4,599,704</u> | <u>63,591</u> |
| Aquatics                        |                  |                  |                  |               |
| Personal services               | 434,664          | 434,664          | 410,036          | 24,628        |
| Materials and services          | <u>184,106</u>   | <u>184,106</u>   | <u>163,730</u>   | <u>20,376</u> |
| Total aquatics                  | <u>618,770</u>   | <u>618,770</u>   | <u>573,766</u>   | <u>45,004</u> |
| Parks and recreation            |                  |                  |                  |               |
| Personal services               | 484,136          | 484,136          | 456,604          | 27,532        |
| Materials and services          | <u>173,334</u>   | <u>173,334</u>   | <u>135,612</u>   | <u>37,722</u> |
| Total parks and recreation      | <u>657,470</u>   | <u>657,470</u>   | <u>592,216</u>   | <u>65,254</u> |

*Continued on next page*

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

|   | Budget              |                     | Actual              | Variance            |
|---|---------------------|---------------------|---------------------|---------------------|
|   | Original            | Final               |                     |                     |
| <b>EXPENDITURES (Continued)</b>                   |                     |                     |                     |                     |
| Municipal court                                   |                     |                     |                     |                     |
| Personal services                                 | \$ 179,099          | \$ 179,099          | \$ 174,930          | \$ 4,169            |
| Materials and services                            | 320,186             | 320,186             | 304,532             | 15,654              |
| Total municipal court                             | 499,285             | 499,285             | 479,462             | 19,823              |
| Nondepartmental                                   |                     |                     |                     |                     |
| Materials and services                            | 393,000             | 393,000             | -                   | 393,000             |
| Operating contingency                             | 1,174,991           | 1,139,991           | -                   | 1,139,991           |
| <b>TOTAL EXPENDITURES</b>                         | <b>15,923,391</b>   | <b>15,927,891</b>   | <b>13,961,071</b>   | <b>1,966,820</b>    |
| Excess (deficiency) of revenues over expenditures | (2,064,916)         | (2,064,916)         | 96,121              | 2,161,037           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                     |                     |                     |
| Transfers in                                      | 1,861,929           | 1,861,929           | 1,855,179           | (6,750)             |
| Net change in fund balance                        | (202,987)           | (202,987)           | 1,951,300           | 2,154,287           |
| Fund balance at beginning of year                 | 3,904,737           | 3,904,737           | 4,238,416           | 333,679             |
| Fund balance at end of year                       | <u>\$ 3,701,750</u> | <u>\$ 3,701,750</u> | <u>\$ 6,189,716</u> | <u>\$ 2,487,966</u> |

*See accompanying notes*

**CITY OF FOREST GROVE**

**STREET  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | Budget            |                   |                     |                   |
|-----------------------------------|-------------------|-------------------|---------------------|-------------------|
|                                   | Original          | Final             | Actual              | Variance          |
| <b>REVENUES</b>                   |                   |                   |                     |                   |
| Intergovernmental                 | \$ 1,281,671      | \$ 1,281,671      | \$ 1,595,962        | \$ 314,291        |
| Interest                          | 2,810             | 2,810             | 4,632               | 1,822             |
| Charges for services              | 1,000             | 1,000             | 130,740             | 129,740           |
| Miscellaneous                     | <u>100,000</u>    | <u>100,000</u>    | <u>83,887</u>       | <u>(16,113)</u>   |
| <b>TOTAL REVENUES</b>             | <u>1,385,481</u>  | <u>1,385,481</u>  | <u>1,815,221</u>    | <u>429,740</u>    |
| <b>EXPENDITURES</b>               |                   |                   |                     |                   |
| Personal services                 | 294,224           | 334,224           | 324,039             | 10,185            |
| Materials and services            | 804,224           | 804,224           | 784,693             | 19,531            |
| Capital outlay                    | 564,469           | 564,469           | 155,627             | 408,842           |
| Contingency                       | <u>100,000</u>    | <u>60,000</u>     | <u>-</u>            | <u>60,000</u>     |
| <b>TOTAL EXPENDITURES</b>         | <u>1,762,917</u>  | <u>1,762,917</u>  | <u>1,264,359</u>    | <u>498,558</u>    |
| Net change in fund balance        | (377,436)         | (377,436)         | 550,862             | 928,298           |
| Fund balance at beginning of year | <u>562,028</u>    | <u>562,028</u>    | <u>492,865</u>      | <u>(69,163)</u>   |
| Fund balance at end of year       | <u>\$ 184,592</u> | <u>\$ 184,592</u> | <u>\$ 1,043,727</u> | <u>\$ 859,135</u> |

*See accompanying notes*

**CITY OF FOREST GROVE**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014**

|  | Business-type Activities |                     |                      |                          | Governmental Activities |                        |                        |
|--|--------------------------|---------------------|----------------------|--------------------------|-------------------------|------------------------|------------------------|
|  | Light                    | Sewer               | Water                | Surface Water Management | Total Nonmajor Funds    | Total Enterprise Funds | Internal Service Funds |
| <b><u>ASSETS</u></b>   |                          |                     |                      |                          |                         |                        |                        |
| Current assets   |                          |                     |                      |                          |                         |                        |                        |
| Cash and investments   | \$ 5,436,613             | \$ 2,463,926        | \$ 3,767,874         | \$ 327,840               | \$ 5,445,272            | \$ 17,441,525          | \$ 1,989,788           |
| Receivables, net   | 1,375,205                | 483,518             | 432,256              | 108,864                  | -                       | 2,399,843              | -                      |
| Inventory  | 376,836                  | 7,782               | 126,779              | -                        | -                       | 511,397                | -                      |
| Total current assets   | 7,188,654                | 2,955,226           | 4,326,909            | 436,704                  | 5,445,272               | 20,352,765             | 1,989,788              |
| Net pension obligation asset   | 119,465                  | 10,604              | 34,144               | 12,018                   | -                       | 176,231                | -                      |
| Investment in joint ventures   | -                        | -                   | 6,587,485            | -                        | -                       | 6,587,485              | -                      |
| Capital assets   |                          |                     |                      |                          |                         |                        |                        |
| Land   | 721,723                  | 81,022              | 373,686              | -                        | -                       | 1,176,431              | -                      |
| Construction in progress   | 23,688                   | -                   | -                    | -                        | -                       | 23,688                 | -                      |
| Other capital assets, net  | 15,916,251               | 7,548,554           | 10,242,620           | 6,067,665                | -                       | 39,775,090             | 1,232,465              |
| Total capital assets, net  | 16,661,662               | 7,629,576           | 10,616,306           | 6,067,665                | -                       | 40,975,209             | 1,232,465              |
| <b>TOTAL ASSETS</b>  | <b>23,969,781</b>        | <b>10,595,406</b>   | <b>21,564,844</b>    | <b>6,516,387</b>         | <b>5,445,272</b>        | <b>68,091,690</b>      | <b>3,222,253</b>       |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>   |                          |                     |                      |                          |                         |                        |                        |
| Excess of reacquisition price over carrying amount of refunded long-term obligations | -                        | -                   | 43,242               | -                        | -                       | 43,242                 | -                      |
| <b><u>LIABILITIES</u></b>  |                          |                     |                      |                          |                         |                        |                        |
| Current liabilities  |                          |                     |                      |                          |                         |                        |                        |
| Accounts payable and accrued expenses  | 557,603                  | 465,652             | 200,079              | 32,638                   | 348,398                 | 1,604,370              | 60,896                 |
| Payroll related liabilities  | 120,191                  | 13,203              | 32,547               | 11,295                   | -                       | 177,236                | 7,568                  |
| Accrued interest payable   | -                        | 11,350              | 19,202               | -                        | -                       | 30,552                 | -                      |
| Customer deposits  | 53,628                   | -                   | -                    | -                        | -                       | 53,628                 | -                      |
| Bond premium, net  | -                        | -                   | 28,391               | -                        | -                       | 28,391                 | -                      |
| Total current liabilities  | 731,422                  | 490,205             | 280,219              | 43,933                   | 348,398                 | 1,894,177              | 68,464                 |
| Long-term obligations  |                          |                     |                      |                          |                         |                        |                        |
| Due within one year  | 156,830                  | 190,967             | 465,616              | -                        | -                       | 813,413                | 4,009                  |
| Due in more than one year  | -                        | 472,686             | 3,634,963            | -                        | -                       | 4,107,649              | -                      |
| Bonds and loans  | -                        | 472,686             | 3,634,963            | -                        | -                       | 4,107,649              | -                      |
| Net other post-employment benefits   | 200,873                  | 17,830              | 57,412               | 20,207                   | -                       | 296,322                | -                      |
| Total long-term liabilities  | 357,703                  | 681,483             | 4,157,991            | 20,207                   | -                       | 5,217,384              | 4,009                  |
| <b>TOTAL LIABILITIES</b>   | <b>1,089,125</b>         | <b>1,171,688</b>    | <b>4,438,210</b>     | <b>64,140</b>            | <b>348,398</b>          | <b>7,111,561</b>       | <b>72,473</b>          |
| <b><u>NET POSITION</u></b>   |                          |                     |                      |                          |                         |                        |                        |
| Net investment in capital assets   | 16,661,662               | 6,965,923           | 6,662,191            | 6,067,665                | -                       | 36,357,441             | 1,232,465              |
| Restricted for capital projects  | -                        | -                   | -                    | -                        | 5,096,874               | 5,096,874              | -                      |
| Unrestricted   | 6,218,994                | 2,457,795           | 10,507,685           | 384,582                  | -                       | 19,569,056             | 1,917,315              |
| <b>TOTAL NET POSITION</b>  | <b>\$ 22,880,656</b>     | <b>\$ 9,423,718</b> | <b>\$ 17,169,876</b> | <b>\$ 6,452,247</b>      | <b>\$ 5,096,874</b>     | <b>\$ 61,023,371</b>   | <b>\$ 3,149,780</b>    |

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

|  | Business-type Activities |                     |                      |                                |                            |                              | Governmental                 |
|--|--------------------------|---------------------|----------------------|--------------------------------|----------------------------|------------------------------|------------------------------|
|  | Light                    | Sewer               | Water                | Surface<br>Water<br>Management | Total<br>Nonmajor<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
| <b>OPERATING REVENUES</b>                                |                          |                     |                      |                                |                            |                              |                              |
| Charges for services                                     | \$ 15,188,572            | \$ 1,456,028        | \$ 3,785,042         | \$ 818,738                     | \$ -                       | \$ 21,248,380                | \$ 1,533,468                 |
| Conservation incentive                                   | 245,625                  | -                   | -                    | -                              | -                          | 245,625                      | -                            |
| Licenses, permits, and fees                              | 57,297                   | 160                 | 21,068               | -                              | -                          | 78,525                       | -                            |
| <b>TOTAL OPERATING REVENUES</b>                          | <b>\$ 15,491,494</b>     | <b>\$ 1,456,188</b> | <b>\$ 3,806,110</b>  | <b>\$ 818,738</b>              | <b>\$ -</b>                | <b>\$ 21,572,530</b>         | <b>\$ 1,533,468</b>          |
| <b>OPERATING EXPENSES</b>                                |                          |                     |                      |                                |                            |                              |                              |
| System operation and maintenance                         | 3,627,187                | 297,590             | 2,113,331            | 404,673                        | 854,891                    | 7,297,672                    | 1,518,039                    |
| Electricity and water purchases                          | 9,267,054                | -                   | -                    | -                              | -                          | 9,267,054                    | -                            |
| General Fund administration charges                      | 1,116,619                | 538,615             | 897,600              | 155,229                        | -                          | 2,708,063                    | -                            |
| General and administrative costs                         | 33,591                   | 8,213               | 408,405              | 5,736                          | 1,481                      | 457,426                      | -                            |
| Depreciation and amortization                            | 638,960                  | 233,494             | 406,942              | 160,133                        | -                          | 1,439,529                    | 158,891                      |
| <b>TOTAL OPERATING EXPENSES</b>                          | <b>14,683,411</b>        | <b>1,077,912</b>    | <b>3,826,278</b>     | <b>725,771</b>                 | <b>856,372</b>             | <b>21,169,744</b>            | <b>1,676,930</b>             |
| <b>OPERATING INCOME (LOSS)</b>                           | <b>808,083</b>           | <b>378,276</b>      | <b>(20,168)</b>      | <b>92,967</b>                  | <b>(856,372)</b>           | <b>402,786</b>               | <b>(143,462)</b>             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |                          |                     |                      |                                |                            |                              |                              |
| Interest earned  | 25,821                   | 11,424              | 18,365               | 738                            | 25,949                     | 82,297                       | 13,815                       |
| Interest   | -                        | (7,695)             | (90,194)             | -                              | (21,770)                   | (119,659)                    | -                            |
| Rents  | -                        | -                   | 35,928               | -                              | -                          | 35,928                       | -                            |
| Miscellaneous  | 15,712                   | -                   | 514,824              | -                              | 2,250                      | 532,786                      | 73,834                       |
| (Loss) on sale of capital assets                         | (279,612)                | -                   | -                    | -                              | -                          | (279,612)                    | (29,034)                     |
| (Loss) on investment in joint ventures                   | -                        | -                   | (217,961)            | -                              | -                          | (217,961)                    | -                            |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>            | <b>(238,079)</b>         | <b>3,729</b>        | <b>260,962</b>       | <b>738</b>                     | <b>6,429</b>               | <b>33,779</b>                | <b>58,615</b>                |
| Income (loss) before capital contributions and transfers | 570,004                  | 382,005             | 240,794              | 93,705                         | (849,943)                  | 436,565                      | (84,847)                     |
| Capital contributions                                    | -                        | -                   | -                    | -                              | 1,788,379                  | 1,788,379                    | -                            |
| Transfers in   | -                        | 100,225             | -                    | -                              | -                          | 100,225                      | 269,565                      |
| Transfers out  | (858,043)                | (60,424)            | (234,000)            | (52,227)                       | (100,225)                  | (1,304,919)                  | (2,430,000)                  |
| Change in net position                                   | (288,039)                | 421,806             | 6,794                | 41,478                         | 838,211                    | 1,020,250                    | (2,245,282)                  |
| Net position at beginning of year                        | 23,168,695               | 9,001,912           | 17,163,082           | 6,410,769                      | 4,258,663                  | 60,003,121                   | 5,395,062                    |
| Net position at end of year                              | <b>\$ 22,880,656</b>     | <b>\$ 9,423,718</b> | <b>\$ 17,169,876</b> | <b>\$ 6,452,247</b>            | <b>\$ 5,096,874</b>        | <b>\$ 61,023,371</b>         | <b>\$ 3,149,780</b>          |

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2014**

|   | Business-type Activities |              |              |                          |                      |                        | Governmental           |
|---|--------------------------|--------------|--------------|--------------------------|----------------------|------------------------|------------------------|
|   | Light                    | Sewer        | Water        | Surface Water Management | Total Nonmajor Funds | Total Enterprise Funds | Internal Service Funds |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |              |              |                          |                      |                        |                        |
| Cash received from customers  | \$ 15,378,210            | \$ 1,239,411 | \$ 3,887,649 | \$ 797,758               | \$ -                 | \$ 21,303,028          | \$ 1,533,468           |
| Cash paid to employees  | (3,007,640)              | (303,318)    | (933,578)    | (347,694)                | -                    | (4,592,230)            | (215,566)              |
| Cash paid to suppliers  | (10,946,820)             | (512,586)    | (2,425,500)  | (217,355)                | (593,810)            | (14,696,071)           | (1,292,231)            |
| Net cash (used in) operating activities   | 1,423,750                | 423,507      | 528,571      | 232,709                  | (593,810)            | 2,014,727              | 25,671                 |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>   |                          |              |              |                          |                      |                        |                        |
| Transfers in  | -                        | -            | -            | -                        | -                    | -                      | 269,565                |
| Transfers out   | (858,043)                | (60,424)     | (234,000)    | (52,227)                 | -                    | (1,204,694)            | (2,430,000)            |
| Net cash (used in) non-capital financing activities   | (858,043)                | (60,424)     | (234,000)    | (52,227)                 | -                    | (1,204,694)            | (2,160,435)            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                          |              |              |                          |                      |                        |                        |
| Proceeds from long-term obligations   | -                        | -            | 3,191,546    | -                        | -                    | 3,191,546              | -                      |
| Sale of capital assets  | 2,054                    | -            | -            | -                        | -                    | 2,054                  | 20,758                 |
| System development charges received   | -                        | -            | -            | -                        | 1,788,379            | 1,788,379              | -                      |
| Other   | 15,712                   | -            | 550,752      | -                        | 2,250                | 568,714                | 73,834                 |
| Acquisition of capital assets   | (1,467,622)              | (73,505)     | (96,203)     | (123,376)                | -                    | (1,760,706)            | (294,419)              |
| Principal paid on long-term obligations   | -                        | (83,318)     | (3,466,046)  | -                        | (100,225)            | (3,649,589)            | -                      |
| Interest paid on long-term obligations  | -                        | (10,686)     | (102,571)    | -                        | (21,770)             | (135,027)              | -                      |
| Net cash provided by (used in) capital and related financing activities                                 | (1,449,856)              | (167,509)    | 77,478       | (123,376)                | 1,668,634            | 5,371                  | (199,827)              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |              |              |                          |                      |                        |                        |
| Interest  | 25,821                   | 11,424       | 18,365       | 738                      | 25,949               | 82,297                 | 13,815                 |
| Net increase (decrease) in cash and cash equivalents  | (858,328)                | 206,998      | 390,414      | 57,844                   | 1,100,773            | 897,701                | (2,320,776)            |
| Cash and cash equivalents at beginning of year  | 6,294,941                | 2,256,928    | 3,377,460    | 269,996                  | 4,344,499            | 16,543,824             | 4,310,564              |
| Cash and cash equivalent at end of year   | \$ 5,436,613             | \$ 2,463,926 | \$ 3,767,874 | \$ 327,840               | \$ 5,445,272         | \$ 17,441,525          | \$ 1,989,788           |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |                          |              |              |                          |                      |                        |                        |
| Operating income (loss)   | \$ 808,083               | \$ 378,276   | \$ (20,168)  | \$ 92,967                | \$ (856,372)         | \$ 402,786             | \$ (143,462)           |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |                          |              |              |                          |                      |                        |                        |
| Depreciation  | 638,960                  | 233,494      | 406,942      | 160,133                  | -                    | 1,439,529              | 158,891                |
| Net pension obligation asset  | (734)                    | (1,036)      | (527)        | 1,854                    | -                    | (443)                  | -                      |
| Net other post-employment benefits  | 31,129                   | 4,151        | 9,351        | 375                      | -                    | 45,006                 | -                      |
| Decrease (increase) in assets   |                          |              |              |                          |                      |                        |                        |
| Receivables, net  | (124,060)                | (216,777)    | 81,539       | (20,980)                 | -                    | (280,278)              | -                      |
| Inventory   | 10,446                   | 334          | (5,671)      | -                        | -                    | 5,109                  | -                      |
| Prepaid expense   | 698                      | -            | -            | -                        | -                    | 698                    | -                      |
| Increase (decrease) in liabilities  |                          |              |              |                          |                      |                        |                        |
| Accounts payable and accrued expenses   | 10,433                   | 18,141       | 41,125       | 406                      | 262,562              | 332,667                | 9,004                  |
| Payroll related liabilities   | 24,524                   | 6,924        | 3,643        | (2,046)                  | -                    | 33,045                 | 1,238                  |
| Customer deposits   | 10,776                   | -            | -            | -                        | -                    | 10,776                 | -                      |
| Compensated absences payable  | 13,495                   | -            | 12,337       | -                        | -                    | 25,832                 | -                      |
| Net cash provided by (used in) operating activities   | \$ 1,423,750             | \$ 423,507   | \$ 528,571   | \$ 232,709               | \$ (593,810)         | \$ 2,014,727           | \$ 25,671              |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>  |                          |              |              |                          |                      |                        |                        |
| Transfers in  | \$ -                     | \$ 100,225   | \$ -         | \$ -                     | \$ -                 | \$ 100,225             | \$ -                   |
| Transfers out   | -                        | -            | -            | -                        | (100,225)            | (100,225)              | -                      |
| Total noncash transactions  | \$ -                     | \$ 100,225   | \$ -         | \$ -                     | \$ (100,225)         | \$ -                   | \$ -                   |

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2014**

|                            | Pension Trust | Agency Fund       |
|----------------------------|---------------|-------------------|
| <b><u>ASSETS</u></b>       |               |                   |
| Cash and investments       | \$ 34,488,269 | \$ <u>271,654</u> |
| <b><u>LIABILITIES</u></b>  |               |                   |
| Amounts held in trust      | -             | \$ <u>271,654</u> |
| <b><u>NET POSITION</u></b> |               |                   |
| Pension benefits           | \$ 34,488,269 |                   |

*See accompanying notes*

**CITY OF FOREST GROVE**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUND**  
**For the Year Ended June 30, 2014**

|                                  | Pension Trust |
|----------------------------------|---------------|
| <b>ADDITIONS</b>                 |               |
| Employer contributions           | \$ 1,884,095  |
| Investment earnings              | 4,663,928     |
| Total additions                  | 6,548,023     |
| <b>DEDUCTIONS</b>                |               |
| Benefits                         | 1,491,704     |
| Administrative                   | 123,033       |
| Total deductions                 | 1,614,737     |
| Change in net position           | 4,933,286     |
| Net position - beginning of year | 29,554,983    |
| Net position - end of year       | \$ 34,488,269 |

*See accompanying notes*

## CITY OF FOREST GROVE

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

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

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

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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

#### D. Budget policies and budgetary control

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

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

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### E. Cash and cash equivalents

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

#### F. User charges and fines 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, however due to the uncertainty of collection these amounts are not reported in the financial statements. The City maintains a listing of receivables they believe are collectible as of June 30, 2014.

#### G. Inventories

Inventories are valued at the lower of cost (first-in, first-out method) or market. Inventories consist of expendable supplies held for consumption.

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### H. Capital assets (continued)

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

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

#### I. Long-term obligations

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

#### J. Compensated absences

##### i. 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.

##### ii. Sick leave

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

#### K. Equity classification

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

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

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

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

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

#### K. Equity classification (continued)

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

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

##### ii. Governmental Fund Type Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) requires governmental type fund balance amounts to be reported within one of the fund balance categories list below:

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

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

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

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

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

In the governmental fund financial statements when an expenditure is incurred for 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.

#### L. 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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

## 2. Deposits and investments

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

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

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

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

*Investments:* As of June 30, 2014, the City held the following investments and maturities:

| Investment Type         | Carrying Value | Weighted Average<br>Maturity in Months | % of investment<br>Portfolio |
|-------------------------|----------------|--|------------------------------|
| LGIP                    | \$ 35,705,497  | 8.16                                   | 99%                          |
| Certificates of deposit | 258,238        | 24                                     | 1%                           |
| Total                   | \$ 35,963,735  |  | 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.

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

*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.

| Investment Type         | Carrying Value | Rating from<br>Moody's or<br>S&P<br>Corporation |
|-------------------------|----------------|---|
| LGIP                    | \$ 35,705,497  | Aa2/AA  |
| Certificates of deposit | 258,238        | Not Rated                                       |
| Total                   | \$ 35,963,735  |   |

*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 Wells Fargo. As of June 30, 2014, the Pension Trust Fund's cash and investment balances were reported as follows:

| Investment Type        | Market Value  |
|------------------------|---------------|
| Interest bearing cash  | \$ 153,069    |
| Mutual Funds (unrated) | 34,335,200    |
| Total                  | \$ 34,488,269 |

## 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, 2014, \$3,150,798 of the City’s bank balances was exposed to custodial risk.

A. The City's deposits and investments at June 30, 2014 are as follows:

|                                      |                      |
|--------------------------------------|----------------------|
| Investments                          | \$ 70,452,004        |
| Deposits with financial institutions | 3,553,817            |
| Cash on hand                         | <u>1,355</u>         |
| Total deposits and investments       | <u>\$ 74,007,176</u> |

B. Cash and investments by fund:

|   |                      |
|---|----------------------|
| Governmental activities/funds                   |                      |
| General   | \$ 6,597,404         |
| Street  | 1,053,680            |
| Nonmajor governmental funds                     | <u>12,164,856</u>    |
| Total governmental funds                        | 19,815,940           |
| Internal service funds                          | <u>1,989,788</u>     |
| Total governmental activities                   | <u>21,805,728</u>    |
| Business-type activities/Enterprise funds       |                      |
| Light   | 5,436,613            |
| Sewer   | 2,463,926            |
| Water   | 3,767,874            |
| Surface water management                        | 327,840              |
| Nonmajor enterprise funds                       | <u>5,445,272</u>     |
| Total business-type activities/enterprise funds | <u>17,441,525</u>    |
| Fiduciary funds                                 |                      |
| Pension trust                                   | 34,488,269           |
| Agency  | <u>271,654</u>       |
| Total fiduciary funds                           | <u>34,759,923</u>    |
| Total cash and investments                      | <u>\$ 74,007,176</u> |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Receivables

A. The City's receivables at June 30, 2014 are shown below:

|                                    | Governmental Activities/Funds |                  |                          |                   | Business-type Activities/Enterprise Funds |                   |                   |                             |                     |
|------------------------------------|-------------------------------|------------------|--------------------------|-------------------|---|-------------------|-------------------|-----------------------------|---------------------|
|                                    | General                       | Street           | Nonmajor<br>Governmental | Totals            | Light                                     | Sewer             | Water             | Surface Water<br>Management | Totals              |
| Property taxes                     | \$ 319,734                    | \$ -             | \$ 23,001                | \$ 342,735        | \$ -                                      | \$ -              | \$ -              | \$ -                        | \$ -                |
| Accounts                           | 147,639                       | 16,875           | 256,785                  | 421,299           | 145,214                                   | -                 | 2,459             | -                           | 147,673             |
| Assessments                        | -                             | 919              | 114,801                  | 115,720           | -   | -                 | -                 | -                           | -                   |
| User charges                       | -                             | -                | -                        | -                 | 1,343,232                                 | 497,306           | 453,769           | 114,504                     | 2,408,811           |
| Interest                           | -                             | 77               | 23,599                   | 23,676            | -   | -                 | -                 | -                           | -                   |
| Allowance for doubtful<br>accounts | -                             | -                | -                        | -                 | (113,241)                                 | (13,788)          | (23,972)          | (5,640)                     | (156,641)           |
|                                    | <u>\$ 467,373</u>             | <u>\$ 17,871</u> | <u>\$ 418,186</u>        | <u>\$ 903,430</u> | <u>\$ 1,375,205</u>                       | <u>\$ 483,518</u> | <u>\$ 432,256</u> | <u>\$ 108,864</u>           | <u>\$ 2,399,843</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<br>July 1,<br>2013 | Current<br>Levy     | Adjust-<br>ments   | Net<br>Interest<br>(Dis-<br>counts) | Collec-<br>tions          | Balances<br>June 30,<br>2014 |
|---------|-----------------------------|---------------------|--------------------|-------------------------------------|---------------------------|------------------------------|
| 2013-14 |                             | \$ 7,674,228        | \$ (9,806)         | \$ (200,352)                        | \$ 7,311,860              | \$ 152,210                   |
| 2012-13 | 148,176                     | -                   | (3,206)            | 4,189                               | 77,534                    | 71,625                       |
| 2011-12 | 74,756                      | -                   | 1,616              | 4,231                               | 28,685                    | 51,918                       |
| 2010-11 | 55,767                      | -                   | 1,869              | 5,603                               | 26,834                    | 36,405                       |
| 2009-10 | 33,718                      | -                   | (1,527)            | 2,420                               | 8,731                     | 25,880                       |
| 2008-09 | 3,437                       | -                   | (686)              | 481                                 | 1,447                     | 1,785                        |
| Prior   | 5,299                       | -                   | (1,516)            | 517                                 | 1,388                     | 2,912                        |
|         | <u>\$ 321,153</u>           | <u>\$ 7,674,228</u> | <u>\$ (13,256)</u> | <u>\$ (182,911)</u>                 | 7,456,479                 | <u>\$ 342,735</u>            |
|         |                             |                     |                    |                                     | Less prior year accrual   | (61,830)                     |
|         |                             |                     |                    |                                     | Plus current year accrual | 48,379                       |
|         |                             |                     |                    |                                     |                           | <u>\$ 7,443,028</u>          |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Receivables (continued)

#### B. Property taxes (continued)

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

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

Also, 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 real market value imposed by the Oregon Constitution is not expected to affect these levies.

In addition, the City will levy \$523,280 for payment of long-term debt principal and interest due in 2014-15.

### 4. Capital assets

#### A. Activity for governmental activities for the year ended June 30, 2014 was as follows:

|   | Balances<br>July 1, 2013 | Additions           | Deletions          | Balances<br>June 30, 2014 |
|---|--------------------------|---------------------|--------------------|---------------------------|
| Capital assets not being depreciated        |                          |                     |                    |                           |
| Land and land improvements                  | \$ 7,733,955             | \$ -                | \$ -               | \$ 7,733,955              |
| Construction in progress                    | -                        | 131,615             | -                  | 131,615                   |
| Total capital assets not being depreciated  | <u>7,733,955</u>         | <u>131,615</u>      | <u>-</u>           | <u>7,865,570</u>          |
| Capital assets being depreciated            |                          |                     |                    |                           |
| Buildings and improvements                  | 12,527,977               | 122,693             | (10)               | 12,650,660                |
| Machinery and equipment                     | 6,766,839                | 440,770             | (233,870)          | 6,973,739                 |
| Infrastructure                              | 25,061,699               | 685,641             | -                  | 25,747,340                |
| Total capital assets being depreciated      | <u>44,356,515</u>        | <u>1,249,104</u>    | <u>(233,880)</u>   | <u>45,371,739</u>         |
| Less accumulated depreciation               |                          |                     |                    |                           |
| Buildings and improvements                  | 6,554,249                | 330,787             | -                  | 6,885,036                 |
| Machinery and equipment                     | 3,958,176                | 427,141             | (173,081)          | 4,212,236                 |
| Infrastructure                              | 11,187,832               | 881,362             | -                  | 12,069,194                |
| Total accumulated depreciation              | <u>21,700,257</u>        | <u>1,639,290</u>    | <u>(173,081)</u>   | <u>23,166,466</u>         |
| Total capital assets being depreciated, net | <u>22,656,258</u>        | <u>(390,186)</u>    | <u>(60,799)</u>    | <u>22,205,273</u>         |
| Governmental activities capital assets, net | <u>\$ 30,390,213</u>     | <u>\$ (258,571)</u> | <u>\$ (60,799)</u> | <u>\$ 30,070,843</u>      |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Capital assets (continued)

B. Activity for business-type activities for the year ended June 30, 2014 was as follows:

|   | Balances<br>July 01, 2013 | Additions           | Deletions             | Balances<br>June 30, 2014 |
|---|---------------------------|---------------------|-----------------------|---------------------------|
| Capital assets not being depreciated            |                           |                     |                       |                           |
| Land  | \$ 1,176,431              | \$ -                | \$ -                  | \$ 1,176,431              |
| Work in progress                                | 24,313                    | 1,264,907           | (1,265,532)           | 23,688                    |
| Total capital assets not being depreciated      | <u>1,200,744</u>          | <u>1,264,907</u>    | <u>(1,265,532)</u>    | <u>1,200,119</u>          |
| Capital assets, being depreciated               |                           |                     |                       |                           |
| Buildings and improvements                      | 10,010,416                | 105,229             | (2,553)               | 10,113,092                |
| Machinery and equipment                         | 23,463,159                | 1,417,888           | (279,113)             | 24,601,934                |
| Infrastructure                                  | 39,699,932                | 238,214             | -                     | 39,938,146                |
| Intangible-water rights                         | 1,707,484                 | -                   | -                     | 1,707,484                 |
| Total capital assets, being depreciated         | <u>74,880,991</u>         | <u>1,761,331</u>    | <u>(281,666)</u>      | <u>76,360,656</u>         |
| Less accumulated depreciation and amortization: |                           |                     |                       |                           |
| Buildings and improvements                      | 4,933,720                 | 178,040             | -                     | 5,111,760                 |
| Machinery and equipment                         | 10,700,988                | 569,060             | -                     | 11,270,048                |
| Infrastructure                                  | 18,420,539                | 649,652             | -                     | 19,070,191                |
| Intangible-water rights                         | 1,090,790                 | 42,777              | -                     | 1,133,567                 |
| Total accumulated depreciation                  | <u>35,146,037</u>         | <u>1,439,529</u>    | <u>-</u>              | <u>36,585,566</u>         |
| Total capital assets, being depreciated, net    | <u>39,734,954</u>         | <u>321,802</u>      | <u>(281,666)</u>      | <u>39,775,090</u>         |
| Business-type activities capital assets, net    | <u>\$ 40,935,698</u>      | <u>\$ 1,586,709</u> | <u>\$ (1,547,198)</u> | <u>\$ 40,975,209</u>      |

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

|                                |                     |
|--------------------------------|---------------------|
| Governmental activities:       |                     |
| General government             | \$ 299,624          |
| Public safety                  | 196,418             |
| Highways and streets           | 814,803             |
| Culture and recreation         | 328,445             |
| Total governmental activities  | <u>\$ 1,639,290</u> |
| Business-type activities:      |                     |
| Light                          | \$ 638,960          |
| Sewer                          | 233,494             |
| Water                          | 406,942             |
| Surface water management       | 160,133             |
| Total business-type activities | <u>\$ 1,439,529</u> |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Unavailable revenue

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

|                | Governmental Activities/Funds |                  |                          | Totals            |
|----------------|-------------------------------|------------------|--------------------------|-------------------|
|                | General                       | Street           | Nonmajor<br>Governmental |                   |
| Property taxes | \$ 274,602                    | \$ -             | \$ 19,754                | \$ 294,356        |
| Accounts       | 7,983                         | 16,357           | 38,210                   | 62,550            |
| Interest       | -                             | -                | 23,598                   | 23,598            |
| Assessments    | -                             | -                | 114,801                  | 114,801           |
|                | <u>\$ 282,585</u>             | <u>\$ 16,357</u> | <u>\$ 196,363</u>        | <u>\$ 495,305</u> |

### 6. Long-term obligations

A. Transactions for governmental activities for the year ended June 30, 2014 were as follows:

|  | Balances<br>July 1,<br>2013 | Additions           | Reductions          | Balances<br>June 30,<br>2014 | Balances<br>Due Within<br>One Year |
|--|-----------------------------|---------------------|---------------------|------------------------------|------------------------------------|
| <u>Bonded Debt</u>   |                             |                     |                     |                              |                                    |
| 2010 General Obligation –<br>Refunding Bonds - original<br>issue \$2,265,000, 6 years<br>interest from 3.0 to 4.0<br>percent |                             |                     |                     |                              |                                    |
| Principal  | \$ 1,440,000                | \$ -                | \$ 455,000          | \$ 985,000                   | \$ 480,000                         |
| Interest   | <u>7,500</u>                | <u>40,254</u>       | <u>45,250</u>       | <u>2,504</u>                 |                                    |
|  | <u>1,447,500</u>            | <u>40,254</u>       | <u>500,250</u>      | <u>987,504</u>               |                                    |
| <u>Loans</u>   |                             |                     |                     |                              |                                    |
| Oregon Economic Development<br>Department (OEDD) - annual<br>installments of \$21,000<br>including interest at 5.47 percent  |                             |                     |                     |                              |                                    |
| Principal  | 65,252                      | -                   | 18,228              | 47,024                       | 23,414                             |
| Interest   | <u>2,170</u>                | <u>3,146</u>        | <u>3,753</u>        | <u>1,563</u>                 |                                    |
|  | <u>67,422</u>               | <u>3,146</u>        | <u>21,981</u>       | <u>48,587</u>                |                                    |
| Compensated absences   | <u>902,271</u>              | <u>928,388</u>      | <u>902,271</u>      | <u>928,388</u>               | <u>928,388</u>                     |
| Net other post-employment benefits   | <u>669,020</u>              | <u>140,803</u>      | <u>-</u>            | <u>809,823</u>               |                                    |
| Total long-term obligations  | 3,086,213                   | 1,112,591           | 1,424,502           | 2,774,302                    | <u>\$ 1,431,802</u>                |
| Interest   | <u>9,670</u>                | <u>43,400</u>       | <u>49,003</u>       | <u>4,067</u>                 |                                    |
| Principal  | <u>\$ 3,076,543</u>         | <u>\$ 1,069,191</u> | <u>\$ 1,375,499</u> | <u>\$ 2,770,235</u>          |                                    |

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

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

B. *Transactions for business-type activities for the year ended June 30, 2014 were as follows:*

|  | Balances<br>July 1,<br>2013 | Additions        | Reductions       | Balances<br>June 30,<br>2014 | Balances<br>Due Within<br>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                              | \$ 3,075,000                | \$ -             | \$ 3,075,000     | \$ -                         |                                    |
| Interest                               | 33,229                      | -                | 33,229           | -                            |                                    |
|  | <u>3,108,229</u>            | <u>-</u>         | <u>3,108,229</u> | <u>-</u>                     |                                    |
| 2013 Full Faith and Credit             |                             |                  |                  |                              |                                    |
| Water Refunding Bonds – original       |                             |                  |                  |                              |                                    |
| issue \$3,160,000, 10 years,           |                             |                  |                  |                              |                                    |
| interest rate 2.74 percent             |                             |                  |                  |                              |                                    |
| Principal                              | -                           | 3,160,000        | 310,000          | 2,850,000                    | \$ 285,000                         |
| Interest                               | -                           | 81,975           | 62,773           | 19,202                       |                                    |
|  | <u>-</u>                    | <u>3,241,975</u> | <u>372,773</u>   | <u>2,869,202</u>             |                                    |
| <u>Loans</u>                           |                             |                  |                  |                              |                                    |
| US Department of Interior              |                             |                  |                  |                              |                                    |
| Scoggins Reservoir Contract            |                             |                  |                  |                              |                                    |
| installments of \$72,797 through 2035, |                             |                  |                  |                              |                                    |
| including interest at 3.5 percent      |                             |                  |                  |                              |                                    |
| Principal                              | 1,137,114                   | -                | 32,999           | 1,104,115                    | 34,152                             |
| Interest                               | -                           | 39,798           | 39,798           | -                            |                                    |
|  | <u>1,137,114</u>            | <u>39,798</u>    | <u>72,797</u>    | <u>1,104,115</u>             |                                    |
| Clean Water Services                   |                             |                  |                  |                              |                                    |
| Forest Grove Rehabilitation Project    |                             |                  |                  |                              |                                    |
| annual installments of                 |                             |                  |                  |                              |                                    |
| \$94,004 through 2016, including       |                             |                  |                  |                              |                                    |
| interest at 3.77 percent               |                             |                  |                  |                              |                                    |
| Principal                              | 304,151                     | -                | 83,318           | 220,833                      | 86,489                             |
| Interest                               | 3,854                       | 9,630            | 10,686           | 2,798                        |                                    |
|  | <u>308,005</u>              | <u>9,630</u>     | <u>94,004</u>    | <u>223,631</u>               |                                    |

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

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

B. *Transactions for business-type activities for the year ended June 30, 2014 were as follows (continued):*

|                                    | Balances            |                     |                     | Balances            | Balances          |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
|                                    | July 1,             | Additions           | Reductions          | June 30,            | Due Within        |
|                                    | 2013                |                     |                     | 2014                | One Year          |
| <u>Loans (continued)</u>           |                     |                     |                     |                     |                   |
| Clean Water Services               |                     |                     |                     |                     |                   |
| Forest Grove Sunset Sewer Project  |                     |                     |                     |                     |                   |
| annual installments of             |                     |                     |                     |                     |                   |
| \$121,995 through 2018, including  |                     |                     |                     |                     |                   |
| interest at 3.77 percent           |                     |                     |                     |                     |                   |
| Principal                          | \$ 543,045          | \$ -                | \$ 100,225          | \$ 442,820          | \$ 104,478        |
| Interest                           | 10,487              | 19,835              | 21,770              | 8,552               |                   |
|                                    | <u>553,532</u>      | <u>19,835</u>       | <u>121,995</u>      | <u>451,372</u>      |                   |
| Compensated absences               | <u>277,462</u>      | <u>303,294</u>      | <u>277,462</u>      | <u>303,294</u>      | <u>303,294</u>    |
| Net other post-employment benefits | <u>251,316</u>      | <u>45,006</u>       | <u>-</u>            | <u>296,322</u>      |                   |
| Total long-term obligations        | 5,635,658           | 3,659,538           | 4,047,260           | 5,247,936           | <u>\$ 813,413</u> |
| Interest                           | <u>47,570</u>       | <u>151,238</u>      | <u>168,256</u>      | <u>30,552</u>       |                   |
| Principal                          | <u>\$ 5,588,088</u> | <u>\$ 3,508,300</u> | <u>\$ 3,879,004</u> | <u>\$ 5,217,384</u> |                   |

C. *The future maturities for governmental activities as of June 30, 2014 are as follows:*

| Fiscal<br>Year | 2010 Refunding    |                  | OEDD             |                 | Compensated       | Totals              |                  |
|----------------|-------------------|------------------|------------------|-----------------|-------------------|---------------------|------------------|
|                | Principal         | Interest         | Principal        | Interest        | Absences          | Principal           | Interest         |
| 2015           | \$ 480,000        | \$ 31,600        | \$ 23,414        | \$ 2,704        | \$ 928,388        | \$ 1,431,802        | \$ 34,304        |
| 2016           | <u>505,000</u>    | <u>18,200</u>    | <u>23,610</u>    | <u>1,358</u>    | <u>-</u>          | <u>528,610</u>      | <u>19,558</u>    |
|                | <u>\$ 985,000</u> | <u>\$ 49,800</u> | <u>\$ 47,024</u> | <u>\$ 4,062</u> | <u>\$ 928,388</u> | <u>\$ 1,960,412</u> | <u>\$ 53,862</u> |

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

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

D. *The future maturities for business-type activities as of June 30, 2014 are as follows:*

| Fiscal Year | 2013 Full Faith and Credit Refunding |                   | US Dept. of Interior Scoggins Dam |                   | Clean Water Servie Rehabilitation |                  |
|-------------|--------------------------------------|-------------------|-----------------------------------|-------------------|-----------------------------------|------------------|
|             | Principal                            | Interest          | Principal                         | Interest          | Principal                         | Interest         |
| 2015        | 285,000                              | 78,090            | 34,152                            | 38,645            | 86,489                            | 7,515            |
| 2016        | 290,000                              | 70,281            | 35,348                            | 37,449            | 89,780                            | 4,224            |
| 2017        | 300,000                              | 62,335            | 36,585                            | 36,212            | 44,564                            | 838              |
| 2018        | 305,000                              | 54,115            | 37,865                            | 34,931            | -                                 | -                |
| 2019        | 315,000                              | 45,758            | 39,191                            | 33,606            | -                                 | -                |
| 2020-2024   | 1,355,000                            | 93,982            | 217,514                           | 146,470           | -                                 | -                |
| 2025-2029   | -                                    | -                 | 258,341                           | 105,644           | -                                 | -                |
| 2030-2034   | -                                    | -                 | 306,828                           | 57,157            | -                                 | -                |
| 2035-2039   | -                                    | -                 | 138,291                           | 7,302             | -                                 | -                |
|             | <u>\$ 2,850,000</u>                  | <u>\$ 404,561</u> | <u>\$ 1,104,115</u>               | <u>\$ 497,416</u> | <u>\$ 220,833</u>                 | <u>\$ 12,577</u> |

| Fiscal Year | Clean Water Servie Sewer Project |                  | Compensated Absences | Totals              |                   |
|-------------|----------------------------------|------------------|----------------------|---------------------|-------------------|
|             | Principal                        | Interest         |                      | Principal           | Interest          |
| 2015        | 104,478                          | 17,516           | \$ 303,294           | \$ 813,413          | \$ 141,766        |
| 2016        | 108,912                          | 13,082           | -                    | 524,040             | 125,036           |
| 2017        | 113,535                          | 8,460            | -                    | 494,684             | 107,845           |
| 2018        | 115,895                          | 3,641            | -                    | 458,760             | 92,687            |
| 2019        | -                                | -                | -                    | 354,191             | 79,364            |
| 2020-2024   | -                                | -                | -                    | 1,572,514           | 240,452           |
| 2025-2029   | -                                | -                | -                    | 258,341             | 105,644           |
| 2030-2034   | -                                | -                | -                    | 306,828             | 57,157            |
| 2035-2039   | -                                | -                | -                    | 138,291             | 7,302             |
|             | <u>\$ 442,820</u>                | <u>\$ 42,699</u> | <u>\$ 303,294</u>    | <u>\$ 4,921,062</u> | <u>\$ 957,253</u> |

E. The City has pledged revenue from timber sales and available water revenues for repayment of the 2013 Full Faith and Credit Refunding Bond.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### F. *Advance refunding*

On July 10, 2013, the City issued \$3,160,000 of full faith and credit bonds to advance refund \$3,075,000 of outstanding 2003 full faith and credit bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. On August 9, 2013, the 2003 full faith and credit bonds were called and paid in full.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$48,047. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2023 using the straight-line method. The government completed the advance refunding to reduce its total debt service payments over the next 10 years by \$257,711 and to obtain an economic gain of \$227,806.

### 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.

- A. On September 1, 2005, the City issued \$41,000,000 in revenue bonds to fund campus facility improvements. The revenue bonds were assigned to Pacific University. At June 30, 2014, \$37,890,000 was outstanding. The bonds mature May 1, 2036.
- B. On June 29, 2007, the City issued \$30,460,000 in revenue bonds to fund student housing construction at Pacific University. The revenue bonds were assigned to the Oak Tree Foundation, Inc., a nonprofit corporation. At June 30, 2014, \$28,995,000 was outstanding. The bonds mature March 1, 2037.
- C. On July 23, 2009, the City issued \$35,530,000 in revenue bonds to fund campus facility improvements. The revenue bonds were assigned to Pacific University. At June 30, 2014, \$35,025,000 was outstanding. The bonds mature June 30, 2039.
- D. On October 15, 2013, the City issued \$18,500,000 in revenue bonds to fund campus improvements. The revenue bonds were assigned to Pacific University. At June 30, 2014, \$18,500,000 was outstanding. The bonds mature October 30, 2038.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 8. Defined benefit pension plan

#### *Plan Description*

Substantially all employees are participants in either the defined benefit retirement plan of City of Forest Grove (the Plan), a single employer defined benefit public employment or a new defined contribution plan for certain new employees that was effective as of July 1, 2011. Footnote 9 describes the new defined contribution plan.

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

Employees are divided into two groups: Public Safety Members (consisting of firefighters and police officers) and General Members. All full-time employees of the City are eligible to participate in the plan after six months of employment, except that employees over the age of 57 at the date of hire shall not be eligible for the fire and police employee plan and employees over the age of 64 at the date of hire shall not be eligible for the general employee plan. 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, 2013, of 234 includes 124 active employees, 26 terminated employees entitled to benefits and 84 retired employees with deferred benefits. Of the 124 active employees covered by the Plan, 26 were non-vested and 98 were vested. Of the 32 terminated members, 5 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, 2013 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<br/>June 30,</u> | <u>Annual<br/>Required<br/>Contributions</u> | <u>Employer<br/>Contributions</u> | <u>Percentage<br/>Contributed</u> |
|--------------------------------|--|-----------------------------------|-----------------------------------|
| 2014                           | \$ 1,884,095                                 | \$ 1,884,095                      | 100%                              |
| 2013                           | 1,761,910                                    | 1,761,910                         | 100%                              |
| 2012                           | 1,730,977                                    | 1,730,977                         | 100%                              |
| 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:

| Actuarial<br>Valuation<br>as of<br>June 30, | Actuarial<br>Value<br>of Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Actuarial<br>Accrued<br>Liability<br>as a Percent<br>of Covered<br>Payroll |
|---|---------------------------------|-----------------------------------|---|-----------------|--------------------|--|
| 2013  | \$ 29,554,983                   | \$ 42,881,808                     | \$ 13,326,825                                 | 69%             | \$ 8,708,179       | 153%   |
| 2012  | 27,210,371                      | 39,895,631                        | 12,685,260                                    | 68%             | 8,788,081          | 144%   |
| 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, 2013 and 2012.

|  | <u>2013</u>         | <u>2012</u>         |                  |
|--|---------------------|---------------------|------------------|
| Annual Required Contribution (ARC)                 | \$ 1,164,065        | \$ 1,131,224        |                  |
| Interest on Net Pension Obligation                 |                     | (46,672)            | (47,000)         |
| Adjustment to Annual Required Contribution         | <u>38,133</u>       | <u>39,283</u>       |                  |
| Annual Pension Cost                                | 1,155,526           | 1,123,507           |                  |
| Contributions made                                 | <u>(1,169,634)</u>  | <u>(1,140,591)</u>  |                  |
| Change in Net Pension Obligation                   | (14,108)            | (17,086)            |                  |
| Net Pension Obligation (Asset) - beginning of year |                     | <u>(643,747)</u>    | <u>(626,661)</u> |
| Net Pension Obligation (Asset) - end of year       | <u>\$ (657,855)</u> | <u>\$ (643,747)</u> |                  |

The June 30, 2014 actuarial valuation information was not available. Therefore the June 30, 2013 negative net pension obligation has been reported.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

Three-year trend information

|               | <u>Annual<br/>Pension Cost</u> | <u>Amount<br/>Contributed</u> | <u>Percentage<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|---------------|--------------------------------|-------------------------------|-----------------------------------|-----------------------------------|
| June 30, 2014 | \$ 1,884,095                   | \$ 1,884,095                  | 100.00%                           | \$ (657,855)                      |
| June 30, 2013 | 1,761,910                      | 1,761,910                     | 100.00%                           | (643,747)                         |
| June 30, 2012 | 1,730,977                      | 1,730,977                     | 100.00%                           | (643,747)                         |

### 9. Defined contribution plan

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

The DC Plan was effective as of July 1, 2011 although the first participant did not become eligible for the plan until March 2012. All full-time non-represented employees and all full-time members of the AFSCME union hired on or after July 1, 2011, are eligible to participate in the DC Plan. As of July 1, 2012, full-time non-certified members of the Forest Grove Police Association are eligible to participate in the DC plan. As of July 1, 2013, part-time non-represented and AFSCME employees, who are regularly scheduled to work at least twenty (20) hours per week, are eligible to participate in the DC plan.

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

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

Contributions to the plan for the years ended June 30, 2014 and 2013 were \$44,264 and \$37,172, respectively.

### 10. Other post-employment benefits

#### Plan description and benefits provided

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Membership

The City's membership in the plan at August 1, 2012 (the date of the latest actuarial valuation) consisted of the following:

|                                 |                   |
|---------------------------------|-------------------|
| Active employees                | 147               |
| Retirees, spouses or dependents | <u>12</u>         |
| Total                           | <u><u>159</u></u> |

#### Funding policy and contributions

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

|                         |        |
|-------------------------|--------|
| For retirees            | \$ 593 |
| For spouses of retirees | 711    |

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                  | \$ 142,434        |
| Amortization of UAAL         | <u>219,450</u>    |
| Annual required contribution | <u>\$ 361,884</u> |

The net OPEB obligation as of June 30, 2014 was calculated as follows:

|  |                           |
|--|---------------------------|
| Annual required contribution             | \$ 361,884                |
| Interest on prior year Net OPEB          | 32,212                    |
| Adjustment to ARC                        | (110,662)                 |
| Contributions made                       | <u>(97,625)</u>           |
| Increase in net OPEB obligation          | 185,809                   |
| Net OPEB obligation at beginning of year | <u>920,336</u>            |
| Net OPEB obligation at end of year       | <u><u>\$1,106,145</u></u> |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 10. 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, 2014, 2013 and 2012 is as follows:

| <u>Fiscal<br/>Year Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2014                | \$ 283,434                  | 34%   | \$ 1,106,145                   |
| June 30, 2013                | 269,856                     | 39%   | 920,336                        |
| June 30, 2012                | 257,340                     | 39%   | 755,956                        |

#### 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, 2012 actuarial valuation, the projected unit credit cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a payroll growth of 3.75 percent per year, annual premium rate increases from 7.25 percent initially to 5.5 percent in 2053, and participation rate of 55 percent of future retirees hired after July 1, 2003 electing coverage under the plan. The unfunded actuarial liability is being amortized using the level percentage of payroll over an open period of 15 years.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### Funded status and funding progress

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

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

### 11. Joint ventures and intergovernmental agreements

- A. The City is a party to the Hillsboro, Forest Grove, Beaverton, and Tualatin Valley Water Joint Water Commission, an entity organized under ORS 190. As a member of the Commission, the City owns a 13.3% interest in a joint water service system. The City's investment in the commission at June 30, 2014 is \$5,927,088. The Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

The Joint Water Commission was established to provide 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)**

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

- B. The City, together with the cities of Hillsboro and Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District, is a party to the Barney Reservoir Joint Ownership Commission, an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir," located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir." As a member of the commission, the City owns a 2.5% interest in the reservoir. The City's investment in the Commission at June 30, 2014 is \$660,397. 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.
- C. The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1% of sewer service charges collected, 20% of connection charges collected, and 75% of surface water management fees collected in accordance with agreements between the City and CWS. The amount collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2014 was \$3,627,540. The amount due to and payable to CWS at June 30, 2014 is \$171,913.

### **12. 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, 2014, employees of the City had accumulated 10,185 days of sick leave.

### **13. Risk management**

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 14. Segment information

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

Summary financial information for sewer and water for the year ended June 30, 2014 is as follows:

| <b>Condensed statement of net position</b>                                   | Sewer         | Water         |
|--|---------------|---------------|
| <u>Assets</u>  |               |               |
| Current assets   | \$ 4,528,497  | \$ 11,282,859 |
| Net pension obligation asset   | 10,604        | 34,144        |
| Investment in joint venture  | -             | 6,587,485     |
| Capital assets, net  | 7,629,576     | 10,616,306    |
| Total assets   | 12,168,677    | 28,520,794    |
| <u>Deferred outflow of resources</u>   |               |               |
| Deferred interest from refunding   | -             | 43,242        |
| <u>Liabilities</u>   |               |               |
| Current liabilities  | 838,603       | 280,219       |
| Noncurrent liabilities   | 681,483       | 4,157,991     |
| Total liabilities  | 1,520,086     | 4,438,210     |
| <u>Net position</u>  |               |               |
| Net investment in capital assets   | 6,965,923     | 6,662,191     |
| Restricted   | 1,224,873     | 3,477,975     |
| Unrestricted   | 2,457,795     | 10,507,685    |
| Total net position   | \$ 10,648,591 | \$ 20,647,851 |
| <b>Condensed statement of revenues, expenses and changes in net position</b> |               |               |
| Operating revenue  | \$ 1,456,188  | \$ 3,715,994  |
| Depreciation expense   | 233,494       | 406,942       |
| Other operating expenses   | 1,684,689     | 3,435,437     |
| Operating (loss)   | (461,995)     | (126,385)     |
| Non-operating revenues (expenses)  | (9,208)       | 368,538       |
| Income (loss) before capital contributions and transfers                     | (471,203)     | 242,153       |
| Capital contributions  | 1,050,338     | 697,765       |
| Transfers  | (60,424)      | (234,000)     |
| Change in net position   | 518,711       | 705,918       |
| Net position - beginning   | 10,129,880    | 19,941,933    |
| Net position - ending  | \$ 10,648,591 | \$ 20,647,851 |
| <b>Condensed statement of cash flows</b>                                     |               |               |
| Net cash provided by (used in):  |               |               |
| Operating activities   | (154,202)     | 26,785        |
| Non-capital financing activities   | (60,424)      | (177,844)     |
| Capital and related financing  | 763,084       | 397,192       |
| Investing activities   | 18,007        | 19,586        |
| Net increase in cash   | 566,465       | 265,719       |
| Cash and cash equivalents - beginning of year                                | 3,470,732     | 3,598,446     |
| Cash and cash equivalents - end of year                                      | \$ 4,037,197  | \$ 3,864,165  |

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

**15. Interfund transfers**

| <u>Fund</u>                          | <u>Transfers</u>    |                     |
|--------------------------------------|---------------------|---------------------|
|                                      | <u>In</u>           | <u>Out</u>          |
| General                              | \$ 1,855,179        | \$ -                |
| Nonmajor governmental                | 1,799,500           | 289,550             |
| Light                                | -                   | 858,043             |
| Sewer                                | -                   | 60,424              |
| Sewer - non-cash                     | 100,225             | -                   |
| Water                                | -                   | 234,000             |
| Surface water management             | -                   | 52,227              |
| Nonmajor enterprise funds - non-cash | -                   | 100,225             |
| Internal service funds               | 269,565             | 2,430,000           |
|                                      | <u>\$ 4,024,469</u> | <u>\$ 4,024,469</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.

**16. Net position restricted through enabling legislation**

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

Governmental Activities

|  |              |
|--|--------------|
| Oregon laws restrict the use of state gas tax for road improvements and repairs  | \$ 1,068,119 |
| Transportation impact fees and transportation development tax are restricted for transportation infrastructure expansion | 6,527,464    |
| System development charges (SDC) are restricted for the purposes as specified in the implementing ordinances:            |              |
| Park acquisition and development   | 1,354,581    |

Business-type Activities

|   |           |
|---|-----------|
| System development charges (SDC) are restricted for the purposes as specified in the implementing ordinances: |           |
| Sewer system improvement and expansion  | 1,224,873 |
| Water system improvement and expansion  | 3,477,975 |
| Surface water management system improvement and expansion   | 394,026   |

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

**17. Governmental fund balances**

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

| Categories             | General             | Street              | Total<br>Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|------------------------|---------------------|---------------------|----------------------------|--------------------------------|
| <b>Nonspendable:</b>   |                     |                     |                            |                                |
| Library endowment      | \$ -                | \$ -                | \$ 41,186                  | \$ 41,186                      |
| Prepays                | 31,631              | -                   | 250                        | 31,881                         |
| <b>Restricted for:</b> |                     |                     |                            |                                |
| Building operations    | -                   | -                   | 1,320,773                  | 1,320,773                      |
| Street services        | -                   | 1,043,727           | 8,035                      | 1,051,762                      |
| Community enhancement  | -                   | -                   | 26,757                     | 26,757                         |
| Capital projects       | -                   | -                   | 7,882,045                  | 7,882,045                      |
| Debt service           | -                   | -                   | 62,592                     | 62,592                         |
| Other purposes         | -                   | -                   | 2,058                      | 2,058                          |
| <b>Committed for:</b>  |                     |                     |                            |                                |
| Street services        | -                   | -                   | 25,553                     | 25,553                         |
| Capital needs          | -                   | -                   | 612,973                    | 612,973                        |
| <b>Assigned for:</b>   |                     |                     |                            |                                |
| Facilities             | -                   | -                   | 607,691                    | 607,691                        |
| Capital projects       | -                   | -                   | 1,570,033                  | 1,570,033                      |
| <b>Unassigned:</b>     | <u>6,158,085</u>    | <u>-</u>            | <u>-</u>                   | <u>6,158,085</u>               |
| Total fund balances    | <u>\$ 6,189,716</u> | <u>\$ 1,043,727</u> | <u>\$ 12,159,946</u>       | <u>\$ 19,393,389</u>           |

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

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

|   | Special<br>Revenue         | Debt<br>Service          | Capital<br>Projects         | Permanent<br>Library<br>Endowment | Totals                      |
|---|----------------------------|--------------------------|-----------------------------|-----------------------------------|-----------------------------|
| <b><u>ASSETS</u></b>  |                            |                          |                             |                                   |                             |
| Cash and investments  | \$ 1,336,298               | \$ 59,344                | \$ 10,727,744               | \$ 41,470                         | \$ 12,164,856               |
| Receivables, net  | 227,706                    | 152,270                  | 38,210                      | -                                 | 418,186                     |
| Prepaid items   | 250                        | -                        | -                           | -                                 | 250                         |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,564,254</u></b> | <b><u>\$ 211,614</u></b> | <b><u>\$ 10,765,954</u></b> | <b><u>\$ 41,470</u></b>           | <b><u>\$ 12,583,292</u></b> |
| <b><u>LIABILITIES</u></b>   |                            |                          |                             |                                   |                             |
| Accounts payable and accrued expenses   | \$ 141,911                 | \$ -                     | \$ 46,967                   | \$ -                              | \$ 188,878                  |
| Payroll related liabilities   | 23,849                     | -                        | -                           | -                                 | 23,849                      |
| Deposits  | 14,256                     | -                        | -                           | -                                 | 14,256                      |
| <b>TOTAL LIABILITIES</b>  | <b><u>180,016</u></b>      | <b><u>-</u></b>          | <b><u>46,967</u></b>        | <b><u>-</u></b>                   | <b><u>226,983</u></b>       |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                   |                            |                          |                             |                                   |                             |
| Unavailable revenue   | 9,131                      | 149,022                  | 38,210                      | -                                 | 196,363                     |
| <b><u>FUND BALANCES</u></b>   |                            |                          |                             |                                   |                             |
| Nonspendable  | 250                        | -                        | -                           | 41,186                            | 41,436                      |
| Restricted  | 1,349,304                  | 62,592                   | 7,890,080                   | 284                               | 9,302,260                   |
| Committed   | 25,553                     | -                        | 612,973                     | -                                 | 638,526                     |
| Assigned  | -                          | -                        | 2,177,724                   | -                                 | 2,177,724                   |
| <b>TOTAL FUND BALANCES</b>  | <b><u>1,375,107</u></b>    | <b><u>62,592</u></b>     | <b><u>10,680,777</u></b>    | <b><u>41,470</u></b>              | <b><u>12,159,946</u></b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b><u>\$ 1,564,254</u></b> | <b><u>\$ 211,614</u></b> | <b><u>\$ 10,765,954</u></b> | <b><u>\$ 41,470</u></b>           | <b><u>\$ 12,583,292</u></b> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2014**

|   | Special<br>Revenue  | Debt<br>Service  | Capital<br>Projects  | Permanent<br>Library<br>Endowment | Totals               |
|---|---------------------|------------------|----------------------|-----------------------------------|----------------------|
| <b>REVENUES</b>                                   |                     |                  |                      |                                   |                      |
| Property taxes                                    | \$ -                | \$ 499,902       | \$ -                 | \$ -                              | \$ 499,902           |
| Other taxes                                       | -                   | -                | 950,257              | -                                 | 950,257              |
| Licenses and permits                              | 934,158             | -                | -                    | -                                 | 934,158              |
| Intergovernmental                                 | 520,433             | -                | 149,217              | -                                 | 669,650              |
| System development charges                        | -                   | -                | 450,000              | -                                 | 450,000              |
| Interest  | 6,359               | 3,126            | 51,594               | 223                               | 61,302               |
| Grants  | 257,931             | -                | -                    | -                                 | 257,931              |
| Charges for services                              | -                   | 5,195            | 308,234              | -                                 | 313,429              |
| Miscellaneous                                     | -                   | -                | 165,409              | -                                 | 165,409              |
| <b>TOTAL REVENUES</b>                             | <u>1,718,881</u>    | <u>508,223</u>   | <u>2,074,711</u>     | <u>223</u>                        | <u>4,302,038</u>     |
| <b>EXPENDITURES</b>                               |                     |                  |                      |                                   |                      |
| General government                                | 629,362             | -                | -                    | -                                 | 629,362              |
| Public safety                                     | 250,644             | -                | -                    | -                                 | 250,644              |
| Highways and streets                              | 520,603             | -                | -                    | -                                 | 520,603              |
| Culture and recreation                            | 50,781              | -                | -                    | -                                 | 50,781               |
| Capital outlay                                    | -                   | -                | 854,796              | -                                 | 854,796              |
| Debt service                                      | -                   | 522,231          | -                    | -                                 | 522,231              |
| <b>TOTAL EXPENDITURES</b>                         | <u>1,451,390</u>    | <u>522,231</u>   | <u>854,796</u>       | <u>-</u>                          | <u>2,828,417</u>     |
| Excess (deficiency) of revenues over expenditures | <u>267,491</u>      | <u>(14,008)</u>  | <u>1,219,915</u>     | <u>223</u>                        | <u>1,473,621</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                  |                      |                                   |                      |
| Transfers in                                      | -                   | -                | 1,799,500            | -                                 | 1,799,500            |
| Transfers out                                     | (101,650)           | -                | (187,900)            | -                                 | (289,550)            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>(101,650)</u>    | <u>-</u>         | <u>1,611,600</u>     | <u>-</u>                          | <u>1,509,950</u>     |
| Net change in fund balance                        | 165,841             | (14,008)         | 2,831,515            | 223                               | 2,983,571            |
| Fund balance at beginning of year                 | <u>1,209,266</u>    | <u>76,600</u>    | <u>7,849,262</u>     | <u>41,247</u>                     | <u>9,176,375</u>     |
| Fund balance at end of year                       | <u>\$ 1,375,107</u> | <u>\$ 62,592</u> | <u>\$ 10,680,777</u> | <u>\$ 41,470</u>                  | <u>\$ 12,159,946</u> |

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2014**

|   | <u>Building<br/>Permits</u> | <u>Street<br/>Tree</u>  | <u>Forfeiture<br/>Sharing</u> |
|---|-----------------------------|-------------------------|-------------------------------|
| <b><u>ASSETS</u></b>  |                             |                         |                               |
| Cash and investments  | \$ 1,343,796                | \$ 25,553               | \$ 14,536                     |
| Receivables, net  | -                           | -                       | -                             |
| Prepaid items   | <u>250</u>                  | <u>-</u>                | <u>-</u>                      |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,344,046</u></b>  | <b><u>\$ 25,553</u></b> | <b><u>\$ 14,536</u></b>       |
| <b><u>LIABILITIES</u></b>   |                             |                         |                               |
| Accounts payable and accrued expenses   | \$ 8,557                    | \$ -                    | \$ 280                        |
| Payroll related liabilities   | 14,466                      | -                       | -                             |
| Deposits  | <u>-</u>                    | <u>-</u>                | <u>14,256</u>                 |
| <b>TOTAL LIABILITIES</b>  | <b><u>23,023</u></b>        | <b><u>-</u></b>         | <b><u>14,536</u></b>          |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                   |                             |                         |                               |
| Unavailable revenue   | <u>-</u>                    | <u>-</u>                | <u>-</u>                      |
| <b><u>FUND BALANCES</u></b>   |                             |                         |                               |
| Nonspendable  | 250                         | -                       | -                             |
| Restricted  | 1,320,773                   | -                       | -                             |
| Committed   | <u>-</u>                    | <u>25,553</u>           | <u>-</u>                      |
| <b>TOTAL FUND BALANCES</b>  | <b><u>1,321,023</u></b>     | <b><u>25,553</u></b>    | <b><u>-</u></b>               |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b><u>\$ 1,344,046</u></b>  | <b><u>\$ 25,553</u></b> | <b><u>\$ 14,536</u></b>       |

| Community<br>Enhancement | Transportation<br>Services | Public Arts<br>Donation | Assessment      | SAFER Grant      | Totals              |
|--------------------------|----------------------------|-------------------------|-----------------|------------------|---------------------|
| \$ 13,526                | \$ (13,047)                | \$ 15,473               | \$ -            | \$ (63,539)      | \$ 1,336,298        |
| -                        | 143,822                    | -                       | 9,131           | 74,753           | 227,706             |
| -                        | -                          | -                       | -               | -                | 250                 |
| <u>\$ 13,526</u>         | <u>\$ 130,775</u>          | <u>\$ 15,473</u>        | <u>\$ 9,131</u> | <u>\$ 11,214</u> | <u>\$ 1,564,254</u> |
| \$ -                     | \$ 130,775                 | \$ 2,242                | \$ -            | \$ 57            | \$ 141,911          |
| -                        | -                          | -                       | -               | 9,383            | 23,849              |
| -                        | -                          | -                       | -               | -                | 14,256              |
| -                        | 130,775                    | 2,242                   | -               | 9,440            | 180,016             |
| -                        | -                          | -                       | 9,131           | -                | 9,131               |
| -                        | -                          | -                       | -               | -                | 250                 |
| 13,526                   | -                          | 13,231                  | -               | 1,774            | 1,349,304           |
| -                        | -                          | -                       | -               | -                | 25,553              |
| <u>13,526</u>            | <u>-</u>                   | <u>13,231</u>           | <u>-</u>        | <u>1,774</u>     | <u>1,375,107</u>    |
| <u>\$ 13,526</u>         | <u>\$ 130,775</u>          | <u>\$ 15,473</u>        | <u>\$ 9,131</u> | <u>\$ 11,214</u> | <u>\$ 1,564,254</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
For the Year Ended June 30, 2014**

|   | Building<br>Permits | Street<br>Tree   |
|---|---------------------|------------------|
| <b>REVENUES</b>                                   |                     |                  |
| Licenses and permits                              | \$ 891,165          | \$ 42,993        |
| Intergovernmental                                 | -                   | -                |
| Interest  | 5,902               | 272              |
| Grants  | -                   | -                |
| <b>TOTAL REVENUES</b>                             | <b>897,067</b>      | <b>43,265</b>    |
| <b>EXPENDITURES</b>                               |                     |                  |
| General government                                | 574,820             | -                |
| Public safety                                     | -                   | -                |
| Highways and streets                              | -                   | 53,865           |
| Culture and recreation                            | -                   | -                |
| <b>TOTAL EXPENDITURES</b>                         | <b>574,820</b>      | <b>53,865</b>    |
| Excess (deficiency) of revenues over expenditures | 322,247             | (10,600)         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                  |
| Transfers out                                     | -                   | (101,650)        |
| Net change in fund balance                        | 322,247             | (112,250)        |
| Fund balance at beginning of year                 | 998,776             | 137,803          |
| Fund balance at end of year                       | <b>\$ 1,321,023</b> | <b>\$ 25,553</b> |

| Community<br>Enhancement | Trail System  | Transportation<br>Services | Public Arts<br>Donation | SAFER Grant     | Totals              |
|--------------------------|---------------|----------------------------|-------------------------|-----------------|---------------------|
| \$ -                     | \$ -          | \$ -                       | \$ -                    | \$ -            | \$ 934,158          |
| 53,695                   | -             | 466,738                    | -                       | -               | 520,433             |
| -                        | 145           | -                          | 40                      | -               | 6,359               |
| -                        | -             | -                          | 5,513                   | 252,418         | 257,931             |
| <u>53,695</u>            | <u>145</u>    | <u>466,738</u>             | <u>5,553</u>            | <u>252,418</u>  | <u>1,718,881</u>    |
| 54,542                   | -             | -                          | -                       | -               | 629,362             |
| -                        | -             | -                          | -                       | 250,644         | 250,644             |
| -                        | -             | 466,738                    | -                       | -               | 520,603             |
| -                        | 47,370        | -                          | 3,411                   | -               | 50,781              |
| <u>54,542</u>            | <u>47,370</u> | <u>466,738</u>             | <u>3,411</u>            | <u>250,644</u>  | <u>1,451,390</u>    |
| (847)                    | (47,225)      | -                          | 2,142                   | 1,774           | 267,491             |
| -                        | -             | -                          | -                       | -               | (101,650)           |
| (847)                    | (47,225)      | -                          | 2,142                   | 1,774           | 165,841             |
| <u>14,373</u>            | <u>47,225</u> | <u>-</u>                   | <u>11,089</u>           | <u>-</u>        | <u>1,209,266</u>    |
| <u>\$ 13,526</u>         | <u>\$ -</u>   | <u>\$ -</u>                | <u>\$ 13,231</u>        | <u>\$ 1,774</u> | <u>\$ 1,375,107</u> |

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**June 30, 2014**

|   | General Debt<br>Service | Special Public<br>Works Debt<br>Service | Totals            |
|---|-------------------------|---|-------------------|
| <b><u>ASSETS</u></b>  |                         |   |                   |
| Cash and investments  | \$ 44,125               | \$ 15,219                               | \$ 59,344         |
| Receivables, net  | 23,001                  | 129,269                                 | 152,270           |
| <b>TOTAL ASSETS</b>   | <b>\$ 67,126</b>        | <b>\$ 144,488</b>                       | <b>\$ 211,614</b> |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                   |                         |   |                   |
| Unavailable revenue   | \$ 19,754               | \$ 129,268                              | \$ 149,022        |
| <b><u>FUND BALANCES</u></b>   |                         |   |                   |
| Restricted  | 47,372                  | 15,220                                  | 62,592            |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b>\$ 67,126</b>        | <b>\$ 144,488</b>                       | <b>\$ 211,614</b> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
For the Year Ended June 30, 2014**

|                                   | General Debt<br>Service | Special Public<br>Works Debt<br>Service | Totals               |
|-----------------------------------|-------------------------|---|----------------------|
|                                   | <u>          </u>       | <u>          </u>                       | <u>          </u>    |
| <b>REVENUES</b>                   |                         |   |                      |
| Property taxes                    | \$ 499,902              | \$ -                                    | \$ 499,902           |
| Interest                          | 1,303                   | 1,823                                   | 3,126                |
| Charges for services              | <u>-</u>                | <u>5,195</u>                            | <u>5,195</u>         |
| <br>TOTAL REVENUES                | <br>501,205             | <br>7,018                               | <br>508,223          |
| <br><b>EXPENDITURES</b>           |                         |   |                      |
| Debt service                      | <u>500,250</u>          | <u>21,981</u>                           | <u>522,231</u>       |
| <br>Net change in fund balance    | <br>955                 | <br>(14,963)                            | <br>(14,008)         |
| Fund balance at beginning of year | <u>46,417</u>           | <u>30,183</u>                           | <u>76,600</u>        |
| <br>Fund balance at end of year   | <br><u>\$ 47,372</u>    | <br><u>\$ 15,220</u>                    | <br><u>\$ 62,592</u> |

**CITY OF FOREST GROVE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2014**

|   | <u>Traffic<br/>Impact</u>  | <u>Transportation<br/>Development<br/>Tax</u> | <u>Park<br/>Acquisition and<br/>Development</u> |
|---|----------------------------|---|---|
| <b><u>ASSETS</u></b>  |                            |   |   |
| Cash and investments  | \$ 3,135,107               | \$ 3,392,357                                  | \$ 1,354,581                                    |
| Receivables, net  | <u>-</u>                   | <u>-</u>                                      | <u>-</u>  |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 3,135,107</u></b> | <b><u>\$ 3,392,357</u></b>                    | <b><u>\$ 1,354,581</u></b>                      |
| <b><u>LIABILITIES</u></b>   |                            |   |   |
| Accounts payable and accrued expenses   | <u>\$ -</u>                | <u>\$ -</u>                                   | <u>\$ -</u>                                     |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                                   |                            |   |   |
| Unavailable revenue   | <u>-</u>                   | <u>-</u>                                      | <u>-</u>  |
| <b><u>FUND BALANCES</u></b>   |                            |   |   |
| Restricted  | 3,135,107                  | 3,392,357                                     | 1,354,581                                       |
| Committed   | -                          | -   | -   |
| Assigned  | <u>-</u>                   | <u>-</u>                                      | <u>-</u>  |
| <b>TOTAL FUND BALANCES</b>  | <b><u>3,135,107</u></b>    | <b><u>3,392,357</u></b>                       | <b><u>1,354,581</u></b>                         |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES AND FUND BALANCES</b> | <b><u>\$ 3,135,107</u></b> | <b><u>\$ 3,392,357</u></b>                    | <b><u>\$ 1,354,581</u></b>                      |

| Capital<br>Projects | Fire<br>Equipment<br>Replacement | Bike and<br>Pedestrian<br>Pathways | CIP<br>Excise     | Facility<br>Major<br>Maintenance | Totals               |
|---------------------|----------------------------------|------------------------------------|-------------------|----------------------------------|----------------------|
| \$ 1,570,033        | \$ 443,664                       | \$ 8,035                           | \$ 169,309        | \$ 654,658                       | \$ 10,727,744        |
| -                   | -                                | -                                  | 38,210            | -                                | 38,210               |
| <u>\$ 1,570,033</u> | <u>\$ 443,664</u>                | <u>\$ 8,035</u>                    | <u>\$ 207,519</u> | <u>\$ 654,658</u>                | <u>\$ 10,765,954</u> |
| \$ -                | \$ -                             | \$ -                               | \$ -              | \$ 46,967                        | \$ 46,967            |
| -                   | -                                | -                                  | 38,210            | -                                | 38,210               |
| -                   | -                                | 8,035                              | -                 | -                                | 7,890,080            |
| -                   | 443,664                          | -                                  | 169,309           | -                                | 612,973              |
| <u>1,570,033</u>    | <u>-</u>                         | <u>-</u>                           | <u>-</u>          | <u>607,691</u>                   | <u>2,177,724</u>     |
| <u>1,570,033</u>    | <u>443,664</u>                   | <u>8,035</u>                       | <u>169,309</u>    | <u>607,691</u>                   | <u>10,680,777</u>    |
| <u>\$ 1,570,033</u> | <u>\$ 443,664</u>                | <u>\$ 8,035</u>                    | <u>\$ 207,519</u> | <u>\$ 654,658</u>                | <u>\$ 10,765,954</u> |

**CITY OF FOREST GROVE**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
NONMAJOR CAPITAL PROJECTS FUNDS  
For the Year Ended June 30, 2014**

|   | Traffic<br>Impact   | Transportation<br>Development<br>Tax | Park<br>Acquisition and<br>Development |
|---|---------------------|--------------------------------------|--|
|   | <u>          </u>   | <u>          </u>                    | <u>          </u>                      |
| <b>REVENUES</b>                                   |                     |                                      |  |
| Other taxes                                       | \$ -                | \$ 950,257                           | \$ -                                   |
| Intergovernmental                                 | -                   | -                                    | -                                      |
| System development charges                        | -                   | -                                    | 450,000                                |
| Interest  | 16,562              | 15,922                               | 5,990                                  |
| Charges for services                              | -                   | -                                    | -                                      |
| Miscellaneous                                     | <u>100,929</u>      | <u>-</u>                             | <u>-</u>                               |
| <b>TOTAL REVENUES</b>                             | 117,491             | 966,179                              | 455,990                                |
| <b>EXPENDITURES</b>                               |                     |                                      |  |
| Capital outlay                                    | <u>6,284</u>        | <u>-</u>                             | <u>96,906</u>                          |
| Excess (deficiency) of revenues over expenditures | <u>111,207</u>      | <u>966,179</u>                       | <u>359,084</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                                      |  |
| Transfers in                                      | -                   | -                                    | -                                      |
| Transfers out                                     | <u>-</u>            | <u>-</u>                             | <u>-</u>                               |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <u>-</u>            | <u>-</u>                             | <u>-</u>                               |
| Net change in fund balance                        | 111,207             | 966,179                              | 359,084                                |
| Fund balance at beginning of year                 | <u>3,023,900</u>    | <u>2,426,178</u>                     | <u>995,497</u>                         |
| Fund balance at end of year                       | <u>\$ 3,135,107</u> | <u>\$ 3,392,357</u>                  | <u>\$ 1,354,581</u>                    |

| <u>Capital<br/>Projects</u> | <u>Fire<br/>Equipment<br/>Replacement</u> | <u>Bike and<br/>Pedestrian<br/>Pathways</u> | <u>CIP<br/>Excise</u> | <u>Facility<br/>Major<br/>Maintenance</u> | <u>Totals</u>        |
|-----------------------------|---|---|-----------------------|---|----------------------|
| \$ -                        | \$ -                                      | \$ -  | \$ -                  | \$ -                                      | \$ 950,257           |
| -                           | 131,615                                   | 12,651                                      | -                     | 4,951                                     | 149,217              |
| -                           | -   | -   | -                     | -   | 450,000              |
| 6,807                       | 2,283                                     | 76  | 341                   | 3,613                                     | 51,594               |
| -                           | -   | -   | 308,234               | -   | 308,234              |
| <u>64,480</u>               | <u>-</u>                                  | <u>-</u>                                    | <u>-</u>              | <u>-</u>                                  | <u>165,409</u>       |
| 71,287                      | 133,898                                   | 12,727                                      | 308,575               | 8,564                                     | 2,074,711            |
| <u>260,397</u>              | <u>263,229</u>                            | <u>37,874</u>                               | <u>13,206</u>         | <u>176,900</u>                            | <u>854,796</u>       |
| <u>(189,110)</u>            | <u>(129,331)</u>                          | <u>(25,147)</u>                             | <u>295,369</u>        | <u>(168,336)</u>                          | <u>1,219,915</u>     |
| 1,600,000                   | 97,850                                    | -   | -                     | 101,650                                   | 1,799,500            |
| <u>-</u>                    | <u>-</u>                                  | <u>-</u>                                    | <u>(187,900)</u>      | <u>-</u>                                  | <u>(187,900)</u>     |
| <u>1,600,000</u>            | <u>97,850</u>                             | <u>-</u>                                    | <u>(187,900)</u>      | <u>101,650</u>                            | <u>1,611,600</u>     |
| 1,410,890                   | (31,481)                                  | (25,147)                                    | 107,469               | (66,686)                                  | 2,831,515            |
| <u>159,143</u>              | <u>475,145</u>                            | <u>33,182</u>                               | <u>61,840</u>         | <u>674,377</u>                            | <u>7,849,262</u>     |
| <u>\$ 1,570,033</u>         | <u>\$ 443,664</u>                         | <u>\$ 8,035</u>                             | <u>\$ 169,309</u>     | <u>\$ 607,691</u>                         | <u>\$ 10,680,777</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, 2014**

|                                   | <u>Budget</u>     | <u>Actual</u>       | <u>Variance</u>   |
|-----------------------------------|-------------------|---------------------|-------------------|
| <b>REVENUES</b>                   |                   |                     |                   |
| Licenses and permits              | \$ 763,930        | \$ 891,165          | \$ 127,235        |
| Interest                          | <u>4,000</u>      | <u>5,902</u>        | <u>1,902</u>      |
| <b>TOTAL REVENUES</b>             | <u>767,930</u>    | <u>897,067</u>      | <u>129,137</u>    |
| <b>EXPENDITURES</b>               |                   |                     |                   |
| Personal services                 | 474,786           | 416,194             | 58,592            |
| Materials and services            | 157,733           | 158,626             | (893)             |
| Contingency                       | <u>230,000</u>    | <u>-</u>            | <u>230,000</u>    |
| <b>TOTAL EXPENDITURES</b>         | <u>862,519</u>    | <u>574,820</u>      | <u>287,699</u>    |
| Net change in fund balance        | (94,589)          | 322,247             | 416,836           |
| Fund balance at beginning of year | <u>850,808</u>    | <u>998,776</u>      | <u>147,968</u>    |
| Fund balance at end of year       | <u>\$ 756,219</u> | <u>\$ 1,321,023</u> | <u>\$ 564,804</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, 2014**

|   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u>  |
|---|------------------|------------------|------------------|
| <b>REVENUES</b>                                   |                  |                  |                  |
| Licenses and permits                              | \$ 51,000        | \$ 42,993        | \$ (8,007)       |
| Interest  | <u>500</u>       | <u>272</u>       | <u>(228)</u>     |
| <b>TOTAL REVENUES</b>                             | 51,500           | 43,265           | (8,235)          |
| <b>EXPENDITURES</b>                               |                  |                  |                  |
| Materials and services                            | <u>72,600</u>    | <u>53,865</u>    | <u>18,735</u>    |
| Excess (deficiency) of revenues over expenditures | (21,100)         | (10,600)         | 10,500           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                  |                  |
| Transfers out                                     | <u>(108,400)</u> | <u>(101,650)</u> | <u>6,750</u>     |
| Net change in fund balance                        | (129,500)        | (112,250)        | 17,250           |
| Fund balance at beginning of year                 | <u>129,500</u>   | <u>137,803</u>   | <u>8,303</u>     |
| Fund balance at end of year                       | <u>\$ -</u>      | <u>\$ 25,553</u> | <u>\$ 25,553</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, 2014**

|                                   | <u>Budget</u>   | <u>Actual</u>    | <u>Variance</u> |
|-----------------------------------|-----------------|------------------|-----------------|
| <b>REVENUES</b>                   |                 |                  |                 |
| Intergovernmental                 | \$ 55,000       | \$ 53,695        | \$ (1,305)      |
| <b>EXPENDITURES</b>               |                 |                  |                 |
| Materials and services            | <u>61,310</u>   | <u>54,542</u>    | <u>6,768</u>    |
| Net change in fund balance        | (6,310)         | (847)            | 5,463           |
| Fund balance at beginning of year | <u>13,162</u>   | <u>14,373</u>    | <u>1,211</u>    |
| Fund balance at end of year       | <u>\$ 6,852</u> | <u>\$ 13,526</u> | <u>\$ 6,674</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, 2014**

|                                   | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-----------------------------------|---------------|---------------|-----------------|
| <b>REVENUES</b>                   |               |               |                 |
| Interest                          | \$ 150        | \$ 145        | \$ (5)          |
| <b>EXPENDITURES</b>               |               |               |                 |
| Capital outlay                    | <u>47,370</u> | <u>47,370</u> | <u>-</u>        |
| Net change in fund balance        | (47,220)      | (47,225)      | (5)             |
| Fund balance at beginning of year | <u>47,220</u> | <u>47,225</u> | <u>5</u>        |
| Fund balance at end of year       | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>     |

**CITY OF FOREST GROVE**

**TRANSPORTATION SERVICES - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>  | <u>Actual</u>  | <u>Variance</u> |
|-----------------------------------|----------------|----------------|-----------------|
| <b>REVENUES</b>                   |                |                |                 |
| Intergovernmental                 | \$ 570,000     | \$ 466,738     | \$ (103,262)    |
| <b>EXPENDITURES</b>               |                |                |                 |
| Materials and services            | <u>570,000</u> | <u>466,738</u> | <u>103,262</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, 2014**

|                                   | <u>Budget</u>   | <u>Actual</u>        | <u>Variance</u>      |
|-----------------------------------|-----------------|----------------------|----------------------|
| <b>REVENUES</b>                   |                 |                      |                      |
| Grants                            | \$ 2,000        | \$ 5,513             | \$ 3,513             |
| Interest                          | <u>50</u>       | <u>40</u>            | <u>(10)</u>          |
| <br>TOTAL REVENUES                | <br>2,050       | <br>5,553            | <br>3,503            |
| <br><b>EXPENDITURES</b>           |                 |                      |                      |
| Materials and services            | <u>12,064</u>   | <u>3,411</u>         | <u>8,653</u>         |
| <br>Net change in fund balance    | <br>(10,014)    | <br>2,142            | <br>12,156           |
| Fund balance at beginning of year | <u>10,014</u>   | <u>11,089</u>        | <u>1,075</u>         |
| <br>Fund balance at end of year   | <br><u>\$ -</u> | <br><u>\$ 13,231</u> | <br><u>\$ 13,231</u> |

**CITY OF FOREST GROVE**

**SAFER GRANT - SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>    |
|-----------------------------------|-------------------|-------------------|--------------------|
| <b>REVENUES</b>                   |                   |                   |                    |
| Grants                            | <u>\$ 270,984</u> | <u>\$ 252,418</u> | <u>\$ (18,566)</u> |
| <b>EXPENDITURES</b>               |                   |                   |                    |
| Personal services                 | 266,984           | 248,675           | 18,309             |
| Materials and services            | <u>4,000</u>      | <u>1,969</u>      | <u>2,031</u>       |
| <b>TOTAL EXPENDITURES</b>         | <u>270,984</u>    | <u>250,644</u>    | <u>20,340</u>      |
| Net change in fund balance        | -                 | 1,774             | 1,774              |
| Fund balance at beginning of year | <u>-</u>          | <u>-</u>          | <u>-</u>           |
| Fund balance at end of year       | <u>\$ -</u>       | <u>\$ 1,774</u>   | <u>\$ 1,774</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, 2014**

|                                   | <u>Budget</u>        | <u>Actual</u>        | <u>Variance</u>     |
|-----------------------------------|----------------------|----------------------|---------------------|
| <b>REVENUES</b>                   |                      |                      |                     |
| Property taxes                    | \$ 494,792           | \$ 499,902           | \$ 5,110            |
| Interest                          | <u>1,100</u>         | <u>1,303</u>         | <u>203</u>          |
| <br>TOTAL REVENUES                | <br>495,892          | <br>501,205          | <br>5,313           |
| <b>EXPENDITURES</b>               |                      |                      |                     |
| Debt service                      | <u>500,250</u>       | <u>500,250</u>       | <u>-</u>            |
| <br>Net change in fund balance    | <br>(4,358)          | <br>955              | <br>5,313           |
| Fund balance at beginning of year | <u>46,046</u>        | <u>46,417</u>        | <u>371</u>          |
| <br>Fund balance at end of year   | <br><u>\$ 41,688</u> | <br><u>\$ 47,372</u> | <br><u>\$ 5,684</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, 2014**

|                                   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u>   |
|-----------------------------------|------------------|------------------|-------------------|
| <b>REVENUES</b>                   |                  |                  |                   |
| Charges for services              | \$ 9,735         | \$ 5,195         | \$ (4,540)        |
| Interest                          | <u>3,154</u>     | <u>1,823</u>     | <u>(1,331)</u>    |
| <br>                              |                  |                  |                   |
| TOTAL REVENUES                    | 12,889           | 7,018            | (5,871)           |
| <br>                              |                  |                  |                   |
| <b>EXPENDITURES</b>               |                  |                  |                   |
| Debt service                      | <u>21,981</u>    | <u>21,981</u>    | <u>-</u>          |
| <br>                              |                  |                  |                   |
| Net change in fund balance        | (9,092)          | (14,963)         | (5,871)           |
| Fund balance at beginning of year | <u>30,184</u>    | <u>30,183</u>    | <u>(1)</u>        |
| <br>                              |                  |                  |                   |
| Fund balance at end of year       | <u>\$ 21,092</u> | <u>\$ 15,220</u> | <u>\$ (5,872)</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, 2014**

|                                   | <u>Budget</u>    | <u>Actual</u>       | <u>Variance</u>     |
|-----------------------------------|------------------|---------------------|---------------------|
| <b>REVENUES</b>                   |                  |                     |                     |
| Interest                          | \$ 29,563        | \$ 16,562           | \$ (13,001)         |
| Miscellaneous                     | <u>-</u>         | <u>100,929</u>      | <u>100,929</u>      |
| <br>                              |                  |                     |                     |
| TOTAL REVENUES                    | 29,563           | 117,491             | 87,928              |
| <br>                              |                  |                     |                     |
| <b>EXPENDITURES</b>               |                  |                     |                     |
| Capital outlay                    | <u>2,985,826</u> | <u>6,284</u>        | <u>2,979,542</u>    |
| <br>                              |                  |                     |                     |
| Net change in fund balance        | (2,956,263)      | 111,207             | 3,067,470           |
| Fund balance at beginning of year | <u>2,956,263</u> | <u>3,023,900</u>    | <u>67,637</u>       |
| <br>                              |                  |                     |                     |
| Fund balance at end of year       | <u>\$ -</u>      | <u>\$ 3,135,107</u> | <u>\$ 3,135,107</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, 2014**

|                                   | <u>Budget</u>    | <u>Actual</u>       | <u>Variance</u>     |
|-----------------------------------|------------------|---------------------|---------------------|
| <b>REVENUES</b>                   |                  |                     |                     |
| Other taxes                       | \$ 466,550       | \$ 950,257          | \$ 483,707          |
| Interest                          | <u>10,490</u>    | <u>15,922</u>       | <u>5,432</u>        |
| <br>                              |                  |                     |                     |
| TOTAL REVENUES                    | 477,040          | 966,179             | 489,139             |
| <br>                              |                  |                     |                     |
| <b>EXPENDITURES</b>               |                  |                     |                     |
| Capital outlay                    | <u>2,575,062</u> | <u>-</u>            | <u>2,575,062</u>    |
| <br>                              |                  |                     |                     |
| Net change in fund balance        | (2,098,022)      | 966,179             | 3,064,201           |
| Fund balance at beginning of year | <u>2,098,022</u> | <u>2,426,178</u>    | <u>328,156</u>      |
| <br>                              |                  |                     |                     |
| Fund balance at end of year       | <u>\$ -</u>      | <u>\$ 3,392,357</u> | <u>\$ 3,392,357</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, 2014**

|                                   | <u>Budget</u>    | <u>Actual</u>       | <u>Variance</u>     |
|-----------------------------------|------------------|---------------------|---------------------|
| <b>REVENUES</b>                   |                  |                     |                     |
| System development charges        | \$ 252,000       | \$ 450,000          | \$ 198,000          |
| Interest                          | <u>4,318</u>     | <u>5,990</u>        | <u>1,672</u>        |
| <b>TOTAL REVENUES</b>             | <u>256,318</u>   | <u>455,990</u>      | <u>199,672</u>      |
| <b>EXPENDITURES</b>               |                  |                     |                     |
| Materials and services            | 85,000           | -                   | 85,000              |
| Capital outlay                    | <u>1,034,880</u> | <u>96,906</u>       | <u>937,974</u>      |
| <b>TOTAL EXPENDITURES</b>         | <u>1,119,880</u> | <u>96,906</u>       | <u>1,022,974</u>    |
| Net change in fund balance        | (863,562)        | 359,084             | 1,222,646           |
| Fund balance at beginning of year | <u>863,562</u>   | <u>995,497</u>      | <u>131,935</u>      |
| Fund balance at end of year       | <u>\$ -</u>      | <u>\$ 1,354,581</u> | <u>\$ 1,354,581</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, 2014**

|   | <u>Budget</u>    | <u>Actual</u>           | <u>Variance</u>         |
|---|------------------|-------------------------|-------------------------|
| <b>REVENUES</b>                                   |                  |                         |                         |
| Interest  | \$ 7,500         | \$ 6,807                | \$ (693)                |
| Miscellaneous                                     | <u>-</u>         | <u>64,480</u>           | <u>64,480</u>           |
| <br>TOTAL REVENUES                                | <br>7,500        | <br>71,287              | <br>63,787              |
| <b>EXPENDITURES</b>                               |                  |                         |                         |
| Capital outlay                                    | <u>1,753,697</u> | <u>260,397</u>          | <u>1,493,300</u>        |
| Excess (deficiency) of revenues over expenditures | (1,776,197)      | (189,110)               | 1,587,087               |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                  |                         |                         |
| Transfers in                                      | <u>1,600,000</u> | <u>1,600,000</u>        | <u>-</u>                |
| Net change in fund balance                        | (176,197)        | 1,410,890               | 1,587,087               |
| Fund balance at beginning of year                 | <u>176,197</u>   | <u>159,143</u>          | <u>(17,054)</u>         |
| <br>Fund balance at end of year                   | <br><u>\$ -</u>  | <br><u>\$ 1,570,033</u> | <br><u>\$ 1,570,033</u> |

**CITY OF FOREST GROVE**

**FIRE EQUIPMENT REPLACEMENT - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>  |
|---|-------------------|-------------------|------------------|
| <b>REVENUES</b>                                   |                   |                   |                  |
| Intergovernmental                                 | \$ 172,500        | \$ 131,615        | \$ (40,885)      |
| Interest  | <u>1,800</u>      | <u>2,283</u>      | <u>483</u>       |
| <b>TOTAL REVENUES</b>                             | <u>174,300</u>    | <u>133,898</u>    | <u>(40,402)</u>  |
| <b>EXPENDITURES</b>                               |                   |                   |                  |
| Capital outlay                                    | 345,000           | 263,229           | 81,771           |
| Contingency                                       | <u>50,000</u>     | <u>-</u>          | <u>50,000</u>    |
| <b>TOTAL EXPENDITURES</b>                         | <u>395,000</u>    | <u>263,229</u>    | <u>131,771</u>   |
| Excess (deficiency) of revenues over expenditures | (220,700)         | (129,331)         | 91,369           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                   |                  |
| Transfers in                                      | <u>97,850</u>     | <u>97,850</u>     | <u>-</u>         |
| Net change in fund balance                        | (122,850)         | (31,481)          | 91,369           |
| Fund balance at beginning of year                 | <u>474,832</u>    | <u>475,145</u>    | <u>313</u>       |
| Fund balance at end of year                       | <u>\$ 351,982</u> | <u>\$ 443,664</u> | <u>\$ 91,682</u> |

**CITY OF FOREST GROVE**

**BIKE AND PEDESTRIAN PATHWAYS - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>   | <u>Actual</u>       | <u>Variance</u>     |
|-----------------------------------|-----------------|---------------------|---------------------|
| <b>REVENUES</b>                   |                 |                     |                     |
| Licenses and permits              | \$ 36           | \$ -                | \$ (36)             |
| Intergovernmental                 | 12,146          | 12,651              | 505                 |
| Interest                          | <u>206</u>      | <u>76</u>           | <u>(130)</u>        |
| <br>TOTAL REVENUES                | <br>12,388      | <br>12,727          | <br>339             |
| <br><b>EXPENDITURES</b>           |                 |                     |                     |
| Capital outlay                    | <u>53,503</u>   | <u>37,874</u>       | <u>15,629</u>       |
| <br>Net change in fund balance    | <br>(41,115)    | <br>(25,147)        | <br>15,968          |
| Fund balance at beginning of year | <u>41,115</u>   | <u>33,182</u>       | <u>(7,933)</u>      |
| <br>Fund balance at end of year   | <br><u>\$ -</u> | <br><u>\$ 8,035</u> | <br><u>\$ 8,035</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, 2014**

|                                       | <u>Budget</u>    | <u>Actual</u>     | <u>Variance</u>   |
|---------------------------------------|------------------|-------------------|-------------------|
| <b>REVENUES</b>                       |                  |                   |                   |
| Charges for services                  | \$ 215,000       | \$ 308,234        | \$ 93,234         |
| Interest                              | <u>200</u>       | <u>341</u>        | <u>141</u>        |
| TOTAL REVENUES                        | 215,200          | 308,575           | 93,375            |
| <b>EXPENDITURES</b>                   |                  |                   |                   |
| Capital outlay                        | <u>83,587</u>    | <u>13,206</u>     | <u>70,381</u>     |
| Excess of revenues over expenditures  | 131,613          | 295,369           | 163,756           |
| <b>OTHER FINANCING SOURCES (USES)</b> |                  |                   |                   |
| Transfers out                         | <u>(187,900)</u> | <u>(187,900)</u>  | <u>-</u>          |
| Net change in fund balance            | (56,287)         | 107,469           | 163,756           |
| Fund balance at beginning of year     | <u>56,287</u>    | <u>61,840</u>     | <u>5,553</u>      |
| Fund balance at end of year           | <u>\$ -</u>      | <u>\$ 169,309</u> | <u>\$ 169,309</u> |

**CITY OF FOREST GROVE**

**FACILITY MAJOR MAINTENANCE - CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | <u>Budget</u>         | <u>Actual</u>         | <u>Variance</u>      |
|---|-----------------------|-----------------------|----------------------|
| <b>REVENUES</b>                                       |                       |                       |                      |
| Intergovernmental                                     | \$ -                  | \$ 4,951              | \$ 4,951             |
| Interest  | <u>2,400</u>          | <u>3,613</u>          | <u>1,213</u>         |
| <br>TOTAL REVENUES                                    | <br>2,400             | <br>8,564             | <br>6,164            |
| <br><b>EXPENDITURES</b>                               |                       |                       |                      |
| Capital outlay  | <u>250,000</u>        | <u>176,900</u>        | <u>73,100</u>        |
| <br>Excess (deficiency) of revenues over expenditures | <br>(247,600)         | <br>(168,336)         | <br>79,264           |
| <br><b>OTHER FINANCING SOURCES (USES)</b>             |                       |                       |                      |
| Transfers in  | <u>101,650</u>        | <u>101,650</u>        | <u>-</u>             |
| <br>Net change in fund balance                        | <br>(145,950)         | <br>(66,686)          | <br>79,264           |
| Fund balance at beginning of year                     | <u>673,884</u>        | <u>674,377</u>        | <u>493</u>           |
| <br>Fund balance at end of year                       | <br><u>\$ 527,934</u> | <br><u>\$ 607,691</u> | <br><u>\$ 79,757</u> |

**CITY OF FOREST GROVE**

**LIBRARY ENDOWMENT - PERMANENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>    | <u>Actual</u>    | <u>Variance</u> |
|-----------------------------------|------------------|------------------|-----------------|
| <b>REVENUES</b>                   |                  |                  |                 |
| Interest                          | \$ 300           | \$ 223           | \$ (77)         |
| <b>EXPENDITURES</b>               |                  |                  |                 |
| Materials and services            | <u>300</u>       | <u>-</u>         | <u>300</u>      |
| Net change in fund balance        | -                | 223              | 223             |
| Fund balance at beginning of year | <u>41,187</u>    | <u>41,247</u>    | <u>60</u>       |
| Fund balance at end of year       | <u>\$ 41,187</u> | <u>\$ 41,470</u> | <u>\$ 283</u>   |

**CITY OF FOREST GROVE**

**LIGHT - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|  | Budget              | Actual               | Variance            |
|--|---------------------|----------------------|---------------------|
| <b>REVENUES</b>  |                     |                      |                     |
| Charges for services   | \$ 15,053,969       | \$ 15,188,572        | \$ 134,603          |
| Conservation incentive   | 200,000             | 245,625              | 45,625              |
| Licenses and permits   | 30,000              | 57,297               | 27,297              |
| Sale of materials  | 17,500              | 15,419               | (2,081)             |
| Interest   | 31,020              | 25,821               | (5,199)             |
| Miscellaneous  | -                   | 293                  | 293                 |
|  | <u>15,332,489</u>   | <u>15,533,027</u>    | <u>200,538</u>      |
| <b>EXPENDITURES</b>  |                     |                      |                     |
| Personal services  | 3,186,160           | 3,032,164            | 153,996             |
| Materials and services   | 12,225,173          | 12,063,106           | 162,067             |
| Capital outlay   | 2,189,500           | 362,467              | 1,827,033           |
| Contingency  | 275,581             | -                    | 275,581             |
|  | <u>17,876,414</u>   | <u>15,457,737</u>    | <u>2,418,677</u>    |
| Excess (deficiency) of revenues over expenditures                        | <u>(2,543,925)</u>  | <u>75,290</u>        | <u>2,619,215</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                    |                     |                      |                     |
| Sale of capital assets   | 3,000               | 2,054                | (946)               |
| Transfers out  | (858,043)           | (858,043)            | -                   |
|  | <u>(855,043)</u>    | <u>(855,989)</u>     | <u>(946)</u>        |
| Net change in fund balance   | (3,398,968)         | (780,699)            | 2,618,269           |
| Fund balance at beginning of year  | <u>6,203,968</u>    | <u>6,861,095</u>     | <u>657,127</u>      |
| Fund balance at end of year  | <u>\$ 2,805,000</u> | <u>6,080,396</u>     | <u>\$ 3,275,396</u> |
| <b><i>Reconciliation to generally accepted accounting principles</i></b> |                     |                      |                     |
| Inventory  |                     | 376,836              |                     |
| Net pension obligation asset   |                     | 119,465              |                     |
| Capital assets, net  |                     | 16,661,662           |                     |
| Compensated absences payable   |                     | (156,830)            |                     |
| Net other post-employment benefits                                       |                     | <u>(200,873)</u>     |                     |
| Net position - ending  |                     | <u>\$ 22,880,656</u> |                     |

**CITY OF FOREST GROVE**

**SEWER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | <u>Budget</u>       | <u>Actual</u>    | <u>Variance</u>     |
|---|---------------------|------------------|---------------------|
| <b>REVENUES</b>                                   |                     |                  |                     |
| Charges for services                              | \$ 4,523,321        | \$ 4,860,383     | \$ 337,062          |
| Interest  | 10,102              | 11,424           | 1,322               |
| Licenses and permits                              | <u>800</u>          | <u>160</u>       | <u>(640)</u>        |
| <b>TOTAL REVENUES</b>                             | <u>4,534,223</u>    | <u>4,871,967</u> | <u>337,744</u>      |
| <b>EXPENDITURES</b>                               |                     |                  |                     |
| Personal services                                 | 353,371             | 310,242          | 43,129              |
| Materials and services                            | 4,000,673           | 4,003,575        | (2,902)             |
| Capital outlay                                    | 32,500              | 5,012            | 27,488              |
| Debt service                                      | 94,004              | 94,004           | -                   |
| Contingency                                       | <u>750,000</u>      | <u>-</u>         | <u>750,000</u>      |
| <b>TOTAL EXPENDITURES</b>                         | <u>5,230,548</u>    | <u>4,412,833</u> | <u>817,715</u>      |
| Excess (deficiency) of revenues over expenditures | (696,325)           | 459,134          | 1,155,459           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                  |                     |
| Transfers out                                     | <u>(60,424)</u>     | <u>(60,424)</u>  | <u>-</u>            |
| Net change in fund balance                        | (756,749)           | 398,710          | 1,155,459           |
| Fund balance at beginning of year                 | <u>2,020,430</u>    | <u>2,069,879</u> | <u>49,449</u>       |
| Fund balance at end of year                       | <u>\$ 1,263,681</u> | 2,468,589        | <u>\$ 1,204,908</u> |

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

|                                    |                     |
|------------------------------------|---------------------|
| Inventory                          | 7,782               |
| Net pension obligation asset       | 10,604              |
| Capital assets, net                | 7,629,576           |
| Accrued interest payable           | (11,350)            |
| Net other post-employment benefits | (17,830)            |
| Long-term obligations              | <u>(663,653)</u>    |
| Net position-ending                | <u>\$ 9,423,718</u> |

**CITY OF FOREST GROVE**

**WATER - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | Budget              | Actual           | Variance            |
|---|---------------------|------------------|---------------------|
| <b>REVENUES</b>                                   |                     |                  |                     |
| Licenses and permits                              | \$ 5,000            | \$ 21,068        | \$ 16,068           |
| Charges for services                              | 3,436,874           | 3,694,926        | 258,052             |
| Sales of materials                                | 1,100,000           | 604,940          | (495,060)           |
| Rents   | 35,928              | 35,928           | -                   |
| Interest  | 14,051              | 18,365           | 4,314               |
|   | <u>4,591,853</u>    | <u>4,375,227</u> | <u>(216,626)</u>    |
| <b>TOTAL REVENUES</b>                             |                     |                  |                     |
| <br>  |                     |                  |                     |
| <b>EXPENDITURES</b>                               |                     |                  |                     |
| Personal services                                 | 965,045             | 937,221          | 27,824              |
| Materials and services                            | 2,473,509           | 1,958,878        | 514,631             |
| Capital outlay                                    | 707,241             | 603,950          | 103,291             |
| Debt service                                      | 462,928             | 445,570          | 17,358              |
| Contingency                                       | 970,000             | -                | 970,000             |
|   | <u>5,578,723</u>    | <u>3,945,619</u> | <u>1,633,104</u>    |
| <b>TOTAL EXPENDITURES</b>                         |                     |                  |                     |
| Excess (deficiency) of revenues over expenditures | (986,870)           | 429,608          | 1,416,478           |
| <br>  |                     |                  |                     |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                  |                     |
| Proceeds from long-term obligations               | -                   | 3,191,546        | 3,191,546           |
| Refunding of long-term obligations                | -                   | (3,123,047)      | (3,123,047)         |
| Transfers out                                     | (235,877)           | (234,000)        | 1,877               |
|   | <u>(235,877)</u>    | <u>(165,501)</u> | <u>70,376</u>       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       |                     |                  |                     |
| Net change in fund balance                        | (1,222,747)         | 264,107          | 1,486,854           |
| Fund balance at beginning of year                 | 2,810,332           | 3,703,397        | 893,065             |
|   | <u>2,810,332</u>    | <u>3,703,397</u> | <u>893,065</u>      |
| Fund balance at end of year                       | <u>\$ 1,587,585</u> | <u>3,967,504</u> | <u>\$ 2,379,919</u> |

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

|                                    |                      |
|------------------------------------|----------------------|
| Inventory                          | 126,779              |
| Net pension obligation asset       | 34,144               |
| Investment in joint ventures       | 6,587,485            |
| Capital assets, net                | 10,616,306           |
| Deferred interest on refunding     | 43,242               |
| Accrued interest payable           | (19,202)             |
| Bond premium                       | (28,391)             |
| Net other post-employment benefits | (57,412)             |
| Long-term obligations              | (4,100,579)          |
| Net position - ending              | <u>\$ 17,169,876</u> |

**CITY OF FOREST GROVE**

**SURFACE WATER MANAGEMENT - ENTERPRISE FUND (MAJOR FUND)  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2014**

|   | <u>Budget</u>     | <u>Actual</u>    | <u>Variance</u>   |
|---|-------------------|------------------|-------------------|
| <b>REVENUES</b>                                   |                   |                  |                   |
| Charges for services                              | \$ 1,045,686      | \$ 1,041,923     | \$ (3,763)        |
| Interest  | <u>1,301</u>      | <u>738</u>       | <u>(563)</u>      |
| <b>TOTAL REVENUES</b>                             | <u>1,046,987</u>  | <u>1,042,661</u> | <u>(4,326)</u>    |
| <b>EXPENDITURES</b>                               |                   |                  |                   |
| Personal services                                 | 356,748           | 345,648          | 11,100            |
| Materials and services                            | 590,658           | 564,322          | 26,336            |
| Capital outlay                                    | 30,000            | -                | 30,000            |
| Contingency                                       | <u>40,000</u>     | <u>-</u>         | <u>40,000</u>     |
| <b>TOTAL EXPENDITURES</b>                         | <u>1,017,406</u>  | <u>909,970</u>   | <u>107,436</u>    |
| Excess (deficiency) of revenues over expenditures | 29,581            | 132,691          | 103,110           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                  |                   |
| Transfers out                                     | <u>(52,227)</u>   | <u>(52,227)</u>  | <u>-</u>          |
| Net change in fund balance                        | (22,646)          | 80,464           | 103,110           |
| Fund balance at beginning of year                 | <u>260,099</u>    | <u>312,307</u>   | <u>52,208</u>     |
| Fund balance at end of year                       | <u>\$ 237,453</u> | 392,771          | <u>\$ 155,318</u> |

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

|                                    |                     |
|------------------------------------|---------------------|
| Net pension obligation asset       | 12,018              |
| Capital assets, net                | 6,067,665           |
| Net other post-employment benefits | <u>(20,207)</u>     |
| Net position - ending              | <u>\$ 6,452,247</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
June 30, 2014**

|                                 | Sewer System<br>Development<br>Charges | Water<br>System<br>Development<br>Charges | Surface Water<br>Management<br>System<br>Development<br>Charges | Totals              |
|---------------------------------|--|---|---|---------------------|
| <b>ASSETS</b>                   |  |   |   |                     |
| CURRENT ASSETS                  |  |   |   |                     |
| Cash and cash equivalents       | \$ 1,573,271                           | \$ 3,477,975                              | \$ 394,026  | \$ 5,445,272        |
| <b>LIABILITIES</b>              |  |   |   |                     |
| CURRENT LIABILITES              |  |   |   |                     |
| Accounts payable                | <u>348,398</u>                         | <u>-</u>                                  | <u>-</u>  | <u>348,398</u>      |
| <b>NET POSITION</b>             |  |   |   |                     |
| Restricted for capital projects | <u>\$ 1,224,873</u>                    | <u>\$ 3,477,975</u>                       | <u>\$ 394,026</u>   | <u>\$ 5,096,874</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2014**

|  | Sewer<br>System<br>Development<br>Charges | Water<br>System<br>Development<br>Charges | Surface Water<br>Management<br>System<br>Development<br>Charges | Totals              |
|--|---|---|---|---------------------|
| <b>OPERATING EXPENSES</b>                                |   |   |   |                     |
| System operation and maintenance                         | \$ 840,271                                | \$ 14,620                                 | \$ -  | \$ 854,891          |
| General and administrative costs                         | <u>-</u>                                  | <u>1,481</u>                              | <u>-</u>  | <u>1,481</u>        |
| <b>TOTAL OPERATING EXPENSES</b>                          | <u>840,271</u>                            | <u>16,101</u>                             | <u>-</u>  | <u>856,372</u>      |
| Operating (loss)   | <u>(840,271)</u>                          | <u>(16,101)</u>                           | <u>-</u>  | <u>(856,372)</u>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |   |   |   |                     |
| Interest earned  | 6,583                                     | 17,460                                    | 1,906   | 25,949              |
| Miscellaneous  | 2,250                                     | -   | -   | 2,250               |
| Interest   | <u>(21,770)</u>                           | <u>-</u>                                  | <u>-</u>  | <u>(21,770)</u>     |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>            | <u>(12,937)</u>                           | <u>17,460</u>                             | <u>1,906</u>  | <u>6,429</u>        |
| Income (loss) before capital contributions and transfers | (853,208)                                 | 1,359                                     | 1,906   | (849,943)           |
| Capital contributions                                    | 1,050,338                                 | 697,765                                   | 40,276  | 1,788,379           |
| Transfers out  | <u>(100,225)</u>                          | <u>-</u>                                  | <u>-</u>  | <u>(100,225)</u>    |
| Change in net position                                   | 96,905                                    | 699,124                                   | 42,182  | 838,211             |
| Net position at beginning of year                        | <u>1,127,968</u>                          | <u>2,778,851</u>                          | <u>351,844</u>  | <u>4,258,663</u>    |
| Net position at end of year                              | <u>\$ 1,224,873</u>                       | <u>\$ 3,477,975</u>                       | <u>\$ 394,026</u>   | <u>\$ 5,096,874</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2014**

|  | Sewer<br>System<br>Development<br>Charges | Water<br>System<br>Development<br>Charges | Surface Water<br>Management<br>System<br>Development<br>Charges | Totals              |
|--|---|---|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |   |   |                     |
| Cash paid to suppliers   | \$ (577,709)                              | \$ (16,101)                               | \$ -  | \$ (593,810)        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                      |   |   |   |                     |
| Other  | 2,250                                     | -   | -   | 2,250               |
| Capital contributions  | 1,050,338                                 | 697,765                                   | 40,276  | 1,788,379           |
| Principal paid on long-term obligations  | (100,225)                                 | -   | -   | (100,225)           |
| Interest paid on long-term obligations   | (21,770)                                  | -   | -   | (21,770)            |
| Net cash provided by capital and related<br>financing activities                         | <u>930,593</u>                            | <u>697,765</u>                            | <u>40,276</u>   | <u>1,668,634</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |   |   |                     |
| Interest   | <u>6,583</u>                              | <u>17,460</u>                             | <u>1,906</u>  | <u>25,949</u>       |
| Net increase in cash and cash equivalents  | 359,467                                   | 699,124                                   | 42,182  | 1,100,773           |
| Cash and cash equivalents at beginning of year   | <u>1,213,804</u>                          | <u>2,778,851</u>                          | <u>351,844</u>  | <u>4,344,499</u>    |
| Cash and cash equivalent at end of year  | <u>\$ 1,573,271</u>                       | <u>\$ 3,477,975</u>                       | <u>\$ 394,026</u>   | <u>\$ 5,445,272</u> |
| <b>Reconciliation of operating (loss) to net cash<br/>(used in) operating activities</b> |   |   |   |                     |
| Operating (loss)   | \$ (840,271)                              | \$ (16,101)                               | \$ -  | \$ (856,372)        |
| Adjustments to reconcile operating (loss) to net<br>cash (used in) operating activities  |   |   |   |                     |
| Increase (decrease) in liabilities   |   |   |   |                     |
| Accounts payable   | <u>262,562</u>                            | <u>-</u>                                  | <u>-</u>  | <u>262,562</u>      |
| Net cash (used in) operating activities  | <u>\$ (577,709)</u>                       | <u>\$ (16,101)</u>                        | <u>\$ -</u>   | <u>\$ (593,810)</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>                                   |   |   |   |                     |
| Transfers out  | <u>\$ (100,225)</u>                       | <u>\$ -</u>                               | <u>\$ -</u>   | <u>\$ (100,225)</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, 2014**

|                                   | <u>Budget</u>         | <u>Actual</u>           | <u>Variance</u>         |
|-----------------------------------|-----------------------|-------------------------|-------------------------|
| <b>REVENUES</b>                   |                       |                         |                         |
| Fees and fines                    | \$ 1,000              | \$ 2,250                | \$ 1,250                |
| System development charges        | 636,000               | 1,050,338               | 414,338                 |
| Interest                          | <u>2,696</u>          | <u>6,583</u>            | <u>3,887</u>            |
| <br>TOTAL REVENUES                | <br><u>639,696</u>    | <br><u>1,059,171</u>    | <br><u>419,475</u>      |
| <br><b>EXPENDITURES</b>           |                       |                         |                         |
| Materials and services            | 983,800               | 840,271                 | 143,529                 |
| Capital outlay                    | 50,000                | -                       | 50,000                  |
| Debt service                      | 121,995               | 121,995                 | -                       |
| Contingency                       | <u>350,000</u>        | <u>-</u>                | <u>350,000</u>          |
| <br>TOTAL EXPENDITURES            | <br><u>1,505,795</u>  | <br><u>962,266</u>      | <br><u>543,529</u>      |
| <br>Net change in fund balance    | <br>(866,099)         | <br>96,905              | <br>963,004             |
| Fund balance at beginning of year | <u>1,078,480</u>      | <u>1,127,968</u>        | <u>49,488</u>           |
| <br>Fund balance at end of year   | <br><u>\$ 212,381</u> | <br><u>\$ 1,224,873</u> | <br><u>\$ 1,012,492</u> |

**CITY OF FOREST GROVE**

**WATER SYSTEM DEVELOPMENT CHARGES - ENTERPRISE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS)- BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>       | <u>Actual</u>       | <u>Variance</u>   |
|-----------------------------------|---------------------|---------------------|-------------------|
| <b>REVENUES</b>                   |                     |                     |                   |
| System development charges        | \$ 324,862          | \$ 697,765          | \$ 372,903        |
| Interest                          | <u>13,008</u>       | <u>17,460</u>       | <u>4,452</u>      |
| <b>TOTAL REVENUES</b>             | <u>337,870</u>      | <u>715,225</u>      | <u>377,355</u>    |
| <b>EXPENDITURES</b>               |                     |                     |                   |
| Materials and services            | 1,700               | 1,481               | 219               |
| Capital outlay                    | 50,000              | 14,620              | 35,380            |
| Contingency                       | <u>99,500</u>       | <u>-</u>            | <u>99,500</u>     |
| <b>TOTAL EXPENDITURES</b>         | <u>151,200</u>      | <u>16,101</u>       | <u>135,099</u>    |
| Net change in fund balance        | 186,670             | 699,124             | 512,454           |
| Fund balance at beginning of year | <u>2,594,219</u>    | <u>2,778,851</u>    | <u>184,632</u>    |
| Fund balance at end of year       | <u>\$ 2,780,889</u> | <u>\$ 3,477,975</u> | <u>\$ 697,086</u> |

**CITY OF FOREST GROVE**

**SURFACE WATER MANAGEMENT SYSTEM DEVELOPMENT**

**CHARGES - ENTERPRISE FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND**

**CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL**

**For the Year Ended June 30, 2014**

|                                   | <u>Budget</u>      | <u>Actual</u>         | <u>Variance</u>       |
|-----------------------------------|--------------------|-----------------------|-----------------------|
| <b>REVENUES</b>                   |                    |                       |                       |
| System development charges        | \$ 35,000          | \$ 40,276             | \$ 5,276              |
| Interest                          | <u>1,613</u>       | <u>1,906</u>          | <u>293</u>            |
| <br>TOTAL REVENUES                | <br><u>36,613</u>  | <br><u>42,182</u>     | <br><u>5,569</u>      |
| <br><b>EXPENDITURES</b>           |                    |                       |                       |
| Capital outlay                    | 50,000             | -                     | 50,000                |
| Contingency                       | <u>309,171</u>     | <u>-</u>              | <u>309,171</u>        |
| <br>TOTAL EXPENDITURES            | <br><u>359,171</u> | <br><u>-</u>          | <br><u>359,171</u>    |
| <br>Net change in fund balance    | <br>(322,558)      | <br>42,182            | <br>364,740           |
| Fund balance at beginning of year | <u>322,558</u>     | <u>351,844</u>        | <u>29,286</u>         |
| <br>Fund balance at end of year   | <br><u>\$ -</u>    | <br><u>\$ 394,026</u> | <br><u>\$ 394,026</u> |

**CITY OF FOREST GROVE**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2014**

|                                  | Information<br>Systems | Equipment           | Risk<br>Management | Totals              |
|----------------------------------|------------------------|---------------------|--------------------|---------------------|
| <b><u>ASSETS</u></b>             |                        |                     |                    |                     |
| Current assets                   |                        |                     |                    |                     |
| Cash and cash equivalents        | \$ 514,265             | \$ 1,033,922        | \$ 441,601         | \$ 1,989,788        |
| Capital assets                   |                        |                     |                    |                     |
| Other capital assets, net        | -                      | 1,232,465           | -                  | 1,232,465           |
| <b>TOTAL ASSETS</b>              | <u>514,265</u>         | <u>2,266,387</u>    | <u>441,601</u>     | <u>3,222,253</u>    |
| <b><u>LIABILITIES</u></b>        |                        |                     |                    |                     |
| Current liabilities              |                        |                     |                    |                     |
| Accounts payable                 | 46,476                 | 9,787               | 4,633              | 60,896              |
| Accrued payroll liabilities      | -                      | 7,568               | -                  | 7,568               |
| Long-term obligations            |                        |                     |                    |                     |
| Due within one year              | -                      | 4,009               | -                  | 4,009               |
| <b>TOTAL LIABILITIES</b>         | <u>46,476</u>          | <u>21,364</u>       | <u>4,633</u>       | <u>72,473</u>       |
| <b><u>NET POSITION</u></b>       |                        |                     |                    |                     |
| Net investment in capital assets | -                      | 1,232,465           | -                  | 1,232,465           |
| Unrestricted                     | 467,789                | 1,012,558           | 436,968            | 1,917,315           |
| <b>TOTAL NET POSITION</b>        | <u>\$ 467,789</u>      | <u>\$ 2,245,023</u> | <u>\$ 436,968</u>  | <u>\$ 3,149,780</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2014**

|   | Information<br>Systems | Equipment           | City<br>Utility  | Risk<br>Management | Totals              |
|---|------------------------|---------------------|------------------|--------------------|---------------------|
| <b>OPERATING REVENUES</b>               |                        |                     |                  |                    |                     |
| Charges for services                    | \$ 203,752             | \$ 941,791          | \$ -             | \$ 387,925         | \$ 1,533,468        |
| <b>OPERATING EXPENSES</b>               |                        |                     |                  |                    |                     |
| Systems operation and maintenance       | 370,743                | 541,148             | 179,515          | 426,633            | 1,518,039           |
| Depreciation                            | -                      | 158,891             | -                | -                  | 158,891             |
| Total operating expenses                | <u>370,743</u>         | <u>700,039</u>      | <u>179,515</u>   | <u>426,633</u>     | <u>1,676,930</u>    |
| Operating income (loss)                 | <u>(166,991)</u>       | <u>241,752</u>      | <u>(179,515)</u> | <u>(38,708)</u>    | <u>(143,462)</u>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                        |                     |                  |                    |                     |
| Interest earned                         | 3,156                  | 4,711               | -                | 5,948              | 13,815              |
| Miscellaneous                           | -                      | 1,213               | -                | 72,621             | 73,834              |
| (Loss) on sale of capital assets        | -                      | (29,034)            | -                | -                  | (29,034)            |
| TOTAL NONOPERATING REVENUES (EXPENSES)  | <u>3,156</u>           | <u>(23,110)</u>     | <u>-</u>         | <u>78,569</u>      | <u>58,615</u>       |
| Income (loss) before transfers          | (163,835)              | 218,642             | (179,515)        | 39,861             | (84,847)            |
| Transfers in                            | -                      | 90,050              | 179,515          | -                  | 269,565             |
| Transfers out                           | -                      | -                   | -                | (2,430,000)        | (2,430,000)         |
| Change in net position                  | (163,835)              | 308,692             | -                | (2,390,139)        | (2,245,282)         |
| Net position at beginning of year       | <u>631,624</u>         | <u>1,936,331</u>    | <u>-</u>         | <u>2,827,107</u>   | <u>5,395,062</u>    |
| Net position at end of year             | <u>\$ 467,789</u>      | <u>\$ 2,245,023</u> | <u>\$ -</u>      | <u>\$ 436,968</u>  | <u>\$ 3,149,780</u> |

**CITY OF FOREST GROVE**

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2014**

|   | Information<br>Systems | Equipment           | City<br>Utility     | Risk<br>Management | Totals              |
|---|------------------------|---------------------|---------------------|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                        |                     |                     |                    |                     |
| Receipts from interfund services provided   | \$ 203,752             | \$ 941,791          | \$ -                | \$ 387,925         | \$ 1,533,468        |
| Cash paid to employees  | -                      | (215,566)           | -                   | -                  | (215,566)           |
| Cash paid to suppliers  | (346,831)              | (330,496)           | (179,515)           | (435,389)          | (1,292,231)         |
| Net cash provided by (used in) operating activities   | (143,079)              | 395,729             | (179,515)           | (47,464)           | 25,671              |
| <b>CASH FLOWS FROM NON-CAPITAL<br/>FINANCING ACTIVITIES</b>   |                        |                     |                     |                    |                     |
| Transfers in  | -                      | 90,050              | 179,515             | -                  | 269,565             |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                                     |                        |                     |                     |                    |                     |
| Acquisition of capital assets   | -                      | (294,419)           | -                   | -                  | (294,419)           |
| Sale of capital assets  | -                      | 20,758              | -                   | -                  | 20,758              |
| Other   | -                      | 1,213               | -                   | 72,621             | 73,834              |
| Net cash provided by (used in) capital and related financing activities                                 | -                      | (272,448)           | -                   | 72,621             | (199,827)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                        |                     |                     |                    |                     |
| Interest  | 3,156                  | 4,711               | -                   | 5,948              | 13,815              |
| Net increase (decrease) in cash and cash equivalents  | (139,923)              | 218,042             | -                   | (2,398,895)        | (2,320,776)         |
| Cash and cash equivalents at beginning of year  | 654,188                | 815,880             | -                   | 2,840,496          | 4,310,564           |
| Cash and cash equivalent at end of year   | <u>\$ 514,265</u>      | <u>\$ 1,033,922</u> | <u>\$ -</u>         | <u>\$ 441,601</u>  | <u>\$ 1,989,788</u> |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b> |                        |                     |                     |                    |                     |
| Operating income (loss)   | \$ (166,991)           | \$ 241,752          | \$ (179,515)        | \$ (38,708)        | \$ (143,462)        |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |                        |                     |                     |                    |                     |
| Depreciation  | -                      | 158,891             | -                   | -                  | 158,891             |
| Increase in liabilities   |                        |                     |                     |                    |                     |
| Accounts payable and accrued expenses   | 23,912                 | (6,152)             | -                   | (8,756)            | 9,004               |
| Payroll related liabilities   | -                      | 1,238               | -                   | -                  | 1,238               |
| Net cash provided by (used in) operating activities   | <u>\$ (143,079)</u>    | <u>\$ 395,729</u>   | <u>\$ (179,515)</u> | <u>\$ (47,464)</u> | <u>\$ 25,671</u>    |

**CITY OF FOREST GROVE**

**INFORMATION SYSTEMS - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|                                   | Budget            | Actual            | Variance         |
|-----------------------------------|-------------------|-------------------|------------------|
| <b>REVENUES</b>                   |                   |                   |                  |
| Charges for services              | \$ 203,752        | \$ 203,752        | \$ -             |
| Interest                          | 3,000             | 3,156             | 156              |
| <b>TOTAL REVENUES</b>             | <b>206,752</b>    | <b>206,908</b>    | <b>156</b>       |
| <b>EXPENDITURES</b>               |                   |                   |                  |
| Materials and services            | 331,961           | 322,521           | 9,440            |
| Capital outlay                    | 50,600            | 48,222            | 2,378            |
| Contingency                       | 45,147            | -                 | 45,147           |
| <b>TOTAL EXPENDITURES</b>         | <b>427,708</b>    | <b>370,743</b>    | <b>56,965</b>    |
| Net change in fund balance        | (220,956)         | (163,835)         | 57,121           |
| Fund balance at beginning of year | 629,372           | 631,624           | 2,252            |
| Fund balance at end of year       | <b>\$ 408,416</b> | <b>\$ 467,789</b> | <b>\$ 59,373</b> |

**CITY OF FOREST GROVE**

**EQUIPMENT - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | Budget            | Actual           | Variance          |
|---|-------------------|------------------|-------------------|
| <b>REVENUES</b>                                   |                   |                  |                   |
| Charges for services                              | \$ 905,621        | \$ 941,791       | \$ 36,170         |
| Interest  | 2,000             | 4,711            | 2,711             |
| Miscellaneous                                     | -                 | 1,213            | 1,213             |
| <b>TOTAL REVENUES</b>                             | <b>907,621</b>    | <b>947,715</b>   | <b>40,094</b>     |
| <b>EXPENDITURES</b>                               |                   |                  |                   |
| Personal services                                 | 224,103           | 216,804          | 7,299             |
| Materials and services                            | 414,422           | 353,685          | 60,737            |
| Capital outlay                                    | 290,000           | 265,127          | 24,873            |
| Contingency                                       | 235,000           | -                | 235,000           |
| <b>TOTAL EXPENDITURES</b>                         | <b>1,163,525</b>  | <b>835,616</b>   | <b>327,909</b>    |
| Excess (deficiency) of revenues over expenditures | (255,904)         | 112,099          | 368,003           |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                   |                  |                   |
| Sale of capital assets                            | 10,000            | 20,758           | 10,758            |
| Transfers in                                      | 90,050            | 90,050           | -                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>       | <b>100,050</b>    | <b>110,808</b>   | <b>10,758</b>     |
| Net change in fund balance                        | (155,854)         | 222,907          | 378,761           |
| Fund balance at beginning of year                 | 747,756           | 793,660          | 45,904            |
| Fund balance at end of year                       | <b>\$ 591,902</b> | <b>1,016,567</b> | <b>\$ 424,665</b> |

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

|                       |                     |
|-----------------------|---------------------|
| Capital assets, net   | 1,232,465           |
| Long-term obligations | (4,009)             |
| Net position-ending   | <b>\$ 2,245,023</b> |

**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, 2014**

|   | Budget     | Actual     | Variance |
|---|------------|------------|----------|
| <b>EXPENDITURES</b>                               |            |            |          |
| Materials and services                            | \$ 180,486 | \$ 179,515 | \$ 971   |
| Excess (deficiency) of revenues over expenditures | (180,486)  | (179,515)  | 971      |
| <b>OTHER FINANCING SOURCES (USES)</b>             |            |            |          |
| Transfers in                                      | 180,486    | 179,515    | (971)    |
| Net change in fund balance                        | -          | -          | -        |
| Fund balance at beginning of year                 | -          | -          | -        |
| Fund balance at end of year                       | \$ -       | \$ -       | \$ -     |

**CITY OF FOREST GROVE**

**RISK MANAGEMENT - INTERNAL SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2014**

|   | Budget      | Actual      | Variance   |
|---|-------------|-------------|------------|
| <b>REVENUES</b>                                   |             |             |            |
| Charges for services                              | \$ 384,648  | \$ 387,925  | \$ 3,277   |
| Interest  | 2,000       | 5,948       | 3,948      |
| Miscellaneous                                     | -           | 72,621      | 72,621     |
|   | 386,648     | 466,494     | 79,846     |
| <b>EXPENDITURES</b>                               |             |             |            |
| Materials and services                            | 481,641     | 426,633     | 55,008     |
| Contingency                                       | 45,890      | -           | 45,890     |
|   | 527,531     | 426,633     | 100,898    |
| Excess (deficiency) of revenues over expenditures | (140,883)   | 39,861      | 180,744    |
| <b>OTHER FINANCING SOURCES (USES)</b>             |             |             |            |
| Transfers out                                     | (2,430,000) | (2,430,000) | -          |
| Net change in fund balance                        | (2,570,883) | (2,390,139) | 180,744    |
| Fund balance at beginning of year                 | 2,846,238   | 2,827,107   | (19,131)   |
| Fund balance at end of year                       | \$ 275,355  | \$ 436,968  | \$ 161,613 |

**CITY OF FOREST GROVE**

**UNSEGREGATED TAX AND INTEREST AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
For the Year Ended June 30, 2014**

|                       | <u>Balances</u><br><u>July 1, 2013</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balances</u><br><u>June 30, 2014</u> |
|-----------------------|--|-------------------|-------------------|---|
| Assets                |  |                   |                   |   |
| Cash and investments  | <u>\$ 178,290</u>                      | <u>\$ 241,093</u> | <u>\$ 147,729</u> | <u>\$ 271,654</u>                       |
| Liabilities           |  |                   |                   |   |
| Amounts held in trust | <u>\$ 178,290</u>                      | <u>\$ 264,792</u> | <u>\$ 171,428</u> | <u>\$ 271,654</u>                       |

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF FOREST GROVE** as of and for the year ended June 30, 2014, and have issued our report thereon dated December 31, 2014.

### Compliance

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

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

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

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

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

1. Budgets legally required (ORS Chapter 294)

The 2010-11 and 2011-12 actual historical information presented in the 2013-14 detail budget document contained errors such that the 2010-11 resources less the 2010-11 expenditures did not equal the 2011-12 beginning fund balance resource.

The 2011-12 and 2012-13 actual historical information presented in the 2014-15 detail budget document contained errors such that the 2011-12 resources less the 2011-12 expenditures did not equal the 2012-13 beginning fund balance resource.

2. 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       |                      |               |                 |
| Materials and services | \$ 157,733           | \$ 158,626    | \$ (893)        |
| Sewer                  |                      |               |                 |
| Materials and services | 4,000,673            | 4,003,575     | (2,902)         |

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

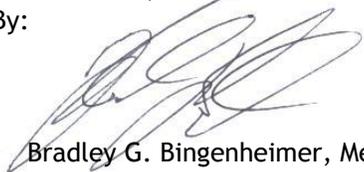
In planning and performing our audit, we considered the City’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion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

**Restriction on Use**

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

Boldt Carlisle + Smith  
 Certified Public Accountants  
 Salem, Oregon  
 December 31, 2014

By:



Bradley G. Bingenheimer, Member