



**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018**

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**CITY OF FOREST GROVE
OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2018**

CITY MANAGER

Jesse VanderZanden

MAYOR

Peter Truax
3131 Forest Gale Drive
Forest Grove, OR 97116

CITY COUNCIL

Timothy Rippe
3334 Edgeview Lane
Forest Grove, OR 97116

Thomas Johnston
2323 15th Avenue
Forest Grove, OR 97116

Malynda Wenzl
2519 Heather Way
Forest Grove, OR 97116

Adolph Valfre, Jr.
3346 Edgeview Lane
Forest Grove, OR 97116

Ronald Thompson
3231 Lavina Drive
Forest Grove, OR 97116

Elena Uhing
1633 Pacific Avenue
Forest Grove, OR 97116

CITY ADDRESS

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

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CITY OF FOREST GROVE

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INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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 did not audit the financial statements of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission and the Barney Reservoir Joint Ownership Commission, which represent 8 percent of the assets of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission and the Barney Reservoir Joint Ownership Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of CITY OF FOREST GROVE, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Street, and Urban Renewal Funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Emphasis of Matter

As discussed in Note 1(P) to the financial statements, the City implemented GASB Statement No, 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents 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 CITY OF FOREST GROVE's basic financial statements. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 30, 2019 on our consideration of the City's compliance with certain provisions of laws and regulation, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 30, 2019

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 \$115.7 million at June 30, 2018. Of this amount, \$15.1 million is reported as unrestricted net position which may be used to meet the City's obligations.
- During the year, the City's net position increased by \$3.62 million in governmental activities and increased by \$4.44 million in business-type activities for a total increase of \$8.06 million.
- The General Fund reported an ending fund balance at June 30, 2018, of \$7,673,758 which is an increase of \$748,345 from the prior fiscal year. Ending fund balance at June 30, 2018 was 42% of the General Fund expenditures for the fiscal year ending June 30, 2018.

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, 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, 2018 and 2017
(In thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$ 32,591	\$ 27,504	\$ 35,056	\$ 32,713	\$ 67,647	\$ 60,217
Capital assets, net	<u>31,064</u>	<u>30,190</u>	<u>49,364</u>	<u>46,624</u>	<u>80,428</u>	<u>76,184</u>
Total assets	<u>63,655</u>	<u>57,694</u>	<u>84,420</u>	<u>79,337</u>	<u>148,075</u>	<u>137,031</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$ 6,550	\$ 7,987	\$ 2,581	\$ 3,083	\$ 9,131	\$ 11,070
OPEB Items	44	-	15	-	59	-
Deferred charge	-	-	24	28	24	28
Total Deferred Outflows of Resources	<u>6,594</u>	<u>7,987</u>	<u>2,620</u>	<u>3,111</u>	<u>9,214</u>	<u>11,098</u>
LIABILITIES						
Current and other liabilities	\$ 847	\$ 861	\$ 2,259	\$ 2,221	\$ 3,106	\$ 3,082
Long-term obligations	<u>22,984</u>	<u>22,070</u>	<u>15,288</u>	<u>15,186</u>	<u>38,272</u>	<u>37,256</u>
Total liabilities	<u>23,831</u>	<u>22,931</u>	<u>17,547</u>	<u>17,407</u>	<u>41,378</u>	<u>40,338</u>
DEFERRED INFLOW OF RESOURCES						
Pension related items	\$ 58	\$ 94	\$ 23	\$ 35	\$ 81	\$ 129
OPEB Items	<u>75</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>100</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>133</u>	<u>94</u>	<u>48</u>	<u>35</u>	<u>181</u>	<u>129</u>
NET POSITION						
Net investment in capital assets	\$ 31,064	\$ 30,190	\$ 42,964	\$ 39,965	\$ 74,028	\$ 70,155
Restricted	19,253	14,897	7,320	6,099	26,573	20,996
Unrestricted	<u>(4,032)</u>	<u>(2,431)</u>	<u>19,161</u>	<u>18,942</u>	<u>15,129</u>	<u>16,511</u>
Total net position	<u>\$ 46,285</u>	<u>\$ 42,656</u>	<u>\$ 69,445</u>	<u>\$ 65,006</u>	<u>\$ 115,730</u>	<u>\$ 107,662</u>

Total governmental assets are up about \$6.0 million or 10% from previous fiscal year. Funds received from system development charges and the purchase of property for a proposed new police facility represent a significant portion of the increase.

Business-type capital assets represent 58.5% of the total business-type assets and increased by \$2.7 million from the prior year. Multi-year projects to renovate two of the City's three electric substations and continued improvements at the City's water treatment plant and distribution system continue to be the principal reasons for the increase in business-type capital assets.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (continued)

STATEMENT OF ACTIVITIES for FISCAL YEARS ENDING JUNE 30, 2018 and 2017

(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
REVENUES:						
Program revenues:						
Charges for services	\$ 9,816	\$ 8,951	\$ 26,265	\$ 24,777	\$ 36,081	\$ 33,728
Operating grants	1,654	131	-	240	1,654	371
Capital grants	4,637	2,520	1,753	890	6,390	3,410
General revenues:						
Taxes	9,404	10,952	-	-	9,404	10,952
Other	1,502	298	2,273	1,373	3,775	1,671
Total revenues	<u>27,013</u>	<u>22,852</u>	<u>30,291</u>	<u>27,280</u>	<u>57,304</u>	<u>50,132</u>
EXPENSES:						
General government	9,520	10,279	-	-	9,520	10,279
Public safety	10,834	10,323	-	-	10,834	10,323
Highways and streets	2,405	2,730	-	-	2,405	2,730
Culture and recreation	1,632	1,617	-	-	1,632	1,671
Power services	-	-	17,289	16,259	17,289	16,259
Sewer services	-	-	1,326	1,328	1,326	1,328
Water services	-	-	4,672	4,330	4,672	4,330
Surface water management	-	-	826	737	826	737
Interest on long-term debt	41	21	-	-	41	21
Total expenses	<u>24,432</u>	<u>24,970</u>	<u>24,113</u>	<u>22,564</u>	<u>48,545</u>	<u>47,624</u>
Change in net position before transfers	2,581	(2,118)	6,178	4,626	8,759	2,508
Transfers	1,560	1,359	(1,560)	(1,359)	-	-
Change in net position	4,141	(739)	4,618	3,267	8,759	2,508
Net position at beginning of year	42,656	43,415	65,006	61,739	107,662	105,154
Prior period adjustment	(512)	-	(179)	-	(691)	-
Net position at end of year	<u>\$ 46,285</u>	<u>\$ 42,656</u>	<u>\$ 69,445</u>	<u>\$ 65,006</u>	<u>\$ 115,730</u>	<u>\$ 107,662</u>

The City's total revenues were \$57.3 million which increased by 14.3% from 2017. The major sources of revenues are business-type activity charges for services and taxes, which account for 63.0% and 16.4% of total revenues, respectively. The total cost of all programs was \$48.5 million which is a 1.9% increase from 2017. Net position increased by \$8 million or 7.5% from 2017 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 \$28,940,371 at June 30, 2018, for an increase of \$5,192,955. Proprietary net position totaled \$69,444,858 at June 30, 2018, for an overall increase of \$4,438,373. The principal reasons for the changes are explained in the preceding section. A summary of changes in governmental and proprietary fund balances is as follows:

CHANGE IN GOVERNMENTAL FUND BALANCES

<u>Fund</u>	<u>Balance at June 30, 2018</u>	<u>Balance at June 30, 2017</u>	<u>Change</u>
General	\$ 7,673,758	\$ 6,925,413	\$ 748,345
Street	1,359,004	1,471,316	(112,312)
Urban Renewal Agency	(1,872,099)	(1,971,754)	99,655
Transportation Development Tax	9,145,906	6,373,308	2,772,598
Non-major governmental	<u>12,633,802</u>	<u>10,949,133</u>	<u>1,684,669</u>
Totals	<u>\$ 28,940,371</u>	<u>\$ 23,747,416</u>	<u>\$ 5,192,955</u>

CHANGE IN PROPRIETARY NET POSITION

<u>Fund</u>	<u>Balance at June 30, 2018</u>	<u>Balance at June 30, 2017</u>	<u>Change</u>
Light	\$ 20,994,191	\$ 20,424,172	\$ 570,019
Sewer	11,839,198	11,394,425	444,773
Water	22,369,025	20,360,726	2,008,299
Surface Water Management	6,922,621	6,727,576	195,045
Non-major proprietary	<u>7,319,823</u>	<u>6,099,586</u>	<u>1,220,237</u>
Totals	<u>\$ 69,444,858</u>	<u>\$ 65,006,475</u>	<u>\$ 4,438,373</u>

City Fund's Highlights

The fund balance in the General Fund increased by \$748,345 as reimbursement from other governments and interest revenue were higher than expected, and operating departments spent less than budgeted appropriations. Other increases in governmental fund balances was primarily due to system development fees collected for parks and traffic impact.

The overall increase in proprietary net position is due to revenue from system development charges in the Water and Sewer Funds and revenue from user rates being held for future capital purchases.

CAPITAL ASSETS

At June 30, 2018, the City had \$80,428,372 invested in a broad range of capital assets, including land, buildings, equipment, utility systems, and intangible water rights. The City's capital assets, net of accumulated depreciation increased by \$3,613,978. More detailed information about the City's capital assets is presented in the notes to the financial statements.

LONG TERM DEBT

At June 30, 2018, the City had \$6,036,933 in outstanding notes and contracts payable. The City has had no change in its credit rating of Aa3 from Moody's. Moody's last credit review was of the June 30, 2016, financial statements. 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 2018-19 fiscal year were, but not limited to the following:

- Residential development including multi-family housing continues to occur at good pace allowing the City's taxable assessed value to increase at 5.7% resulting in higher than projected property tax revenue. Smaller industrial development whose enterprise zone benefits are expired also helped the increase in taxable assessed value again this fiscal year.
- The City is seeing an increase in multi-family and commercial development after years of little activity. The development is bringing in significant system development charges but not a significant increase in General Fund property taxes as most of this development is occurring in the City's urban renewal area.
- The City's five-year local option property tax levy is at the same rate for the remaining four years through June 30, 2023. The renewal of this levy will help the City to maintain current service levels but does not provide new funding for increased services.
- The largest impact on the City's operating budget continues to be the costs of the City's private defined benefit retirement plan. Contributions to this plan will continue to increase significantly as the City continues to implement changes to the Plan's actuarial assumptions recommended by the actuary. The current contribution to that plan is approximately \$3.7 million per year which is an increase from \$2.3 million from three fiscal years ago. The City has lowered the assumed rate of return from 7.25% to 6.50% over the past three years and the actuary is recommending the City lower the assumed rate of return to 5.75% or 6.00%. The City is reviewing the costs of this recommendation and if and how it will be implemented.
- Electric and water rates are expected to increase for the next several years as the City continues to address updating aging infrastructure for both of those utilities. The City is currently updating its Water Master Plan and will review the results of the plan and what effect the implementation of the plan will have on water rates. The City is going to be updating its Electric Master Plan update as well now that the substation upgrades are substantially complete.

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, 2018

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Cash and cash equivalents	\$ 29,420,440	\$ 23,198,476	\$ 52,618,916
Investments	1,821,501	1,442,737	3,264,238
Receivables, net	1,083,033	3,213,169	4,296,202
Inventory	-	714,526	714,526
Prepaid items	266,336	1,065	267,401
Investment in joint ventures	-	6,486,238	6,486,238
Capital assets:			
Land and construction in progress	9,393,429	4,247,495	13,640,924
Other capital assets, net	21,670,623	45,116,825	66,787,448
TOTAL ASSETS	63,655,362	84,420,531	148,075,893
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related items	6,549,898	2,580,838	9,130,736
Other postemployment benefit related items	44,387	14,739	59,126
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	24,024	24,024
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,594,285	2,619,601	9,213,886
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	604,708	2,066,477	2,671,185
Payroll related liabilities	235,232	85,105	320,337
Accrued interest payable	-	48,763	48,763
Deposits	7,418	59,301	66,719
Long-term obligations:			
Due within one year	844,271	944,534	1,788,805
Due in more than one year:	22,140,141	14,343,620	36,483,761
TOTAL LIABILITIES	23,831,770	17,547,800	41,379,570
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related items	58,146	22,551	80,697
Other postemployment benefit related items	75,058	24,923	99,981
TOTAL DEFERRED INFLOWS OF RESOURCES	133,204	47,474	180,678
<u>NET POSITION</u>			
Net investment in capital assets	31,064,052	42,964,199	74,028,251
Restricted for:			
Highways and streets	1,439,881	-	1,439,881
Building operations	2,327,032	-	2,327,032
Community enhancement	92,893	-	92,893
Tourism	53,544	-	53,544
Capital projects	15,291,338	7,319,823	22,611,161
Other purposes	47,772	-	47,772
Unrestricted	(4,031,839)	19,160,836	15,128,997
TOTAL NET POSITION	\$ 46,284,673	\$ 69,444,858	\$ 115,729,531

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	Totals
			Grants and Contributions	Grants and Contributions			
Governmental activities							
General government	\$ 9,519,481	\$ 7,691,056	\$ 11,644	\$ 360,939	\$ (1,455,842)		\$ (1,455,842)
Public safety	10,833,908	1,440,644	12,714	-	(9,380,550)		(9,380,550)
Highways and streets	2,405,058	184,770	1,576,048	3,109,322	2,465,082		2,465,082
Culture and recreation	1,632,350	499,523	53,357	1,166,771	87,301		87,301
Interest on long-term obligations	41,252	-	-	-	(41,252)		(41,252)
Total governmental activities	24,432,049	9,815,993	1,653,763	4,637,032	(8,325,261)		(8,325,261)
Business-type activities							
Light	17,289,683	18,843,812	-	-		\$ 1,554,129	1,554,129
Sewer	1,325,519	1,493,035	-	421,949		589,465	589,465
Water	4,671,691	4,813,678	-	1,259,600		1,401,587	1,401,587
Surface water management	826,262	1,114,187	-	71,726		359,651	359,651
Total business-type activities	24,113,155	26,264,712	-	1,753,275		3,904,832	3,904,832
Totals	\$48,545,204	\$36,080,705	\$ 1,653,763	\$ 6,390,307	(8,325,261)	3,904,832	(4,420,429)
General revenues							
Property taxes, levied for:							
General purposes					8,451,760	-	8,451,760
Other					163,428	-	163,428
Franchise taxes					675,650	-	675,650
Transient room tax					113,424	-	113,424
Grants and contributions not restricted to specific programs					751,758	-	751,758
Unrestricted investment earnings					529,713	317,193	846,906
Rents					-	36,050	36,050
Miscellaneous					220,417	1,746,816	1,967,233
Income from investment in joint ventures					-	173,010	173,010
Transfers					1,560,752	(1,560,752)	-
Total general revenues and transfers					12,466,902	712,317	13,179,219
Change in net position					4,141,641	4,617,149	8,758,790
Net position - beginning					42,655,555	65,006,485	107,662,040
Prior period adjustment					(512,523)	(178,776)	(691,299)
Net position - ending					\$46,284,673	\$69,444,858	\$115,729,531

See accompanying notes

CITY OF FOREST GROVE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

	General	Street	Urban Renewal	Transpor- tation Development	Total Nonmajor Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 7,154,796	\$ 1,294,677	\$ 185,517	\$ 8,610,414	\$ 10,019,745	\$ 27,265,149
Investments	445,741	80,517	11,538	535,492	614,174	1,687,462
Receivables, net	724,740	19,028	2,925	-	336,340	1,083,033
Prepaid items	136,431	-	-	-	-	136,431
Advances to other funds	12,476	-	-	-	-	12,476
Due from other funds	-	-	-	-	2,062,561	2,062,561
TOTAL ASSETS	<u>\$ 8,474,184</u>	<u>\$ 1,394,222</u>	<u>\$ 199,980</u>	<u>\$ 9,145,906</u>	<u>\$ 13,032,820</u>	<u>\$ 32,247,112</u>
<u>LIABILITIES</u>						
Accounts payable and accrued liabilities	\$ 226,944	\$ 12,022	\$ 7,500	\$ -	\$ 317,451	\$ 563,917
Payroll related liabilities	218,566	4,168	-	-	9,082	231,816
Deposits	-	-	-	-	7,418	7,418
Advances from other funds	-	-	-	-	12,476	12,476
Due to other funds	-	-	2,062,561	-	-	2,062,561
TOTAL LIABILITIES	<u>445,510</u>	<u>16,190</u>	<u>2,070,061</u>	<u>-</u>	<u>346,427</u>	<u>2,878,188</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue	<u>354,916</u>	<u>19,028</u>	<u>2,018</u>	<u>-</u>	<u>52,591</u>	<u>428,553</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>354,916</u>	<u>19,028</u>	<u>2,018</u>	<u>-</u>	<u>52,591</u>	<u>428,553</u>
<u>FUND BALANCES</u>						
Nonspendable	136,431	-	-	-	41,186	177,617
Restricted	-	1,359,004	-	9,145,906	8,687,336	19,192,246
Committed	-	-	-	-	621,216	621,216
Assigned	900,000	-	-	-	3,284,064	4,184,064
Unassigned	<u>6,637,327</u>	<u>-</u>	<u>(1,872,099)</u>	<u>-</u>	<u>-</u>	<u>4,765,228</u>
TOTAL FUND BALANCES	<u>7,673,758</u>	<u>1,359,004</u>	<u>(1,872,099)</u>	<u>9,145,906</u>	<u>12,633,802</u>	<u>28,940,371</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,474,184</u>	<u>\$ 1,394,222</u>	<u>\$ 199,980</u>	<u>\$ 9,145,906</u>	<u>\$ 13,032,820</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.	31,064,052
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	428,553
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	\$ 4,422,996
Plus: Compensated absences of the internal service fund included below	10,642
Plus: Pension related liabilities, deferred outflows and deferred inflows	107,974
Plus: Other postemployment benefit related liabilities, deferred outflows and deferred inflows	20,936
Less: Capital assets of the internal service fund included above	(2,187,520)
Deferred outflows related to the City's pension plan and other postemployment benefits plan are not current financial resources and therefore are not reported in the funds	6,594,285
Some liabilities, including compensated absences, net pension liability and other postemployment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(22,984,412)
Deferred inflows related to the City's pension plan and other postemployment benefit plan are reported in the statement of net position but are not reported in the funds	<u>(133,204)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 46,284,673**

See accompanying notes

CITY OF FOREST GROVE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Street	Urban Renewal	Transportation Development	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 8,447,185	\$ -	\$ 163,428	\$ -	\$ -	\$ 8,610,613
Other taxes	134,443	-	-	2,651,160	53,357	2,838,960
Licenses and permits	308,813	24,657	-	-	1,359,688	1,693,158
Intergovernmental	2,581,901	1,561,153	-	-	735,169	4,878,223
System development charges	-	-	-	-	1,094,000	1,094,000
Fees and fines	546,499	-	-	-	-	546,499
Franchise fees	675,650	-	-	-	-	675,650
Interest	185,836	13,303	3,121	121,438	178,474	502,172
Grants	13,948	-	-	-	94,416	108,364
Charges for services	4,338,567	159,635	-	-	355,153	4,853,355
Miscellaneous	351,301	2,096	100	-	89,087	442,584
TOTAL REVENUES	<u>17,584,143</u>	<u>1,760,844</u>	<u>166,649</u>	<u>2,772,598</u>	<u>3,959,344</u>	<u>26,243,578</u>
EXPENDITURES						
General government	6,205,394	-	25,742	-	899,500	7,130,636
Public safety	10,014,710	-	-	-	-	10,014,710
Highways and streets	-	1,301,701	-	-	490,512	1,792,213
Culture and recreation	1,359,094	-	-	-	670	1,359,764
Capital outlay	665,542	571,455	-	-	709,116	1,946,113
Debt service	-	-	41,252	-	-	41,252
TOTAL EXPENDITURES	<u>18,244,740</u>	<u>1,873,156</u>	<u>66,994</u>	<u>-</u>	<u>2,099,798</u>	<u>22,284,688</u>
Excess (deficiency) of revenues over expenditures	<u>(660,597)</u>	<u>(112,312)</u>	<u>99,655</u>	<u>2,772,598</u>	<u>1,859,546</u>	<u>3,958,890</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,431,768	-	-	-	167,000	1,598,768
Transfers out	(22,826)	-	-	-	(341,877)	(364,703)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,408,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(174,877)</u>	<u>1,234,065</u>
Net change in fund balances	748,345	(112,312)	99,655	2,772,598	1,684,669	5,192,955
Fund balances at beginning of year	<u>6,925,413</u>	<u>1,471,316</u>	<u>(1,971,754)</u>	<u>6,373,308</u>	<u>10,949,133</u>	<u>23,747,416</u>
Fund balances at end of year	<u>\$ 7,673,758</u>	<u>\$ 1,359,004</u>	<u>\$ (1,872,099)</u>	<u>\$ 9,145,906</u>	<u>\$ 12,633,802</u>	<u>\$ 28,940,371</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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 5,192,955
<i>Amounts reported for governmental activities in the statement of activities are different because of the following:</i>		
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	\$ 2,671,508	
Depreciation	<u>(1,439,613)</u>	1,231,895
The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(505,612)
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	4,575	
Assessments	(88,750)	
Fees	1,651	
Other	<u>942</u>	(81,582)
In the statement of activities, the changes in net pension liability, deferred inflows of resources, and deferred outflows of resources related to the City's defined benefit retirement plan and PERS are reported as additional expenses for increases and a reduction of expenses for decreases		(1,955,508)
In the statement of activities, the changes in other postemployment benefit liability, deferred inflows of resources and deferred outflows of resources related to the City's other postemployment benefit plan are reported as additional expenses for increases and a reduction of expenses for decreases		(72,958)
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		120,409
Net income of internal service funds after eliminating transfers and income reported above		<u>212,042</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 4,141,641</u>

See accompanying notes

CITY OF FOREST GROVE

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 8,353,182	\$ 8,353,182	\$ 8,447,185	\$ 94,003
Transient room tax	105,000	105,000	113,424	8,424
Licenses and permits	149,765	149,765	308,813	159,048
Intergovernmental	2,082,444	2,313,332	2,581,901	268,569
Construction excise tax	12,500	12,500	21,019	8,519
Fees and fines	505,400	505,400	546,499	41,099
Franchise fees	632,500	632,500	675,650	43,150
Interest	145,000	145,000	185,237	40,237
Grants	94,933	94,933	13,948	(80,985)
Charges for services	4,315,485	4,315,485	4,329,655	14,170
Miscellaneous	334,868	334,868	351,301	16,433
TOTAL REVENUES	16,731,077	16,961,965	17,574,632	612,667
EXPENDITURES				
Legislative and executive	581,306	581,306	559,950	21,356
Administrative services	2,945,945	3,615,945	3,372,122	243,823
Library	1,187,425	1,187,425	1,169,091	18,334
Planning	589,157	589,157	436,953	152,204
Fire	4,169,894	4,575,782	4,362,525	213,257
Engineering	933,504	933,504	901,875	31,629
Police	6,119,389	6,119,389	5,662,185	457,204
Aquatics	694,573	694,573	673,766	20,807
Parks and recreation	775,888	775,888	685,328	90,560
Municipal court	421,121	421,121	420,945	176
Contingency	1,000,000	155,000	-	155,000
TOTAL EXPENDITURES	19,418,202	19,649,090	18,244,740	1,404,350
Excess (deficiency) of revenues over expenditures	(2,687,125)	(2,687,125)	(670,108)	2,017,017
OTHER FINANCING SOURCES (USES)				
Transfers in	1,433,575	1,433,575	1,431,768	(1,807)
TOTAL OTHER FINANCING SOURCES (USES)	1,433,575	1,433,575	1,431,768	(1,807)
Net change in fund balance	(1,253,550)	(1,253,550)	761,660	2,015,210
Fund balance at beginning of year	6,459,675	6,459,675	6,912,098	452,423
Fund balance at end of year	\$ 5,206,125	\$ 5,206,125	\$ 7,673,758	\$ 2,467,633

See accompanying notes

CITY OF FOREST GROVE

**STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Licenses and permits	\$ -	\$ -	\$ 24,657	\$ 24,657
Intergovernmental	1,431,634	1,431,634	1,561,153	129,519
Interest	7,500	7,500	13,303	5,803
Charges for services	150,000	150,000	159,635	9,635
Miscellaneous	-	-	2,096	2,096
TOTAL REVENUES	<u>1,589,134</u>	<u>1,589,134</u>	<u>1,760,844</u>	<u>171,710</u>
EXPENDITURES				
Street services	1,862,963	1,962,963	1,873,156	89,807
Contingency	100,000	-	-	-
TOTAL EXPENDITURES	<u>1,962,963</u>	<u>1,962,963</u>	<u>1,873,156</u>	<u>89,807</u>
Net change in fund balance	(373,829)	(373,829)	(112,312)	261,517
Fund balance at beginning of year	<u>1,472,570</u>	<u>1,472,570</u>	<u>1,471,316</u>	<u>(1,254)</u>
Fund balance at end of year	<u>\$ 1,098,741</u>	<u>\$ 1,098,741</u>	<u>\$ 1,359,004</u>	<u>\$ 260,263</u>

See accompanying notes

CITY OF FOREST GROVE

**URBAN RENEWAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 118,889	\$ 163,428	\$ 44,539
Interest	2,000	3,121	1,121
Miscellaneous	-	100	100
TOTAL REVENUES	<u>120,889</u>	<u>166,649</u>	<u>45,760</u>
EXPENDITURES			
Materials and services	157,484	25,742	131,742
Debt service	<u>41,252</u>	<u>41,252</u>	<u>-</u>
TOTAL EXPENDITURES	<u>198,736</u>	<u>66,994</u>	<u>131,742</u>
Net change in fund balance	(77,847)	99,655	177,502
Fund balance at beginning of year	<u>77,847</u>	<u>90,807</u>	<u>12,960</u>
Fund balance at end of year	<u>\$ -</u>	190,462	<u>\$ 190,462</u>

Reconciliation to generally accepted accounting principles

Advances from other funds	<u>(2,062,561)</u>
	<u>\$ (1,872,099)</u>

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

	Business-type Activities					Governmental Activities	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current assets							
Cash and cash equivalents	\$ 4,165,509	\$ 3,170,682	\$ 8,333,983	\$ 615,567	\$ 6,912,735	\$ 23,198,476	\$ 2,155,291
Investments	259,057	197,188	503,103	38,283	445,106	1,442,737	134,039
Receivables, net	1,825,558	615,527	614,257	156,742	1,085	3,213,169	-
Inventory	556,323	8,250	149,953	-	-	714,526	-
Prepaid expense	900	-	165	-	-	1,065	129,905
Total current assets	<u>6,807,347</u>	<u>3,991,647</u>	<u>9,601,461</u>	<u>810,592</u>	<u>7,358,926</u>	<u>28,569,973</u>	<u>2,419,235</u>
Investment in joint ventures	-	-	6,486,238	-	-	6,486,238	-
Capital assets and intangibles							
Land	721,723	81,022	473,614	-	-	1,276,359	-
Construction in progress	2,971,136	-	-	-	-	2,971,136	-
Other capital assets and intangibles, net	19,274,754	8,747,614	10,454,064	6,640,393	-	45,116,825	2,187,520
Total capital assets	<u>22,967,613</u>	<u>8,828,636</u>	<u>10,927,678</u>	<u>6,640,393</u>	<u>-</u>	<u>49,364,320</u>	<u>2,187,520</u>
TOTAL ASSETS	<u>29,774,960</u>	<u>12,820,283</u>	<u>27,015,377</u>	<u>7,450,985</u>	<u>7,358,926</u>	<u>84,420,531</u>	<u>4,606,755</u>
DEFERRED OUTFLOWS OF RESOURCES							
Pension related items	1,727,056	186,837	479,095	187,850	-	2,580,838	47,303
Other postemployment benefit related items	8,415	1,267	3,487	1,570	-	14,739	687
Excess of reacquisition price over carrying amount of refunded long-term obligations	-	-	24,024	-	-	24,024	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,735,471</u>	<u>188,104</u>	<u>506,606</u>	<u>189,420</u>	<u>-</u>	<u>2,619,601</u>	<u>47,990</u>
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities	865,331	3,565	605,097	4,094	-	1,478,087	40,791
Payroll related liabilities	52,826	3,292	21,447	6,820	-	84,385	3,416
Accrued interest payable	20,846	-	27,917	-	-	48,763	-
Customer deposits	59,301	-	-	-	-	59,301	-
Due to Clean Water Services	-	509,154	-	40,853	39,103	589,110	-
Current portion of long-term obligations	416,982	-	527,552	-	-	944,534	10,642
Total current liabilities	<u>1,415,286</u>	<u>516,011</u>	<u>1,182,013</u>	<u>51,767</u>	<u>39,103</u>	<u>3,204,180</u>	<u>54,849</u>
Long-term obligations							
Bonds and loans	3,167,000	-	2,288,587	-	-	5,455,587	-
Other postemployment benefit liability	250,513	37,726	103,792	46,729	-	438,760	20,461
Net pension liability	5,654,120	611,676	1,568,484	614,993	-	8,449,273	154,864
Total long-term obligations	<u>9,071,633</u>	<u>649,402</u>	<u>3,960,863</u>	<u>661,722</u>	<u>-</u>	<u>14,343,620</u>	<u>175,325</u>
TOTAL LIABILITIES	<u>10,486,919</u>	<u>1,165,413</u>	<u>5,142,876</u>	<u>713,489</u>	<u>39,103</u>	<u>17,547,800</u>	<u>230,174</u>
DEFERRED INFLOWS OF RESOURCES							
Pension related items	15,091	1,633	4,186	1,641	-	22,551	413
Other postemployment benefit related items	14,230	2,143	5,896	2,654	-	24,923	1,162
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>29,321</u>	<u>3,776</u>	<u>10,082</u>	<u>4,295</u>	<u>-</u>	<u>47,474</u>	<u>1,575</u>
NET POSITION							
Net investment in capital assets	19,576,613	8,828,636	7,918,557	6,640,393	-	42,964,199	2,187,520
Restricted for capital projects	-	-	-	-	7,319,823	7,319,823	-
Unrestricted	1,417,578	3,010,562	14,450,468	282,228	-	19,160,836	2,235,476
TOTAL NET POSITION	<u>\$ 20,994,191</u>	<u>\$ 11,839,198</u>	<u>\$ 22,369,025</u>	<u>\$ 6,922,621</u>	<u>\$ 7,319,823</u>	<u>\$ 69,444,858</u>	<u>\$ 4,422,996</u>

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	Business-type Activities					Governmental	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 18,562,355	\$ 1,476,722	\$ 4,807,498	\$ 1,111,112	\$ -	\$ 25,957,687	\$ 1,735,019
Conservation incentive	223,662	-	-	-	-	223,662	-
Licenses, permits, and fees	57,795	6,620	6,180	3,075	9,693	83,363	-
TOTAL OPERATING REVENUES	18,843,812	1,483,342	4,813,678	1,114,187	9,693	26,264,712	1,735,019
OPERATING EXPENSES							
System operation and maintenance	3,986,698	92,170	1,947,332	268,502	519,589	6,814,291	1,623,067
Electricity purchases	10,195,015	-	-	-	-	10,195,015	-
General fund administration charges	1,441,969	644,499	1,173,354	369,205	-	3,629,027	3,655
General and administrative costs	433,104	30,756	757,779	12,614	-	1,234,253	-
Depreciation and amortization	741,114	270,901	443,584	175,491	-	1,631,090	295,538
TOTAL OPERATING EXPENSES	16,797,900	1,038,326	4,322,049	825,812	519,589	23,503,676	1,922,260
OPERATING INCOME (LOSS)	2,045,912	445,016	491,629	288,375	(509,896)	2,761,036	(187,241)
NONOPERATING REVENUES (EXPENSES)							
Interest earned	55,056	42,692	118,876	2,774	97,795	317,193	28,353
Interest	(86,159)	(3,642)	(105,304)	-	-	(195,105)	-
Rents	-	-	36,050	-	-	36,050	-
Miscellaneous	87,364	-	1,659,452	-	-	1,746,816	66,671
Gain (loss) on sale of capital assets	(405,624)	(8,750)	-	-	-	(414,374)	(22,428)
Income on investment in joint ventures	-	-	173,010	-	-	173,010	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(349,363)	30,300	1,882,084	2,774	97,795	1,663,590	72,596
Income (loss) before capital contributions and transfers	1,696,549	475,316	2,373,713	291,149	(412,101)	4,424,626	(114,645)
Capital contributions	-	-	-	-	1,753,275	1,753,275	-
Transfers in	-	119,537	-	-	-	119,537	366,687
Transfers out	(1,049,440)	(122,678)	(317,130)	(70,104)	(120,937)	(1,680,289)	(40,000)
Change in net position	647,109	472,175	2,056,583	221,045	1,220,237	4,617,149	212,042
Net position at beginning of year	20,424,172	11,394,425	20,360,726	6,727,576	6,099,586	65,006,485	4,237,239
Prior period adjustment	(77,090)	(27,402)	(48,284)	(26,000)	-	(178,776)	(26,285)
Net position at end of year	\$ 20,994,191	\$ 11,839,198	\$ 22,369,025	\$ 6,922,621	\$ 7,319,823	\$ 69,444,858	\$ 4,422,996

See accompanying notes

CITY OF FOREST GROVE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018**

	Business-type Activities					Governmental	
	Light	Sewer	Water	Surface Water Management	Total Nonmajor Funds	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	\$ 18,759,487	\$ 1,754,828	\$ 4,730,203	\$ 1,126,792	\$ 8,608	\$ 26,379,918	\$ 1,735,019
Cash paid to employees	(3,259,814)	(315,304)	(1,065,432)	(488,091)	-	(5,128,641)	(209,489)
Cash paid to suppliers	(12,039,471)	(675,667)	(2,250,379)	(100,152)	(812,131)	(15,877,800)	(1,428,501)
Net cash provided by (used in) operating activities	<u>3,460,202</u>	<u>763,857</u>	<u>1,414,392</u>	<u>538,549</u>	<u>(803,523)</u>	<u>5,373,477</u>	<u>97,029</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Transfers in	-	-	-	-	-	-	215,295
Transfers out	(1,049,440)	(122,678)	(317,130)	(70,104)	(1,400)	(1,560,752)	(40,000)
Net cash provided by (used in) non-capital financing activities	<u>(1,049,440)</u>	<u>(122,678)</u>	<u>(317,130)</u>	<u>(70,104)</u>	<u>(1,400)</u>	<u>(1,560,752)</u>	<u>175,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Transfers in	-	-	-	-	-	-	151,392
Sale of capital assets	-	-	-	-	-	-	28,631
System development charges received	-	-	-	-	1,753,275	1,753,275	-
Grants	-	-	-	-	240,000	240,000	-
Other	87,364	-	1,695,502	-	-	1,782,866	66,671
Acquisition of capital assets	(3,383,695)	(369,505)	(609,214)	(423,029)	-	(4,785,443)	(494,313)
Principal paid on long-term obligations	(218,000)	-	(342,867)	-	(115,896)	(676,763)	-
Interest paid on long-term obligations	(87,500)	-	(89,045)	-	(3,641)	(180,186)	-
Net cash provided by (used in) capital and related financing activities	<u>(3,601,831)</u>	<u>(369,505)</u>	<u>654,376</u>	<u>(423,029)</u>	<u>1,873,738</u>	<u>(1,866,251)</u>	<u>(247,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest	55,056	42,692	118,876	2,774	97,795	317,193	28,353
Purchases of investments	(228,737)	(180,538)	(465,116)	(34,981)	(411,347)	(1,320,719)	(121,845)
Net cash provided by (used in) investing activities	<u>(173,681)</u>	<u>(137,846)</u>	<u>(346,240)</u>	<u>(32,207)</u>	<u>(313,552)</u>	<u>(1,003,526)</u>	<u>(93,492)</u>
Net increase (decrease) in cash and cash equivalents	(1,364,750)	133,828	1,405,398	13,209	755,263	942,948	(68,787)
Cash and cash equivalents at beginning of year	<u>5,530,259</u>	<u>3,036,854</u>	<u>6,928,585</u>	<u>602,358</u>	<u>6,157,472</u>	<u>22,255,528</u>	<u>2,224,078</u>
Cash and cash equivalent at end of year	<u>\$ 4,165,509</u>	<u>\$ 3,170,682</u>	<u>\$ 8,333,983</u>	<u>\$ 615,567</u>	<u>\$ 6,912,735</u>	<u>\$ 23,198,476</u>	<u>\$ 2,155,291</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 2,045,912	\$ 445,016	\$ 491,629	\$ 288,375	\$ (509,896)	\$ 2,761,036	\$ (187,241)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	741,114	270,901	443,584	175,491	-	1,631,090	295,538
Decrease (increase) in assets and deferred outflows							
Receivables, net	(85,576)	(33,345)	(83,475)	(11,705)	(1,085)	(215,186)	-
Inventory	55,687	(653)	14,654	-	-	69,688	-
Prepaid expense	(900)	-	(165)	-	-	(1,065)	49,949
Pension related items	233,400	24,707	55,528	20,988	-	334,623	65,655
Increase (decrease) in liabilities and deferred inflows							
Accounts payable and accrued liabilities	(44,579)	(299,735)	326,476	(22,806)	(331,645)	(372,289)	12,167
Payroll related liabilities	17,761	898	7,504	1,610	-	27,773	721
Customer deposits	1,251	-	-	-	-	1,251	-
Due to Clean Water Services	-	304,831	-	24,310	39,103	368,244	-
Compensated absences payable	41,414	-	6,008	-	-	47,422	5,076
Net pension liability	449,472	50,066	149,158	60,570	-	709,266	(145,019)
Other postemployment benefit liability	(181)	(27)	(75)	(34)	-	(317)	(15)
Pension related items	(8,803)	(945)	(2,330)	(904)	-	(12,982)	(964)
Other postemployment benefit items	14,230	2,143	5,896	2,654	-	24,923	1,162
Net cash provided by (used in) operating activities	<u>\$ 3,460,202</u>	<u>\$ 763,857</u>	<u>\$ 1,414,392</u>	<u>\$ 538,549</u>	<u>\$ (803,523)</u>	<u>\$ 5,373,477</u>	<u>\$ 97,029</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS							
Transfers in	\$ -	\$ 119,537	\$ -	\$ -	\$ -	\$ 119,537	\$ -
Transfers out	-	-	-	-	(119,537)	(119,537)	-
Total noncash transactions	<u>\$ -</u>	<u>\$ 119,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,537)</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes

CITY OF FOREST GROVE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	City of Forest Grove Retirement Plan	
	Trust Fund	Agency Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 345,977	\$ 177,827
Investments	43,390,614	-
TOTAL ASSETS	43,736,591	177,827
<u>LIABILITIES</u>		
Amounts held in trust	-	\$ 177,827
<u>NET POSITION</u>		
Restricted for pension	\$ 43,736,591	

See accompanying notes

CITY OF FOREST GROVE

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

For the Year Ended June 30, 2018

	City of Forest Grove Retirement Plan Trust Fund
ADDITIONS	
Employer contributions	\$ 3,277,014
Investment earnings	<u>3,346,917</u>
Total additions	<u>6,623,931</u>
DEDUCTIONS	
Benefits	2,709,084
Administrative expenses	<u>86,736</u>
Total deductions	<u>2,795,820</u>
Change in net position	3,828,111
Net position - beginning of year	<u>39,908,480</u>
Net position - end of year	<u>\$ 43,736,591</u>

See accompanying notes

CITY OF FOREST GROVE

NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2018

1. Summary of significant accounting policies

A. Organization (reporting entity)

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

The city council, comprised of the mayor and six council members, forms the legislative branch of the government. Individual departments are under the direction and authority of the city manager, who is appointed by the city council.

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

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

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

B. Government-wide financial statements and financial statement presentation

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

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

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

Internal Service – accounts for the cost of providing services to other funds of the City 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 modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year-end.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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

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

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

E. Cash and cash equivalents

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

F. Property taxes

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

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

G. User charges and fines

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

The City has uncollected municipal court fines and fees, however due to the uncertainty of collection these amounts are not reported in the financial statements. The City maintains a listing of receivables they believe are uncollectible as of June 30, 2018.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

H. Inventory

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

I. Capital assets

Fund financial statements

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

Government-wide statements

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

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

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

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

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

J. Long-term obligations

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

K. Compensated absences

i. Vacation leave

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

ii. Sick leave

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

L. Deferred outflows / inflows of resources

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

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

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

M. Retirement plans

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

Contributions to the Plan are made on a current basis as required by the Plan. The assets of the Plan are invested in various mutual funds. The City pays the administrative expenses of the Plan.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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

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

N. Other postemployment benefits

The other postemployment benefits liability for the City of Forest Grove Other Postemployment Benefits Plan is based on an actuarial valuation. See the detailed footnotes for more information about the Plan.

O. Equity classification

Government-wide and proprietary fund financial statements

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Governmental fund type fund balance reporting

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

Nonspendable – Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

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

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

P. New accounting standards implemented

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also identifies the actuarial methods and assumptions that are required to be used and enhances note disclosures and required supplementary information. The specific accounts impacting the City are detailed below.

Total other postemployment benefits liability – Previous standards defined other postemployment benefits (OPEB) liabilities in terms of the Annually Required Contribution. Statement No. 75 defines the Total OPEB liability as the portion of projected benefit payments that is attributed to past periods of employee service provided through a defined benefit OPEB plan that is not administered through a trust.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Deferred inflows of resources and deferred outflows of resources – Statement No. 75 includes recognition of deferred inflows and outflows of resources associated with changes of assumptions. This difference is to be recognized in OPEB expense using a closed period equal to the average expected remaining service lives of all covered active and inactive participants.

Statement No. 75 is effective for financial statement periods beginning after June 15, 2017 with the effects of the accounting change to be applied retroactively by restating the financial statements. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2017 as shown in Note 22.

2. Reconciliation of generally accepted accounting principles to budgetary basis

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

	<u>General</u>
Net change in fund balances - generally accepted accounting principles basis	\$ 748,345
Revenues:	
Revenues of separately budgeted funds which are included in the general fund on the governmental fund statements	(9,511)
Other financing sources (uses):	
Transfers out of separately budgeted funds which are included in the general fund on the governmental fund statements	<u>22,826</u>
Net change in fund balances - budgetary basis	<u>\$ 761,660</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

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

	<u>General</u>	<u>Urban Renewal</u>
Beginning fund balances - generally accepted accounting principles basis	\$ 6,925,413	\$ (1,971,754)
Beginning balances of separately budgeted funds which are included in the general fund on the governmental fund statements	(13,315)	-
Interfund loan	<u>-</u>	<u>2,062,561</u>
Beginning fund balance - budgetary basis	<u>\$ 6,912,098</u>	<u>\$ 90,807</u>
Ending fund balances - generally accepted accounting principles basis	\$ 7,673,758	\$ (1,872,099)
Interfund loan	<u>-</u>	<u>2,062,561</u>
Ending fund balance - budgetary basis	<u>\$ 7,673,758</u>	<u>\$ 190,462</u>

3. Cash, cash equivalents and investments

The City's cash, cash equivalents and investments at June 30, 2018 are as follow:

Cash and cash equivalents	
Deposits with financial institutions	\$ 6,177,971
State of Oregon Local Government Investment Pool	46,617,182
Cash on hand	1,590
Money markets	<u>345,977</u>
Total cash and cash equivalents	<u>\$ 53,142,720</u>
Investments	
Certificates of deposit	\$ 265,235
US government agencies	2,999,003
Mutual funds	<u>43,390,614</u>
Total investments	<u>\$ 46,654,852</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Cash, cash equivalents and investments (continued)

The City maintains a pool of cash, cash equivalents 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 cash equivalents and investments. Interest earned on pooled cash, cash equivalents and investments is allocated to participating funds based upon their combined cash and investment balances.

A. Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2018, \$5,698,213 of the City's bank balances were exposed to custodial credit risk.

B. State of Oregon Local Government Investment Pool

Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

C. Investments

As of June 30, 2018 the City had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>	<u>Risk Concentration</u>	<u>Weighted Average Maturity (in months)</u>
Certificates of deposits	Not Rated	\$ 265,235	0.57%	5
Mutual Fund 5100	Not Rated	43,390,614	93.00%	N/A
US government agencies	Not Rated	<u>2,999,003</u>	6.43%	24
Total investments		<u>\$ 46,654,852</u>		

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Cash, cash equivalents and investments (continued)

Credit Risk. 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. Additionally, the City's pension trust may invest in equity securities and mutual funds.

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Receivables

	Governmental Activities/Funds				Business-type Activities/Enterprise Funds					Totals
	General	Street	Urban Renewal	Nonmajor	Light	Sewer	Water	Surface Water Management	Nonmajor	
Property taxes	\$ 401,331	\$ -	\$ 2,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 404,256
Accounts	322,278	-	-	327,209	95,075	6,620	5,064	-	1,085	757,331
Assessments	1,067	-	-	8,191	-	-	-	-	-	9,258
User charges	-	19,028	-	-	1,877,215	625,790	639,791	161,169	-	3,322,993
Interest	64	-	-	940	-	-	-	-	-	1,004
Allowance for doubtful accounts	-	-	-	-	(146,732)	(16,883)	(30,598)	(4,427)	-	(198,640)
	<u>\$ 724,740</u>	<u>\$ 19,028</u>	<u>\$ 2,925</u>	<u>\$ 336,340</u>	<u>\$ 1,825,558</u>	<u>\$ 615,527</u>	<u>\$ 614,257</u>	<u>\$ 156,742</u>	<u>\$ 1,085</u>	<u>\$ 4,296,202</u>

5. Capital assets

A. Activity for governmental activities for the year ended June 30, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land and land improvements	\$ 8,349,773	\$ 655,052	\$ -	\$ 9,004,825
Construction in progress	620,282	261,802	(493,480)	388,604
Total capital assets not being depreciated	<u>8,970,055</u>	<u>916,854</u>	<u>(493,480)</u>	<u>9,393,429</u>
Capital assets being depreciated				
Buildings and improvements	12,279,325	202,737	-	12,482,062
Machinery and equipment	8,414,798	1,183,085	(219,899)	9,377,984
Infrastructure	27,754,323	863,150	-	28,617,473
Total capital assets being depreciated	<u>48,448,446</u>	<u>2,248,972</u>	<u>(219,899)</u>	<u>50,477,519</u>
Less accumulated depreciation				
Buildings and improvements	7,598,271	214,646	-	7,812,917
Machinery and equipment	4,813,047	578,022	(156,703)	5,234,366
Infrastructure	14,817,130	942,483	-	15,759,613
Total accumulated depreciation	<u>27,228,448</u>	<u>1,735,151</u>	<u>(156,703)</u>	<u>28,806,896</u>
Total capital assets being depreciated, net	<u>21,219,998</u>	<u>513,821</u>	<u>(63,196)</u>	<u>21,670,623</u>
Governmental activities capital assets, net	<u>\$ 30,190,053</u>	<u>\$ 1,430,675</u>	<u>\$ (556,676)</u>	<u>\$ 31,064,052</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets (continued)

B. Activity for business-type activities for the year ended June 30, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	\$ 1,276,359	\$ -	\$ -	\$ 1,276,359
Work in progress	2,775,880	2,992,682	(2,797,426)	2,971,136
Total capital assets not being depreciated	<u>4,052,239</u>	<u>2,992,682</u>	<u>(2,797,426)</u>	<u>4,247,495</u>
Capital assets, being depreciated and amortized				
Buildings and improvements	10,323,147	1,404,929	(791,209)	10,936,867
Machinery and equipment	27,946,139	1,904,074	(488,138)	29,362,075
Infrastructure	43,334,506	1,281,183	-	44,615,689
Intangible-water rights	1,707,484	-	-	1,707,484
Total capital assets, being depreciated and amortized	<u>83,311,276</u>	<u>4,590,186</u>	<u>(1,279,347)</u>	<u>86,622,115</u>
Less accumulated depreciation and amortization:				
Buildings and improvements	5,649,175	181,984	(510,278)	5,320,881
Machinery and equipment	12,731,349	690,383	(354,696)	13,067,036
Infrastructure	21,096,756	715,947	-	21,812,703
Intangible-water rights	1,261,894	42,776	-	1,304,670
Total accumulated depreciation and amortization	<u>40,739,174</u>	<u>1,631,090</u>	<u>(864,974)</u>	<u>41,505,290</u>
Total capital assets, being depreciated and amortized, net	<u>42,572,102</u>	<u>2,959,096</u>	<u>(414,373)</u>	<u>45,116,825</u>
Business-type activities capital assets, net	<u>\$ 46,624,341</u>	<u>\$ 5,951,778</u>	<u>\$ (3,211,799)</u>	<u>\$ 49,364,320</u>

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

Governmental activities:	
General government	\$ 409,030
Public safety	137,476
Highways and streets	876,332
Culture and recreation	312,313
Total governmental activities	<u>\$ 1,735,151</u>
Business-type activities:	
Light	\$ 741,114
Sewer	270,901
Water	443,584
Surface water management	175,491
Total business-type activities	<u>\$ 1,631,090</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Unavailable revenue

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

	Governmental Funds				Totals
	General	Street	Urban Renewal	Nonmajor	
Property taxes	\$ 343,854	\$ -	\$ 2,018	\$ -	\$ 345,872
Accounts	9,931	19,028	-	43,460	72,419
Interest	-	-	-	940	940
Assessments	1,131	-	-	8,191	9,322
	<u>\$ 354,916</u>	<u>\$ 19,028</u>	<u>\$ 2,018</u>	<u>\$ 52,591</u>	<u>\$ 428,553</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations

A. Changes in long-term obligations for the year ended June 30, 2018 were as follows:

	Balances July 1, 2017	Additions	Reductions	Balances June 30, 2018	Balances Due Within One Year
<u>Governmental activities</u>					
Other long-term obligations					
Compensated absences	\$ 959,604	\$ 844,271	\$ 959,604	\$ 844,271	\$ 844,271
Other postemployment benefit liability	1,322,341	-	953	1,321,388	-
Net pension liability	<u>19,914,181</u>	<u>904,572</u>	<u>-</u>	<u>20,818,753</u>	<u>-</u>
Total long-term obligations	<u>\$22,196,126</u>	<u>\$1,748,843</u>	<u>\$ 960,557</u>	<u>\$ 22,984,412</u>	<u>\$ 844,271</u>
<u>Business-type activities</u>					
Long-term debt obligations					
Loans					
Capital One Public Financing, LLC	\$ 1,975,000	\$ -	\$ 305,000	\$ 1,670,000	\$ 315,000
Premium	18,928	-	3,155	15,773	3,155
US Department of the Interior	998,027	-	37,867	960,160	39,191
Clean Water Services - Sunset sewer	115,895	-	115,895	-	-
Columbia State Bank	<u>3,609,000</u>	<u>-</u>	<u>218,000</u>	<u>3,391,000</u>	<u>224,000</u>
Total long-term debt obligations	6,716,850	-	679,917	6,036,933	581,346
Other long-term obligations					
Compensated absences	315,766	363,188	315,766	363,188	363,188
Other postemployment benefit liability	439,076	-	316	438,760	-
Net pension liability	<u>7,740,007</u>	<u>709,266</u>	<u>-</u>	<u>8,449,273</u>	<u>-</u>
Total long-term obligations	<u>\$15,211,699</u>	<u>\$1,072,454</u>	<u>\$ 995,999</u>	<u>\$ 15,288,154</u>	<u>\$ 944,534</u>

B. Business-type activities long-term debt obligations

Capital One Public Financing LLC – The City borrowed \$3,160,000 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in April each year and range from \$324,045 to \$354,795. Annual interest only payments are due in October each year and range from \$4,795 to \$39,045. Interest on outstanding loan is 2.74 percent.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Long-term obligations (continued)

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

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

C. The future maturities for business-type activities long-term debt obligations as of June 30, 2018 are as follows:

Fiscal Year	Capital One Public Financing LLC		US Dept. of the Interior Scoggins Dam		Columbia State Bank		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 315,000	\$ 45,758	\$ 39,191	\$ 33,606	\$ 224,000	\$ 81,975	578,191	161,339
2020	325,000	37,127	40,562	32,234	229,000	76,312	594,562	145,673
2021	335,000	28,222	41,982	30,815	235,000	70,513	611,982	129,550
2022	345,000	19,043	43,452	29,345	241,000	64,563	629,452	112,951
2023	350,000	9,590	44,972	27,825	247,000	58,463	641,972	95,878
2024-2028	-	-	249,604	114,380	1,332,000	195,300	1,581,604	309,680
2029-2033	-	-	296,452	67,533	883,000	33,487	1,179,452	101,020
2034-2035	-	-	203,945	14,440	-	-	203,945	14,440
	<u>\$1,670,000</u>	<u>\$ 139,740</u>	<u>\$ 960,160</u>	<u>\$ 350,178</u>	<u>\$3,391,000</u>	<u>\$ 580,613</u>	<u>\$6,021,160</u>	<u>\$1,070,531</u>

D. The City has pledged revenue from timber sales and available water revenues for repayment of the note to Capital One Public Financing, LLC.

E. Funds used to liquidate other long-term obligations

The General, Street, Building, Light, Sewer, Water, and Surface Water Management Funds have been used to liquidate obligations for compensated absences, other postemployment benefit liability, and net pension liability.

8. Conduit debt

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Conduit debt (continued)

- A. On March 20, 2014, the City issued \$38,640,000 in revenue bonds to refinance the 2009 revenue bonds originally issued for Pacific University to fund capital improvement projects and to provide additional resources for capital improvement projects on the campus. At June 30, 2018, \$34,405,000 was outstanding. The bonds mature May 1, 2039.
- B. On April 22, 2015, the City issued \$35,425,000 in revenue bonds to refinance the 2005 revenue bonds originally issued for Pacific University to fund capital improvement projects and to provide additional resources for capital improvement projects on the campus. \$32,330,000 of the 2015 revenue bonds were to refinance the 2005 revenue bonds and \$3,095,000 of the 2015 revenue bonds were to provide resources for additional capital improvement projects on campus. The 2015 revenue bonds were assigned to Pacific University. At June 30, 2018, \$32,135,000 was outstanding. The bonds mature May 1, 2045.
- C. On October 19, 2016, the City issued \$17,800,000 in revenue bonds to refinance the 2013 revenue bonds originally issued for Pacific University to fund capital improvement projects. The 2016 revenue bonds were assigned to Pacific University. At June 30, 2018, \$16,351,753 was outstanding. The bonds mature October 1, 2038.
- D. On April 27, 2017, the City issued \$26,805,000 in revenue bonds to refinance the 2007 revenue bonds originally issued to fund student housing construction. The original 2007 revenue bonds were assigned to the Oak Tree Foundation, Inc., a nonprofit corporation. The 2017 revenue bonds funded the remaining \$26,965,000 in 2007 revenue bonds plus costs of issuing the 2017 revenue bonds. The 2017 revenue bonds were assigned to Oak Tree Foundation, Inc. At June 30, 2018, \$26,190,000 was outstanding. The bonds mature March 1, 2037.

9. Defined benefit pension plan

A. Plan description

Substantially all employees are participants in either the defined benefit retirement plan of City of Forest Grove (the Plan), a single employer defined benefit public employment, or the defined contribution plan (DC Plan) that was effective as of July 1, 2011. Police officers and firefighters hired on or after February 1, 2016 are provided with pensions through the Oregon Public Employment Retirement Systems (OPERS). Footnote 10 describes the DC Plan and footnotes 11 and 12 describe the OPERS.

The Plan was established by the city council who may amend the plan.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

B. Plan membership

All full-time employees hired before July 1, 2011, are eligible to participate in the Plan after six months of employment. After July 1, 2011, only full-time employees belonging to the Forest Grove Police Association (FGPA), the Firefighter's Association (IFFA), and the International Brotherhood of Electrical Workers (IBEW) hired on or after July 1, 2011, are eligible to participate in the Plan after six months of employment. As of July 1, 2012, full-time non-certified members of the FGPA hired on or after July 1, 2012 are not eligible to participate in the Plan. Full-time police officers and firefighters hired on or after February 1, 2016, are also not eligible to participate in the Plan.

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

As of July 1, 2017, plan membership consisted of 98 retirees and beneficiaries, 29 vested terminated participants, 3 nonvested terminated participants, and 99 active participants.

C. Description of benefit terms

Normal retirement

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

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

Early retirement

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

Late retirement

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

Disability

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

Death benefits

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

D. Contributions

The City is required by the Plan's provisions to pay the employees' contribution to the Plan of seven percent of covered salaries (six percent if monthly base pay is less than \$1,500). In addition the City will contribute additional amount necessary to fund the Plan sufficient to pay benefits when due based on annual actuarial valuations. City contributions to the plan for the year ended June 30, 2018 were \$2,768,496.

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

At June 30, 2018, the City reported a net pension liability of \$29,259,419. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

Total pension liability	\$ 69,230,919
Plan fiduciary net position	<u>39,971,500</u>
Net pension liability	<u>\$ 29,259,419</u>
Fiduciary net position as a percentage of total pension liability	57.74%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

Changes in the net pension liability is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning balances	\$ 63,076,881	\$ 35,434,205	\$ 27,642,676
Changes for the year:			
Service cost	1,265,073	-	1,265,073
Interest on total pension liability	4,274,175	-	4,274,175
Effect of economic/demographic losses	617,091	-	617,091
Effect of assumption changes or inputs	2,039,393	-	2,039,393
Benefit payments	(2,041,694)	(2,041,694)	-
Administrative expenses	-	(115,315)	115,315
Net investment income	-	3,917,965	(3,917,965)
Employer contributions	-	2,776,339	(2,776,339)
Ending balances	<u>\$ 69,230,919</u>	<u>\$ 39,971,500</u>	<u>\$ 29,259,419</u>

For the year ended June 30, 2018, the City recognized pension expense of \$6,319,913. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 511,851	\$ 78,095
Changes of assumptions or inputs	5,377,984	--
Net difference between projected and actual earnings on pension plan investments	278,984	--
City's contributions subsequent to the measurement date	<u>2,768,496</u>	<u>--</u>
	<u>\$ 8,937,315</u>	<u>\$ 78,095</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

City contributions subsequent to the measurement date in the amount of \$2,768,496 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2019	\$ 3,174,545
2020	2,736,448
2021	480,780
2022	<u>(301,049)</u>
Total	<u>\$ 6,090,724</u>

F. Actuarial valuation

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

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

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Pay
Amortization Method	Amortized as a level dollar over a closed period of 20.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2 percent
Investment rate of return	6.50 percent
Projected Salary Increases	Salaries for individuals are assumed to grow at 3.75 percent per annum
Mortality	Healthy retirees and beneficiaries: RP-2014 Sex-distinct, generational per Unisex Social Security Data Scale, with collar adjustments and setbacks Participants with disabilities: RP-2014 Sex-distinct, generational per Unisex Social Security Data Scale

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Depletion date projection

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

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

Long-term expected rate of return

The long-term expected rate of return assumption of 6.50 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

Change in assumptions

The discount rate and long-term expected rate of return was decreased from 6.75 percent to 6.50 percent as of the July 1, 2017 valuation.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

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

The following presents the City of Forest Grove’s net pension liability calculated using the discount rate of 6.50 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Net pension liability	\$ 39,616,128	\$ 29,259,419	\$ 20,805,975

10. Defined contribution plan

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

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

- All full-time non-represented employees and all full-time members of the AFSCME union hired on or after July 1, 2011
- All full-time non-certified members of the Forest Grove Police Association hired on or after July 1, 2012
- All part-time non-represented and AFSCME employees, who are regularly scheduled to work at least twenty (20) hours per week as of July 1, 2014
- All part-time non-certified members of the Forest Grove Police Association as of July 1, 2016

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

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

Contributions to the plan for the year ended June 30, 2018 were \$286,800.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan - PERS

A. Plan description

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

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the pension plan's fiduciary net position. The report can be found at: www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf

B. Description of benefit terms

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

Tier One/Tier Two retirement benefit (Chapter 238)

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

Pension benefits

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Death benefits

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

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

Disability benefits

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

Benefit changes after retirement

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

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

Pension benefits

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Death benefits

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

Disability benefits

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

Benefit changes after retirement

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

C. Contributions

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

Employer contribution rates during the period were based on the December 31, 2015 actuarial valuation.

Tier One/Tier Two employer contribution rates are 21.9 percent and the OPSRP employer contribution rates are 14.64 percent for public safety employees. Employer contributions for the year ended June 30, 2018 were \$147,279.

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2015 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2017, through June 30, 2019, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Unfunded actuarial accrued liability amortization

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Retiree healthcare unfunded actuarial accrued liability amortization

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

Asset valuation method

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

Contribution rate stabilization method

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

Allocation of liability for service segments

For active Tier One/Tier Two members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 25 percent based on account balance with each employer and 75 percent based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Economic assumptions

Investment return	7.50% compounded annually
Interest crediting	7.50% compounded annually
Inflation	2.50% compounded annually
Payroll growth	3.50% compounded annually
Healthcare cost trends	Ranges from 6.3% in 2016 to 4.4% in 2094

Demographic assumptions

Mortality tables

Healthy retirees	RP 2000, Generational (Scale BB) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Generational (Scale BB), Combined Disabled, No Collar, Sex Distinct. Male 70% and Female 95% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5 percent of the time and a total lump sum elected 3 percent for 2015 and declining by 0.5 percent per year until reaching zero.

Salary increase assumptions

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

E. Actuarial valuations – OPSRP

The December 31, 2015 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

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

Economic assumptions

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5 percent of the time and a total lump sum elected 3 percent for 2015 and declining by 0.5 percent per year until reaching zero.

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

Net pension liability

At June 30, 2018, the City reported a liability of \$8,607 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components:

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

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

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

At June 30, 2017, the City's proportion was .00006384 percent, which was a decrease of .00001284 percent from its proportion measured as of June 30, 2016.

Pension expense

For the year ended June 30, 2018, the City recognized pension expense of \$10,466.

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2017, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 417	\$ --
Changes of assumptions	1,569	--
Net difference between projected and actual earnings on pension plan investments	89	--
Changes in proportionate share	12	1,841
Difference between contributions and proportionate share of system contributions	44,055	761
Contributions subsequent to the measurement date	<u>147,279</u>	<u>--</u>
Total	<u>\$ 193,421</u>	<u>\$ 2,602</u>

\$147,279 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2019	\$ 9,953
2020	10,717
2021	10,572
2022	9,431
2023	<u>2,867</u>
Total	<u>\$ 43,540</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

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

The total pension liability measured as of June 30, 2017 was based on an actuarial valuation as of December 31, 2015 using the following methods and assumptions:

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

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. On July 28, 2017, the PERS Board adopted a discount rate of 7.2 percent. The new rate will be effective January 1, 2018.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model.

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Commodities/Other	9.37%	7.01%
Assumed Inflation - Mean		2.50%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined benefit pension plan – PERS (continued)

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

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

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

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

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

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	\$ 14,666	\$ 8,607	\$ 3,538

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Defined contribution plan - PERS

A. Plan description

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

B. Pension benefits

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

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

C. Death benefits

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

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2018 were \$54,007.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Other postemployment benefits

A. Plan description and benefits provided

The City provides other postemployment 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 who were hired after July 1, 2003 are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by the 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 75. The plan does not issue a separate stand-alone financial report.

B. Plan membership

As of June 30, 2018, there were 160 active employees, 5 eligible retirees, and 4 spouses of eligible retirees for a total of 169 plan members.

C. 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	\$	670
For spouses of retirees		723

D. Total OPEB liability, changes in total OPEB liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, the City reported a total OPEB liability of \$1,760,148. The total OPEB liability was measured as of June 30, 2017 and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2017	\$ 1,761,417
Changes for the year:	
Service cost	128,201
Interest	52,872
Changes in assumptions or other inputs	(112,965)
Benefit payments	<u>(69,377)</u>
Balances at June 30, 2018	<u>\$ 1,760,148</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Other postemployment benefits (continued)

For the year ended June 30, 2018, the City recognized an OPEB expense of \$157,838. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ --	\$ 99,981
City's contributions subsequent to the Measurement date	<u>59,126</u>	<u>--</u>
	<u>\$ 59,126</u>	<u>\$ 99,981</u>

Deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date in the amount of \$59,126 will be recognized as an adjustment to the Total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2019	\$ (12,984)
2020	(12,984)
2021	(12,984)
2022	(12,984)
2023	(12,984)
Thereafter	<u>(35,061)</u>
Total	<u>\$ (99,981)</u>

E. Actuarial valuation

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee's service in a current year. The service cost equals \$0 for retired members. The total OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the total OPEB liability is equal to the present value of benefits.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Other postemployment benefits (continued)

F. Actuarial methods and assumptions used in developing total OPEB liability

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Projected Salary Increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 white collar male and female set back one year for male, generational per Scale BB for males and females

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

Discount rate

The discount rate used to measure the total OPEB liability was 3.58 percent. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 2.85 percent.

Healthcare cost trend rate

The assumed healthcare cost trend for medical and vision costs is as follows:

Year	Pre-65 Trend
2016	7.00%
2017	7.50%
2018	6.00%
2019	5.50%
2020-2025	5.25%
2026	5.00%
2027-2029	5.25%
2030	5.75%
2031-2035	6.25%
2036-2040	6.00%
2041-2043	5.75%
2044-2052	5.50%
2053-2063	5.25%
2064+	5.00%

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

13. Other postemployment benefits (continued)

Dental costs are assumed to increase 4.5 percent in all future years.

Sensitivity of the City’s total OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the City’s total OPEB liability calculated using the discount rate of 3.58 percent, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
	<hr/>	<hr/>	<hr/>
City's total OPEB liability	\$ 1,918,616	\$ 1,760,148	\$ 1,615,849
	<hr/>	<hr/>	<hr/>
	1 Percentage Point Lower	Current Trend Rate	1 Percentage Point Higher
	<hr/>	<hr/>	<hr/>
City's total OPEB liability	\$ 1,570,522	\$ 1,760,148	\$ 1,981,938

14. Joint ventures and intergovernmental agreements

A. Joint Water Commission

The City is a party to the Joint Water Commission (the Commission) with the City of Hillsboro, City of Beaverton, and the Tualatin Valley Water District. The Commission is an entity organized under ORS 190. The City owns a 13.3 percent interest in the Joint Water Commission. The City's investment in the Commission at June 30, 2018 is \$5,900,165. The Commission issues a publicly available financial report which may be obtained by writing to the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

14. Joint ventures and intergovernmental agreements (continued)

B. Barney Reservoir Joint Ownership Commission

The City is a party to the Barney Reservoir Joint Ownership Commission (the Reservoir Commission) with the City of Hillsboro, City of Beaverton, the Unified Sewerage Agency, and the Tualatin Valley Water District. The Reservoir Commission is an entity organized under ORS 190. The parties have agreed to establish joint ownership of an expanded Trask Reservoir also known as the "J.W. Barney Reservoir," located on the middle fork of the north fork of the Trask River, partially in Yamhill County and partially in Washington County. The agreement requires each of the original owners of the Trask Reservoir to exchange their equity interest in the reservoir for equity in the expanded "J.W. Barney Reservoir." As a member of the Commission, the City owns a 2.5 percent interest in the reservoir. The City's investment in the Commission at June 30, 2018 is \$586,073. The Barney Reservoir Joint Ownership Commission issues a publicly available financial report which may be obtained by writing the City of Hillsboro, 123 West Main Street, Hillsboro, OR 97123.

C. Clean Water Services of Washington County

The City collects charges for treatment of the City sewage and surface water management on behalf of the Clean Water Services of Washington County (CWS) and remits all collections to CWS except for 15.1 percent of sewer service charges collected, 20 percent of connection charges collected, and 75 percent of surface water management fees collected in accordance with agreements between the City and CWS. The amount collected on behalf of and remitted to CWS during the fiscal year ending June 30, 2018 was \$6,056,013. The amount due to and payable to CWS at June 30, 2018 is \$589,110.

15. Contingency - sick leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2018, employees of the City had accumulated 9,948 days of sick leave.

16. Risk management

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

17. Segment information

The City has borrowed from Capital One Public Financing, LLC to finance major water system improvements. The sewer utility and the water utility are each accounted for in two separate funds.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

17. Segment information (continued)

Summary financial information for sewer and water activities for the year ended June 30, 2018 is as follows:

Condensed statement of net position	<u>Sewer</u>	<u>Water</u>
<u>Assets</u>		
Current assets	\$ 4,808,655	\$ 15,633,165
Investment in joint venture	-	6,486,238
Capital assets, net	<u>8,828,636</u>	<u>10,927,678</u>
Total assets	<u>13,637,291</u>	<u>33,047,081</u>
<u>Deferred outflows of resources</u>	<u>188,104</u>	<u>506,606</u>
<u>Liabilities</u>		
Current liabilities	555,114	1,182,013
Noncurrent liabilities	<u>649,402</u>	<u>3,960,863</u>
Total liabilities	<u>1,204,516</u>	<u>5,142,876</u>
<u>Deferred inflows of resources</u>	<u>3,776</u>	<u>10,082</u>
<u>Net position</u>		
Net investment in capital assets	8,828,636	7,918,557
Restricted	777,905	6,031,704
Unrestricted	<u>3,010,562</u>	<u>14,450,468</u>
Total net position	<u>\$ 12,617,103</u>	<u>\$ 28,400,729</u>
 Condensed statement of revenues, expenses and changes in net position		
Operating revenue	\$ 1,493,035	\$ 4,813,678
Depreciation and amortization expense	270,901	443,584
Other operating expenses	<u>1,042,226</u>	<u>4,122,803</u>
Operating income (loss)	179,908	247,291
Non operating revenues (expenses)	<u>35,063</u>	<u>1,968,111</u>
Income (loss) before capital contributions and transfers	214,971	2,215,402
Capital contributions	421,949	1,259,600
Transfers	<u>(122,678)</u>	<u>(318,530)</u>
Change in net position	514,242	3,156,472
Net position - beginning	12,130,263	25,292,541
Prior period adjustment	<u>(27,402)</u>	<u>(48,284)</u>
Net position - ending	<u>\$ 12,617,103</u>	<u>\$ 28,400,729</u>
 Condensed statement of cash flows		
Net cash provided by (used in):		
Operating activities	\$ 206,222	\$ 1,170,054
Non-capital financing activities	(122,678)	(318,530)
Capital and related financing	172,907	1,913,976
Investing activities	<u>(176,349)</u>	<u>(600,782)</u>
Net increase (decrease) in cash	80,102	2,164,718
Cash and cash equivalents - beginning of year	<u>3,858,731</u>	<u>11,833,508</u>
Cash and cash equivalents - end of year	<u>\$ 3,938,833</u>	<u>\$ 13,998,226</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

18. Interfund transfers and balances

<u>Fund</u>	Transfers	
	<u>In</u>	<u>Out</u>
General	\$ 1,431,768	\$ 22,826
Nonmajor governmental	167,000	341,877
Light	-	1,049,440
Sewer	-	122,678
Sewer - non-cash	119,537	-
Water	-	317,130
Surface water management	-	70,104
Nonmajor enterprise funds	-	1,400
Nonmajor enterprise funds - non-cash	-	119,537
Internal service funds	366,687	40,000
	<u>\$ 2,084,992</u>	<u>\$ 2,084,992</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.

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

A loan from the Capital Projects Fund to the Urban Renewal Fund is being repaid in annual installments of interest only for three years followed by six annual payments of \$175,000, including interest, and one annual payment of \$161,754. At June 30, 2018, the balance is \$2,062,561.

Advances from the General Fund to the nonmajor governmental funds in the amount of \$12,476 were made during the year to cover deficit cash balances. These advances will be repaid in the subsequent year.

19. Net position restricted through enabling legislation

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

Governmental activities – capital projects

Transportation impact fees and transportation development tax are restricted for transportation infrastructure expansion	\$ 12,281,424
System development charges (SDC) are restricted for the purposes as specified in the implementing ordinances:	
Park acquisition and development	1,960,770
City transient lodging tax is restricted for tourism	53,544
Trail system sponsorship is restricted for trail construction or maintenance	26,694

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

19. Net position restricted through enabling legislation (continued)

Business-type activities – capital projects

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

Sewer system improvement and expansion	\$ 777,905
Water system improvement and expansion	6,031,704
Surface water management system improvement and expansion	510,214

20. Governmental fund balances

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

Categories	General	Street	Urban Renewal	Transportation Development Tax	Total Nonmajor Funds	Total Governmental Funds
Nonspendable:						
Library endowment	\$ -	\$ -	\$ -	\$ -	\$ 41,186	\$ 41,186
Prepaid items	136,431	-	-	-	-	136,431
Restricted for:						
Building operations	-	-	-	-	2,327,032	2,327,032
Street services	-	1,359,004	-	-	61,849	1,420,853
Community enhancement	-	-	-	-	52,937	52,937
Capital projects	-	-	-	9,145,906	6,145,432	15,291,338
Tourism	-	-	-	-	53,544	53,544
Trail systems	-	-	-	-	26,694	26,694
Other purposes	-	-	-	-	19,848	19,848
Committed for:						
Street services	-	-	-	-	55,538	55,538
Capital projects	-	-	-	-	565,678	565,678
Assigned for:						
Facilities	-	-	-	-	690,153	690,153
Capital projects	-	-	-	-	2,593,911	2,593,911
Retirement contributions	900,000	-	-	-	-	900,000
Unassigned	<u>6,637,327</u>	<u>-</u>	<u>(1,872,099)</u>	<u>-</u>	<u>-</u>	<u>4,765,228</u>
Total fund balances	<u>\$ 7,673,758</u>	<u>\$ 1,359,004</u>	<u>\$ (1,872,099)</u>	<u>\$ 9,145,906</u>	<u>\$ 12,633,802</u>	<u>\$ 28,940,371</u>

21. Tax abatements

Washington County has established an Enterprise Zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the City received for the year ended June 30, 2018 have been reduced by \$88,510.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

22. Prior period adjustment

A prior period adjustment of \$598,787 was made to correct employer-paid employee contributions reported as a deferred outflow of resources – pension related items in prior periods. Under GASB 68 *Accounting and Financial Reporting for Pensions*, employee contributions should not be shown as deferred outflows of resources.

Additionally, the City adopted GASB 75 in the current year and, accordingly, has restated amounts of affected balances within the financial statements as of June 30, 2017 for total prior period adjustment as follows:

	As Originally <u>Reported</u>	As <u>Restated</u>	Effect of <u>Change</u>
Statement of Net Position			
<u>Governmental activities</u>			
Deferred outflows of resources – pension items	\$ 7,987,254	\$ 7,556,128	\$ (431,126)
Deferred outflows of resources – OPEB items	--	44,387	44,387
Other postemployment benefits liability	--	1,322,341	(1,322,341)
Net other postemployment benefits obligation	1,196,557	--	1,196,557
Net position	42,655,555	42,143,032	512,523
<u>Business-type activities</u>			
Deferred outflows of resources – pension items	\$ 3,083,121	\$ 2,915,460	\$ (167,661)
Deferred outflows of resources – OPEB items	--	14,739	14,739
Other postemployment benefits liability	--	439,076	(439,076)
Net other postemployment benefits obligation	413,222	--	413,222
Net position	65,006,485	64,827,709	178,776

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF FOREST GROVE

**SCHEDULE OF NET PENSION LIABILITY AND
CHANGES IN NET PENSION LIABILITY
Last 10 Plan Years***

	For the Year Ended June 30, 2017	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
<u>Beginning of year</u>				
Total pension liability	\$ 63,076,881	\$ 57,742,433	\$ 47,195,326	\$ 42,881,808
Fiduciary net position	<u>35,434,205</u>	<u>34,146,282</u>	<u>34,577,249</u>	<u>29,632,905</u>
Net pension liability	<u>\$ 27,642,676</u>	<u>\$ 23,596,151</u>	<u>\$ 12,618,077</u>	<u>\$ 13,248,903</u>
<u>Changes in total pension liability</u>				
Service cost	\$ 1,265,073	\$ 1,329,863	\$ 1,171,434	\$ 1,061,458
Interest on total pension liability	4,274,175	3,927,162	3,445,279	3,131,813
Effect of economic/demographic losses	617,091	32,324	(224,525)	269,909
Effect of assumption changes or inputs	2,039,393	1,829,323	7,846,254	1,342,042
Benefit payments	<u>(2,041,694)</u>	<u>(1,784,224)</u>	<u>(1,691,335)</u>	<u>(1,491,704)</u>
Net change in total pension liability	<u>\$ 6,154,038</u>	<u>\$ 5,334,448</u>	<u>\$ 10,547,107</u>	<u>\$ 4,313,518</u>
<u>Changes in fiduciary net position</u>				
Employer contributions	\$ 2,776,339	\$ 2,101,422	\$ 1,386,509	\$ 1,291,829
Member contributions	-	-	611,460	603,325
Investment income net of expenses	3,917,965	1,140,618	(674,943)	4,626,488
Benefit payments	(2,041,694)	(1,784,224)	(1,691,335)	(1,491,704)
Administrative expenses	<u>(115,315)</u>	<u>(169,893)</u>	<u>(62,658)</u>	<u>(85,594)</u>
Net change in fiduciary net position	<u>\$ 4,537,295</u>	<u>\$ 1,287,923</u>	<u>\$ (430,967)</u>	<u>\$ 4,944,344</u>
<u>End of year</u>				
Total pension liability	\$ 69,230,919	\$ 63,076,881	\$ 57,742,433	\$ 47,195,326
Fiduciary net position	<u>39,971,500</u>	<u>35,434,205</u>	<u>34,146,282</u>	<u>34,577,249</u>
Net pension liability	<u>\$ 29,259,419</u>	<u>\$ 27,642,676</u>	<u>\$ 23,596,151</u>	<u>\$ 12,618,077</u>
Fiduciary net position as a percent of total pension liability	57.7%	56.2%	59.1%	73.3%
Covered payroll	\$ 8,548,461	\$ 8,616,353	\$ 8,714,723	\$ 8,618,932
Net pension liability as a percent of covered payroll	342.3%	320.8%	270.8%	146.4%

*Information will be accumulated until 10 years are presented.

CITY OF FOREST GROVE

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Plan Years
(Amounts in thousands)**

	June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,252	\$ 2,707	\$ 2,094	\$ 1,987	\$ 1,888	\$ 1,763	\$ 1,731	\$ 1,747	\$ 1,669	\$ 1,361
Actual employer contribution	3,277	2,776	2,101	1,998	1,895	1,762	1,731	1,747	1,669	1,496
Contribution deficiency (excess)	(25)	(69)	(7)	(11)	(7)	1	-	-	-	(135)
Covered payroll	7,553	8,548	8,616	8,715	8,619	8,559	8,570	8,607	8,646	7,913
Contribution as a percent of covered payroll	43.39%	32.48%	24.38%	22.93%	21.99%	20.59%	20.20%	20.30%	19.30%	18.91%
Valuation date	7/1/2016	7/1/2015	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007
Assumed investment rate of return	6.50%	6.75%	7.25%	7.25%	7.25%	7.25%	7.50%	7.50%	7.50%	7.50%

NOTES TO SCHEDULE

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of pay
Amortization method	Effective July 1, 2015: Closed 15-year amortization, payments increasing 2.50% per year Effective July 1, 2014: Closed 15-year amortization, payments increasing 2.75% per year Effective July 1, 2011: Closed 30-year amortization, payments increasing 2.75% per year Effective July 1, 2005: Open 25-year amortization, level percent of pay. The amortization period was decreased by one year each year until reaching 20 years, effective July 1, 2010
Asset valuation method	Market value of assets
Healthy mortality	Effective July 1, 2015: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs Effective July 1, 2011: Healthy Combined RP-2000 mortality projected by Scale AA to 2005 Through July 1, 2010: Healthy Combined RP-2000 mortality
Cost of living increases	2.00% per year
Salary increases	Effective July 1, 2015: 3.75% per year Effective July 1, 2011: 4.50% per year Through July 1, 2010: 5.0% per year

CITY OF FOREST GROVE

**SCHEDULE OF INVESTMENT RATE OF RETURN
Last 10 Plan Years**

<u>Year Ended June 30,</u>	<u>Rate of Return</u>
2018	10.39%
2017	3.28%
2016	-1.96%
2015	-1.85%
2014	15.56%
2013	7.30%
2012	1.83%
2011	13.35%
2010	10.58%
2009	-9.22%

CITY OF FOREST GROVE

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM**

Last 10 Years Ended June 30, *

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the collective net pension liability (asset)	0.00006384%	0.00007668%	0.00010017%
Proportionate share of the collective net pension liability (asset)	\$ 8,607	\$ 11,512	\$ 5,751
Covered payroll	\$ 1,275,279	\$ 363,955	\$ 20,240
Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll	1%	3%	28%
Pension plan's fiduciary net position as a percentage of the total pension liability	83%	81%	92%

* Information will be accumulated annually until 10 years is presented

CITY OF FOREST GROVE

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 147,279	\$ 59,307	\$ 4,302
Contractually required contributions recognized by the pension plan	<u>147,279</u>	<u>59,307</u>	<u>4,302</u>
Difference	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 1,275,279</u>	<u>\$ 363,955</u>	<u>\$ 20,240</u>
Contractually required contributions as a percentage of covered payroll	<u>11.55%</u>	<u>16.30%</u>	<u>21.25%</u>

* Information will be accumulated annually until 10 years is presented

CITY OF FOREST GROVE

**SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
Last 10 Plan Fiscal Years**

	<u>June 30, 2018</u>
Service cost	\$ 128,201
Interest on total OPEB liability	52,872
Effect of assumptions changes or inputs	(112,965)
Benefit payments	<u>(69,377)</u>
Net change in total OPEB liability	(1,269)
Total OPEB liability - beginning of year	<u>1,761,417</u>
Total OPEB liability - end of year	<u><u>\$ 1,760,148</u></u>
Covered payroll	\$ 12,729,783
Total OPEB liability as a percentage of covered payroll	13.8%

NOTES TO SCHEDULE

Information will be accumulated until 10 years are presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**COMBINING FINANCIAL STATEMENTS
AND INDIVIDUAL FUND SCHEDULES**

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CITY OF FOREST GROVE
COMBINING BALANCE SHEET
GENERAL FUNDS
June 30, 2018

	General	Special Public Works Debt Service	Total General Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,154,796	\$ -	\$ 7,154,796
Investments	445,741	-	445,741
Receivables, net	723,609	1,131	724,740
Prepaid items	136,431	-	136,431
Advances from other funds	12,476	-	12,476
 TOTAL ASSETS	 \$ 8,473,053	 \$ 1,131	 \$ 8,474,184
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 226,944	\$ -	\$ 226,944
Payroll related liabilities	218,566	-	218,566
 TOTAL LIABILITIES	 445,510	 -	 445,510
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	353,785	1,131	354,916
 TOTAL DEFERRED INFLOWS OF RESOURCES	 353,785	 1,131	 354,916
<u>FUND BALANCES</u>			
Nonspendable	136,431	-	136,431
Assigned	900,000	-	900,000
Unassigned	6,637,327	-	6,637,327
 TOTAL FUND BALANCES	 7,673,758	 -	 7,673,758
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 8,473,053	 \$ 1,131	 \$ 8,474,184

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

GENERAL FUNDS

For the Year Ended June 30, 2018

	General	General Debt Service	Special Public Works Debt Service	Total General Funds
	<u>General</u>	<u>Debt Service</u>	<u>Debt Service</u>	<u>Funds</u>
REVENUES				
Property taxes	\$ 8,447,185	\$ -	\$ -	\$ 8,447,185
Other taxes	134,443	-	-	134,443
Licenses and permits	308,813	-	-	308,813
Intergovernmental	2,581,901	-	-	2,581,901
Fees and fines	546,499	-	-	546,499
Franchise fees	675,650	-	-	675,650
Interest	185,237	-	599	185,836
Grants	13,948	-	-	13,948
Charges for services	4,329,655	-	8,912	4,338,567
Miscellaneous	<u>351,301</u>	<u>-</u>	<u>-</u>	<u>351,301</u>
TOTAL REVENUES	<u>17,574,632</u>	<u>-</u>	<u>9,511</u>	<u>17,584,143</u>
EXPENDITURES				
General government	6,205,394	-	-	6,205,394
Public safety	10,014,710	-	-	10,014,710
Culture and recreation	1,359,094	-	-	1,359,094
Capital outlay	<u>665,542</u>	<u>-</u>	<u>-</u>	<u>665,542</u>
TOTAL EXPENDITURES	<u>18,244,740</u>	<u>-</u>	<u>-</u>	<u>18,244,740</u>
Excess (deficiency) of revenues over expenditures	<u>(670,108)</u>	<u>-</u>	<u>9,511</u>	<u>(660,597)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,431,768	-	-	1,431,768
Transfers out	<u>-</u>	<u>(1,570)</u>	<u>(21,256)</u>	<u>(22,826)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,431,768</u>	<u>(1,570)</u>	<u>(21,256)</u>	<u>1,408,942</u>
Net change in fund balances	761,660	(1,570)	(11,745)	748,345
Fund balances at beginning of year	<u>6,912,098</u>	<u>1,570</u>	<u>11,745</u>	<u>6,925,413</u>
Fund balances at end of year	<u>\$ 7,673,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,673,758</u>

CITY OF FOREST GROVE

**GENERAL DEBT SERVICE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>\$ (1,500)</u>	<u>\$ (1,570)</u>	<u>\$ (70)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,500)</u>	<u>(1,570)</u>	<u>(70)</u>
Net change in fund balance	(1,500)	(1,570)	(70)
Fund balance at beginning of year	<u>1,500</u>	<u>1,570</u>	<u>70</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FOREST GROVE

**SPECIAL PUBLIC WORKS DEBT SERVICE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 10,377	\$ 8,912	\$ (1,465)
Interest	2,512	599	(1,913)
TOTAL REVENUES	12,889	9,511	(3,378)
OTHER FINANCING SOURCES (USES)			
Transfers out	(24,634)	(21,256)	3,378
TOTAL OTHER FINANCING SOURCES (USES)	(24,634)	(21,256)	3,378
Net change in fund balance	(11,745)	(11,745)	-
Fund balance at beginning of year	11,745	11,745	-
Fund balance at end of year	\$ -	\$ -	\$ -

CITY OF FOREST GROVE

**TRANSPORTATION DEVELOPMENT TAX
CAPITAL PROJECTS FUND (A MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Other taxes	\$ 710,472	\$ 2,651,160	\$ 1,940,688
Interest	<u>40,000</u>	<u>121,438</u>	<u>81,438</u>
 TOTAL REVENUES	 <u>750,472</u>	 <u>2,772,598</u>	 <u>2,022,126</u>
 EXPENDITURES			
Capital outlay	<u>6,977,557</u>	<u>-</u>	<u>6,977,557</u>
 TOTAL EXPENDITURES	 <u>6,977,557</u>	 <u>-</u>	 <u>6,977,557</u>
 Net change in fund balance	 (6,227,085)	 2,772,598	 8,999,683
Fund balance at beginning of year	<u>6,227,085</u>	<u>6,373,308</u>	<u>146,223</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 <u><u>\$ 9,145,906</u></u>	 <u><u>\$ 9,145,906</u></u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2018

	Special Revenue	Capital Projects	Permanent Library Endowment	Totals
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,382,302	\$ 7,596,834	\$ 40,609	\$ 10,019,745
Investments	143,041	468,608	2,525	614,174
Receivables, net	237,985	98,355	-	336,340
Due from other funds	-	2,062,561	-	2,062,561
 TOTAL ASSETS	 \$ 2,763,328	 \$ 10,226,358	 \$ 43,134	 \$ 13,032,820
<u>LIABILITIES</u>				
Accounts payable and accrued liabilities	\$ 191,576	\$ 125,875	\$ -	\$ 317,451
Payroll related liabilities	9,082	-	-	9,082
Deposits	7,418	-	-	7,418
Advances from other funds	12,476	-	-	12,476
 TOTAL LIABILITIES	 220,552	 125,875	 -	 346,427
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	9,131	43,460	-	52,591
 TOTAL DEFERRED INFLOWS OF RESOURCES	 9,131	 43,460	 -	 52,591
<u>FUND BALANCES</u>				
Nonspendable	-	-	41,186	41,186
Restricted	2,478,107	6,207,281	1,948	8,687,336
Committed	55,538	565,678	-	621,216
Assigned	-	3,284,064	-	3,284,064
 TOTAL FUND BALANCES	 2,533,645	 10,057,023	 43,134	 12,633,802
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 2,763,328	 \$ 10,226,358	 \$ 43,134	 \$ 13,032,820

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018**

	Special Revenue	Capital Projects	Permanent Library Endowment	Totals
REVENUES				
Other taxes	\$ 53,357	\$ -	\$ -	\$ 53,357
Licenses and permits	1,359,688	-	-	1,359,688
Intergovernmental	586,167	149,002	-	735,169
System development charges	-	1,094,000	-	1,094,000
Interest	27,091	150,649	734	178,474
Grants	35,869	58,547	-	94,416
Charges for services	-	355,153	-	355,153
Miscellaneous	11,816	77,271	-	89,087
TOTAL REVENUES	<u>2,073,988</u>	<u>1,884,622</u>	<u>734</u>	<u>3,959,344</u>
EXPENDITURES				
General government	899,500	-	-	899,500
Public safety	-	-	-	-
Highways and streets	490,512	-	-	490,512
Culture and recreation	670	-	-	670
Capital outlay	2,400	706,716	-	709,116
TOTAL EXPENDITURES	<u>1,393,082</u>	<u>706,716</u>	<u>-</u>	<u>2,099,798</u>
Excess (deficiency) of revenues over expenditures	<u>680,906</u>	<u>1,177,906</u>	<u>734</u>	<u>1,859,546</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	167,000	-	167,000
Transfers out	(55,485)	(286,392)	-	(341,877)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(55,485)</u>	<u>(119,392)</u>	<u>-</u>	<u>(174,877)</u>
Net change in fund balance	625,421	1,058,514	734	1,684,669
Fund balance at beginning of year	1,908,224	8,998,509	42,400	10,949,133
Fund balance at end of year	<u>\$ 2,533,645</u>	<u>\$ 10,057,023</u>	<u>\$ 43,134</u>	<u>\$ 12,633,802</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2018

	Building Permits	Street Tree	Forfeiture Sharing
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,207,499	\$ 52,286	\$ 12,056
Investments	137,287	3,252	-
Receivables, net	-	-	-
TOTAL ASSETS	<u>\$ 2,344,786</u>	<u>\$ 55,538</u>	<u>\$ 12,056</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 8,672	\$ -	\$ -
Payroll related liabilities	9,082	-	-
Deposits	-	-	7,418
Advances from other funds	-	-	-
TOTAL LIABILITIES	<u>17,754</u>	<u>-</u>	<u>7,418</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>			
Restricted	2,327,032	-	4,638
Committed	-	55,538	-
TOTAL FUND BALANCES	<u>2,327,032</u>	<u>55,538</u>	<u>4,638</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,344,786</u>	<u>\$ 55,538</u>	<u>\$ 12,056</u>

<u>Community Enhancement</u>	<u>Trail System</u>	<u>Transportation Services</u>	<u>Public Arts Donation</u>	<u>Assessment</u>	<u>Transient Lodging Tax</u>	<u>Totals</u>
\$ 56,960	\$ -	\$ -	\$ 13,262	\$ -	\$ 40,239	\$ 2,382,302
-	-	-	-	-	2,502	143,041
-	26,694	191,357	-	9,131	10,803	237,985
<u>\$ 56,960</u>	<u>\$ 26,694</u>	<u>\$ 191,357</u>	<u>\$ 13,262</u>	<u>\$ 9,131</u>	<u>\$ 53,544</u>	<u>\$ 2,763,328</u>
\$ 4,023	\$ -	\$ 178,881	\$ -	\$ -	\$ -	\$ 191,576
-	-	-	-	-	-	9,082
-	-	-	-	-	-	7,418
-	-	12,476	-	-	-	12,476
<u>4,023</u>	<u>-</u>	<u>191,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,552</u>
-	-	-	-	9,131	-	9,131
-	-	-	-	9,131	-	9,131
52,937	26,694	-	13,262	-	53,544	2,478,107
-	-	-	-	-	-	55,538
<u>52,937</u>	<u>26,694</u>	<u>-</u>	<u>13,262</u>	<u>-</u>	<u>53,544</u>	<u>2,533,645</u>
<u>\$ 56,960</u>	<u>\$ 26,694</u>	<u>\$ 191,357</u>	<u>\$ 13,262</u>	<u>\$ 9,131</u>	<u>\$ 53,544</u>	<u>\$ 2,763,328</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, 2018**

	<u>Building Permits</u>	<u>Street Tree</u>	<u>Forfeiture Sharing</u>
REVENUES			
Other taxes	\$ -	\$ -	\$ -
Licenses and permits	1,302,296	57,392	-
Intergovernmental	-	-	-
Interest	26,847	57	-
Grants	-	-	-
Miscellaneous	<u>11,816</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,340,959</u>	<u>57,449</u>	<u>-</u>
EXPENDITURES			
General government	772,667	-	-
Highways and streets	-	32,350	-
Culture and recreation	-	-	-
Capital outlay	<u>2,400</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>775,067</u>	<u>32,350</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>565,892</u>	<u>25,099</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(46,485)</u>	<u>(1,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(46,485)</u>	<u>(1,000)</u>	<u>-</u>
Net change in fund balance	519,407	24,099	-
Fund balance at beginning of year	<u>1,807,625</u>	<u>31,439</u>	<u>4,638</u>
Fund balance at end of year	<u>\$ 2,327,032</u>	<u>\$ 55,538</u>	<u>\$ 4,638</u>

<u>Community Enhancement</u>	<u>Trail System</u>	<u>Transpor- tation Services</u>	<u>Public Arts Donation</u>	<u>Transient Lodging Tax</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 53,357	\$ 53,357
-	-	-	-	-	1,359,688
128,005	-	458,162	-	-	586,167
-	-	-	-	187	27,091
-	26,694	-	9,175	-	35,869
-	-	-	-	-	11,816
<u>128,005</u>	<u>26,694</u>	<u>458,162</u>	<u>9,175</u>	<u>53,544</u>	<u>2,073,988</u>
126,833	-	-	-	-	899,500
-	-	458,162	-	-	490,512
-	-	-	670	-	670
-	-	-	-	-	2,400
<u>126,833</u>	<u>-</u>	<u>458,162</u>	<u>670</u>	<u>-</u>	<u>1,393,082</u>
<u>1,172</u>	<u>26,694</u>	<u>-</u>	<u>8,505</u>	<u>53,544</u>	<u>680,906</u>
<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,485)</u>
<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,485)</u>
(6,828)	26,694	-	8,505	53,544	625,421
<u>59,765</u>	<u>-</u>	<u>-</u>	<u>4,757</u>	<u>-</u>	<u>1,908,224</u>
<u>\$ 52,937</u>	<u>\$ 26,694</u>	<u>\$ -</u>	<u>\$ 13,262</u>	<u>\$ 53,544</u>	<u>\$ 2,533,645</u>

CITY OF FOREST GROVE
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2018

	<u>Traffic Impact</u>	<u>Park Acquisition and Development</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,992,781	\$ 2,835,161	\$ 508,880
Investments	186,124	176,322	31,648
Receivables, net	-	-	-
Due from other funds	-	-	2,062,561
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,178,905</u>	<u>\$ 3,011,483</u>	<u>\$ 2,603,089</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 43,387	\$ 1,569	\$ 9,178
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>43,387</u>	<u>1,569</u>	<u>9,178</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>			
Restricted	3,135,518	3,009,914	-
Committed	-	-	-
Assigned	-	-	2,593,911
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>3,135,518</u>	<u>3,009,914</u>	<u>2,593,911</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,178,905</u>	<u>\$ 3,011,483</u>	<u>\$ 2,603,089</u>

Fire Equipment Replacement	Bike and Pedestrian Pathways	CIP Excise	Facility Major Maintenance	Totals
\$ 344,348	\$ 61,849	\$ 204,070	\$ 649,745	\$ 7,596,834
21,415	-	12,691	40,408	468,608
54,895	-	43,460	-	98,355
-	-	-	-	2,062,561
<u>\$ 420,658</u>	<u>\$ 61,849</u>	<u>\$ 260,221</u>	<u>\$ 690,153</u>	<u>\$ 10,226,358</u>
\$ 71,741	\$ -	\$ -	\$ -	\$ 125,875
71,741	-	-	-	125,875
-	-	43,460	-	43,460
-	-	43,460	-	43,460
-	61,849	-	-	6,207,281
348,917	-	216,761	-	565,678
-	-	-	690,153	3,284,064
348,917	61,849	216,761	690,153	10,057,023
<u>\$ 420,658</u>	<u>\$ 61,849</u>	<u>\$ 260,221</u>	<u>\$ 690,153</u>	<u>\$ 10,226,358</u>

CITY OF FOREST GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2018**

	<u>Traffic Impact</u>	<u>Park Acquisition and Development</u>	<u>Capital Projects</u>
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
System development charges	-	1,094,000	-
Interest	50,942	34,980	48,387
Grants	-	-	58,547
Charges for services	-	-	-
Miscellaneous	-	-	77,271
	<u>50,942</u>	<u>1,128,980</u>	<u>184,205</u>
EXPENDITURES			
Capital outlay	<u>63,461</u>	<u>79,836</u>	<u>91,556</u>
	<u>63,461</u>	<u>79,836</u>	<u>91,556</u>
	<u>(12,519)</u>	<u>1,049,144</u>	<u>92,649</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(12,519)</u>	<u>1,049,144</u>	<u>92,649</u>
	<u>3,148,037</u>	<u>1,960,770</u>	<u>2,501,262</u>
	<u>\$ 3,135,518</u>	<u>\$ 3,009,914</u>	<u>\$ 2,593,911</u>

<u>Fire Equipment Replacement</u>	<u>Bike and Pedestrian Pathways</u>	<u>CIP Excise</u>	<u>Facility Major Maintenance</u>	<u>Totals</u>
\$ 134,107	\$ 14,895	\$ -	\$ -	\$ 149,002
-	-	-	-	1,094,000
2,295	-	615	13,430	150,649
-	-	-	-	58,547
-	-	355,153	-	355,153
-	-	-	-	77,271
<u>136,402</u>	<u>14,895</u>	<u>355,768</u>	<u>13,430</u>	<u>1,884,622</u>
<u>123,964</u>	<u>-</u>	<u>60,449</u>	<u>287,450</u>	<u>706,716</u>
<u>123,964</u>	<u>-</u>	<u>60,449</u>	<u>287,450</u>	<u>706,716</u>
<u>12,438</u>	<u>14,895</u>	<u>295,319</u>	<u>(274,020)</u>	<u>1,177,906</u>
167,000	-	-	-	167,000
-	-	(286,392)	-	(286,392)
<u>167,000</u>	<u>-</u>	<u>(286,392)</u>	<u>-</u>	<u>(119,392)</u>
179,438	14,895	8,927	(274,020)	1,058,514
<u>169,479</u>	<u>46,954</u>	<u>207,834</u>	<u>964,173</u>	<u>8,998,509</u>
<u>\$ 348,917</u>	<u>\$ 61,849</u>	<u>\$ 216,761</u>	<u>\$ 690,153</u>	<u>\$ 10,057,023</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, 2018**

	Budget	Actual	Variance
REVENUES			
Licenses and permits	\$ 984,851	\$ 1,302,296	\$ 317,445
Interest	15,000	26,847	11,847
Miscellaneous	-	11,816	11,816
TOTAL REVENUES	999,851	1,340,959	341,108
EXPENDITURES			
Building permit services	868,338	775,067	93,271
Contingency	132,000	-	132,000
TOTAL EXPENDITURES	1,000,338	775,067	225,271
Excess (deficiency) of revenues over expenditures	(487)	565,892	566,379
OTHER FINANCING SOURCES (USES)			
Transfers in	(46,485)	(46,485)	-
TOTAL OTHER FINANCING SOURCES (USES)	(46,485)	(46,485)	-
Net change in fund balance	(46,972)	519,407	566,379
Fund balance at beginning of year	1,493,108	1,807,625	314,517
Fund balance at end of year	\$ 1,446,136	\$ 2,327,032	\$ 880,896

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 25,410	\$ 57,392	\$ 31,982
Interest	<u>30</u>	<u>57</u>	<u>27</u>
TOTAL REVENUES	<u>25,440</u>	<u>57,449</u>	<u>32,009</u>
EXPENDITURES			
Materials and services	<u>43,544</u>	<u>32,350</u>	<u>11,194</u>
TOTAL EXPENDITURES	<u>43,544</u>	<u>32,350</u>	<u>11,194</u>
Excess (deficiency) of revenues over expenditures	<u>(18,104)</u>	<u>25,099</u>	<u>43,203</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Net change in fund balance	(19,104)	24,099	43,203
Fund balance at beginning of year	<u>19,104</u>	<u>31,439</u>	<u>12,335</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 55,538</u>	<u>\$ 55,538</u>

CITY OF FOREST GROVE

**FORFEITURE SHARING - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

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

CITY OF FOREST GROVE

**COMMUNITY ENHANCEMENT - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 127,518	\$ 128,005	\$ 487
TOTAL REVENUES	127,518	128,005	487
EXPENDITURES			
Materials and services	141,600	126,833	14,767
TOTAL EXPENDITURES	141,600	126,833	14,767
Excess (deficiency) of revenues over expenditures	(14,082)	1,172	15,254
OTHER FINANCING SOURCES (USES)			
Transfers out	(8,000)	(8,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,000)	(8,000)	-
Net change in fund balance	(22,082)	(6,828)	15,254
Fund balance at beginning of year	48,573	59,765	11,192
Fund balance at end of year	\$ 26,491	\$ 52,937	\$ 26,446

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	<u>\$ -</u>	<u>\$ 26,694</u>	<u>\$ 26,694</u>
 TOTAL REVENUES	<u>-</u>	<u>26,694</u>	<u>26,694</u>
 Net change in fund balance	-	26,694	26,694
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balance at end of year	<u>\$ -</u>	<u>\$ 26,694</u>	<u>\$ 26,694</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	<u>\$ 480,000</u>	<u>\$ 458,162</u>	<u>\$ (21,838)</u>
TOTAL REVENUES	<u>480,000</u>	<u>458,162</u>	<u>(21,838)</u>
EXPENDITURES			
Materials and services	<u>480,000</u>	<u>458,162</u>	<u>21,838</u>
TOTAL EXPENDITURES	<u>480,000</u>	<u>458,162</u>	<u>21,838</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>\$ -</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Grants	\$ 10,000	\$ 9,175	\$ (825)
Interest	<u>45</u>	<u>-</u>	<u>(45)</u>
TOTAL REVENUES	<u>10,045</u>	<u>9,175</u>	<u>(870)</u>
EXPENDITURES			
Materials and services	<u>14,430</u>	<u>670</u>	<u>13,760</u>
TOTAL EXPENDITURES	<u>14,430</u>	<u>670</u>	<u>13,760</u>
Net change in fund balance	(4,385)	8,505	12,890
Fund balance at beginning of year	<u>4,385</u>	<u>4,757</u>	<u>372</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 13,262</u>	 <u>\$ 13,262</u>

CITY OF FOREST GROVE

**TRANSIENT LODGING TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Transient lodging tax	\$ -	\$ 53,357	\$ 53,357
Interest	-	187	187
TOTAL REVENUES	<u>-</u>	<u>53,544</u>	<u>53,544</u>
Net change in fund balance	-	53,544	53,544
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 53,544</u>	<u>\$ 53,544</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 18,000</u>	<u>\$ 50,942</u>	<u>\$ 32,942</u>
TOTAL REVENUES	<u>18,000</u>	<u>50,942</u>	<u>32,942</u>
EXPENDITURES			
Capital outlay	<u>3,148,177</u>	<u>63,461</u>	<u>3,084,716</u>
TOTAL EXPENDITURES	<u>3,148,177</u>	<u>63,461</u>	<u>3,084,716</u>
Net change in fund balance	(3,130,177)	(12,519)	3,117,658
Fund balance at beginning of year	<u>3,130,177</u>	<u>3,148,037</u>	<u>17,860</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 3,135,518</u>	<u>\$ 3,135,518</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 684,000	\$ 1,094,000	\$ 410,000
Interest	<u>9,000</u>	<u>34,980</u>	<u>25,980</u>
TOTAL REVENUES	<u>693,000</u>	<u>1,128,980</u>	<u>435,980</u>
EXPENDITURES			
Park system construction	<u>2,768,622</u>	<u>79,836</u>	<u>2,688,786</u>
TOTAL EXPENDITURES	<u>2,768,622</u>	<u>79,836</u>	<u>2,688,786</u>
Net change in fund balance	(2,075,622)	1,049,144	3,124,766
Fund balance at beginning of year	<u>2,075,622</u>	<u>1,960,770</u>	<u>(114,852)</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 3,009,914</u>	 <u>\$ 3,009,914</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	\$ 45,252	\$ 48,387	\$ 3,135
Grants	251,000	58,547	(192,453)
Miscellaneous	<u>-</u>	<u>77,271</u>	<u>77,271</u>
 TOTAL REVENUES	 <u>296,252</u>	 <u>184,205</u>	 <u>(112,047)</u>
 EXPENDITURES			
Capital outlay	<u>705,913</u>	<u>91,556</u>	<u>614,357</u>
 TOTAL EXPENDITURES	 <u>705,913</u>	 <u>91,556</u>	 <u>614,357</u>
 Net change in fund balance	 (409,661)	 92,649	 502,310
Fund balance at beginning of year	<u>409,661</u>	<u>438,701</u>	<u>29,040</u>
 Fund balance at end of year	 <u><u>\$ -</u></u>	 531,350	 <u><u>\$ 531,350</u></u>

Reconciliation to generally accepted accounting principles

Due from other funds	<u>2,062,561</u>
	<u><u>\$ 2,593,911</u></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, 2018**

	Budget	Actual	Variance
REVENUES			
Intergovernmental	\$ 204,020	\$ 134,107	\$ (69,913)
Interest	1,200	2,295	1,095
TOTAL REVENUES	205,220	136,402	(68,818)
EXPENDITURES			
Capital outlay	408,040	123,964	284,076
Contingency	61,000	-	61,000
TOTAL EXPENDITURES	469,040	123,964	345,076
Excess (deficiency) of revenues over expenditures	(263,820)	12,438	276,258
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	50,000	-	(50,000)
Transfers in	167,000	167,000	-
TOTAL OTHER FINANCING SOURCES (USES)	217,000	167,000	(50,000)
Net change in fund balance	(46,820)	179,438	226,258
Fund balance at beginning of year	179,845	169,479	(10,366)
Fund balance at end of year	\$ 133,025	\$ 348,917	\$ 215,892

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 14,316	\$ 14,895	\$ 579
TOTAL REVENUES	<u>14,316</u>	<u>14,895</u>	<u>579</u>
EXPENDITURES			
Capital outlay	<u>61,725</u>	<u>-</u>	<u>61,725</u>
TOTAL EXPENDITURES	<u>61,725</u>	<u>-</u>	<u>61,725</u>
Net change in fund balance	(47,409)	14,895	62,304
Fund balance at beginning of year	<u>47,409</u>	<u>46,954</u>	<u>(455)</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 61,849</u>	<u>\$ 61,849</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, 2018**

	Budget	Actual	Variance
REVENUES			
Interest	\$ 450	\$ 615	\$ 165
Charges for services	346,000	355,153	9,153
TOTAL REVENUES	346,450	355,768	9,318
EXPENDITURES			
Capital outlay	255,047	60,449	194,598
TOTAL EXPENDITURES	255,047	60,449	194,598
Excess of revenues over expenditures	91,403	295,319	203,916
OTHER FINANCING SOURCES (USES)			
Transfers out	(286,392)	(286,392)	-
TOTAL OTHER FINANCING SOURCES (USES)	(286,392)	(286,392)	-
Net change in fund balance	(194,989)	8,927	203,916
Fund balance at beginning of year	194,989	207,834	12,845
Fund balance at end of year	\$ -	\$ 216,761	\$ 216,761

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 25,000	\$ -	\$ (25,000)
Interest	<u>4,500</u>	<u>13,430</u>	<u>8,930</u>
 TOTAL REVENUES	 <u>29,500</u>	 <u>13,430</u>	 <u>(16,070)</u>
 EXPENDITURES			
Capital outlay	<u>500,000</u>	<u>287,450</u>	<u>212,550</u>
 TOTAL EXPENDITURES	 <u>500,000</u>	 <u>287,450</u>	 <u>212,550</u>
 Net change in fund balance	 (470,500)	 (274,020)	 196,480
Fund balance at beginning of year	<u>964,383</u>	<u>964,173</u>	<u>(210)</u>
 Fund balance at end of year	 <u><u>\$ 493,883</u></u>	 <u><u>\$ 690,153</u></u>	 <u><u>\$ 196,270</u></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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interest	<u>\$ 325</u>	<u>\$ 734</u>	<u>\$ 409</u>
TOTAL REVENUES	<u>325</u>	<u>734</u>	<u>409</u>
EXPENDITURES			
Materials and services	<u>1,381</u>	<u>-</u>	<u>1,381</u>
TOTAL EXPENDITURES	<u>1,381</u>	<u>-</u>	<u>1,381</u>
Net change in fund balance	(1,056)	734	1,790
Fund balance at beginning of year	<u>42,243</u>	<u>42,400</u>	<u>157</u>
Fund balance at end of year	<u><u>\$ 41,187</u></u>	<u><u>\$ 43,134</u></u>	<u><u>\$ 1,947</u></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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 17,546,216	\$ 18,562,355	\$ 1,016,139
Conservation incentive	266,000	223,662	(42,338)
Licenses and permits	17,500	57,795	40,295
Sale of materials	21,550	75,195	53,645
Interest	35,000	55,056	20,056
Miscellaneous	<u>-</u>	<u>12,169</u>	<u>12,169</u>
TOTAL REVENUES	<u>17,886,266</u>	<u>18,986,232</u>	<u>1,099,966</u>
EXPENDITURES			
Electric services	18,657,126	18,655,262	1,864
Debt service	305,501	305,500	1
Contingency	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
TOTAL EXPENDITURES	<u>19,962,627</u>	<u>18,960,762</u>	<u>1,001,865</u>
Excess (deficiency) of revenues over expenditures	<u>(2,076,361)</u>	<u>25,470</u>	<u>2,101,831</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(1,049,440)</u>	<u>(1,049,440)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,049,440)</u>	<u>(1,049,440)</u>	<u>-</u>
Net change in fund balance	(3,125,801)	(1,023,970)	2,101,831
Fund balance at beginning of year	<u>5,859,393</u>	<u>6,297,536</u>	<u>438,143</u>
Fund balance at end of year	<u>\$ 2,733,592</u>	<u>5,273,566</u>	<u>\$ 2,539,974</u>

Reconciliation to generally accepted accounting principles

Inventory	556,323
Capital assets, net	22,967,613
Deferred outflows of resources	1,735,471
Accrued interest payable	(20,846)
Other postemployment benefit liability	(250,513)
Net pension liability	(5,654,120)
Long-term obligations	(3,583,982)
Deferred inflows of resources	<u>(29,321)</u>
Net position - ending	<u>\$ 20,994,191</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 5,412,621	\$ 1,459,519	\$ (3,953,102)
Interest	25,000	42,692	17,692
Licenses and permits	-	6,620	6,620
Miscellaneous	<u>5,000</u>	<u>17,203</u>	<u>12,203</u>
 TOTAL REVENUES	 <u>5,442,621</u>	 <u>1,526,034</u>	 <u>(3,916,587)</u>
 EXPENDITURES			
Sewer services	5,500,984	1,061,639	4,439,345
Contingency	<u>750,000</u>	<u>-</u>	<u>750,000</u>
 TOTAL EXPENDITURES	 <u>6,250,984</u>	 <u>1,061,639</u>	 <u>5,189,345</u>
 Excess (deficiency) of revenues over expenditures	 <u>(808,363)</u>	 <u>464,395</u>	 <u>1,272,758</u>
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(142,478)</u>	<u>(122,678)</u>	<u>19,800</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(142,478)</u>	 <u>(122,678)</u>	 <u>19,800</u>
 Net change in fund balance	 (950,841)	 341,717	 1,292,558
Fund balance at beginning of year	<u>3,059,914</u>	<u>3,125,669</u>	<u>65,755</u>
 Fund balance at end of year	 <u>\$ 2,109,073</u>	 3,467,386	 <u>\$ 1,358,313</u>

Reconciliation to generally accepted accounting principles

Inventory	8,250
Capital assets, net	8,828,636
Deferred outflows of resources	188,104
Other postemployment benefit liability	(37,726)
Net pension liability	(611,676)
Deferred inflows of resources	<u>(3,776)</u>
 Net position-ending	 <u>\$ 11,839,198</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses and permits	\$ 5,000	\$ 6,180	\$ 1,180
Charges for services	4,609,534	4,807,498	197,964
Rents	36,050	36,050	-
Interest	45,000	118,876	73,876
Miscellaneous	<u>1,000,000</u>	<u>1,659,452</u>	<u>659,452</u>
TOTAL REVENUES	<u>5,695,584</u>	<u>6,628,056</u>	<u>932,472</u>
EXPENDITURES			
Water services	4,324,228	4,258,840	65,388
Debt service	431,999	431,912	87
Contingency	<u>1,276,150</u>	<u>-</u>	<u>1,276,150</u>
TOTAL EXPENDITURES	<u>6,032,377</u>	<u>4,690,752</u>	<u>1,341,625</u>
Excess (deficiency) of revenues over expenditures	<u>(336,793)</u>	<u>1,937,304</u>	<u>2,274,097</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(317,130)</u>	<u>(317,130)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(317,130)</u>	<u>(317,130)</u>	<u>-</u>
Net change in fund balance	(653,923)	1,620,174	2,274,097
Fund balance at beginning of year	<u>7,339,904</u>	<u>7,204,790</u>	<u>(135,114)</u>
Fund balance at end of year	<u>\$ 6,685,981</u>	8,824,964	<u>\$ 2,138,983</u>

Reconciliation to generally accepted accounting principles

Inventory	149,953
Investment in joint ventures	6,486,238
Capital assets, net	10,927,678
Deferred outflows of resources	506,606
Accrued interest payable	(27,917)
Bond premium, net	(12,618)
Other postemployment benefit liability	(103,792)
Net pension liability	(1,568,484)
Long-term obligations	(2,803,521)
Deferred inflows of resources	<u>(10,082)</u>
Net position - ending	<u>\$ 22,369,025</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, 2018**

	Budget	Actual	Variance
REVENUES			
Licenses and permits	\$ -	\$ 3,075	\$ 3,075
Charges for services	1,450,000	1,111,112	(338,888)
Interest	500	2,774	2,274
 TOTAL REVENUES	 1,450,500	 1,116,961	 (333,539)
 EXPENDITURES			
SWM services	1,371,942	990,076	381,866
Contingency	75,000	-	75,000
 TOTAL EXPENDITURES	 1,446,942	 990,076	 456,866
 Excess (deficiency) of revenues over expenditures	 3,558	 126,885	 123,327
 OTHER FINANCING SOURCES (USES)			
Transfers out	(83,304)	(70,104)	13,200
 TOTAL OTHER FINANCING SOURCES (USES)	 (83,304)	 (70,104)	 13,200
 Net change in fund balance	 (79,746)	 56,781	 136,527
Fund balance at beginning of year	643,658	702,044	58,386
 Fund balance at end of year	 \$ 563,912	 758,825	 \$ 194,913

Reconciliation to generally accepted accounting principles

Capital assets, net	6,640,393
Deferred outflows of resources	189,420
Other postemployment benefit liability	(46,729)
Net pension liability	(614,993)
Deferred inflows of resources	(4,295)
 Net position - ending	 \$ 6,922,621

CITY OF FOREST GROVE

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

June 30, 2018

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 768,151	\$ 5,664,243	\$ 480,341	\$ 6,912,735
Investments	47,772	367,461	29,873	445,106
Receivables, net	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>1,085</u>
TOTAL ASSETS	<u>817,008</u>	<u>6,031,704</u>	<u>510,214</u>	<u>7,358,926</u>
LIABILITIES				
Current liabilities				
Due to Clean Water Services	<u>39,103</u>	<u>-</u>	<u>-</u>	<u>39,103</u>
TOTAL LIABILITIES	<u>39,103</u>	<u>-</u>	<u>-</u>	<u>39,103</u>
NET POSITION				
Restricted for capital projects	<u>777,905</u>	<u>6,031,704</u>	<u>510,214</u>	<u>7,319,823</u>
TOTAL NET POSITION	<u>\$ 777,905</u>	<u>\$ 6,031,704</u>	<u>\$ 510,214</u>	<u>\$ 7,319,823</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
OPERATING REVENUES				
Licenses, permits, and fees	\$ 9,693	\$ -	\$ -	\$ 9,693
TOTAL OPERATING REVENUES	<u>9,693</u>	<u>-</u>	<u>-</u>	<u>9,693</u>
OPERATING EXPENSES				
System operation and maintenance	274,801	244,338	450	519,589
TOTAL OPERATING EXPENSES	<u>274,801</u>	<u>244,338</u>	<u>450</u>	<u>519,589</u>
Operating income (loss)	<u>(265,108)</u>	<u>(244,338)</u>	<u>(450)</u>	<u>(509,896)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earned	4,763	86,027	7,005	97,795
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,763</u>	<u>86,027</u>	<u>7,005</u>	<u>97,795</u>
Income (loss) before capital contributions and transfers	(260,345)	(158,311)	6,555	(412,101)
Capital contributions	421,949	1,259,600	71,726	1,753,275
Transfers out	<u>(119,537)</u>	<u>(1,400)</u>	<u>-</u>	<u>(120,937)</u>
Change in net position	42,067	1,099,889	78,281	1,220,237
Net position at beginning of year	<u>735,838</u>	<u>4,931,815</u>	<u>431,933</u>	<u>6,099,586</u>
Net position at end of year	<u>\$ 777,905</u>	<u>\$ 6,031,704</u>	<u>\$ 510,214</u>	<u>\$ 7,319,823</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2018**

	Sewer System Development Charges	Water System Development Charges	Surface Water Management System Development Charges	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 8,608	\$ -	\$ -	\$ 8,608
Cash paid to suppliers	<u>(566,243)</u>	<u>(244,338)</u>	<u>(1,550)</u>	<u>(812,131)</u>
Net cash provided by (used in) operating activities	<u>(557,635)</u>	<u>(244,338)</u>	<u>(1,550)</u>	<u>(803,523)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	<u>-</u>	<u>(1,400)</u>	<u>-</u>	<u>(1,400)</u>
Net cash provided by (used in) non-capital financing activities	<u>-</u>	<u>(1,400)</u>	<u>-</u>	<u>(1,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	421,949	1,259,600	71,726	1,753,275
Grants	240,000	-	-	240,000
Principal paid on long-term obligations	(115,896)	-	-	(115,896)
Interest paid on long-term obligations	<u>(3,641)</u>	<u>-</u>	<u>-</u>	<u>(3,641)</u>
Net cash provided by (used in) capital and related financing activities	<u>542,412</u>	<u>1,259,600</u>	<u>71,726</u>	<u>1,873,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	4,763	86,027	7,005	97,795
Purchases of investments	<u>(43,266)</u>	<u>(340,569)</u>	<u>(27,512)</u>	<u>(411,347)</u>
Net cash provided by (used in) investing activities	<u>(38,503)</u>	<u>(254,542)</u>	<u>(20,507)</u>	<u>(313,552)</u>
Net increase (decrease) in cash and cash equivalents	(53,726)	759,320	49,669	755,263
Cash and cash equivalents at beginning of year	<u>821,877</u>	<u>4,904,923</u>	<u>430,672</u>	<u>6,157,472</u>
Cash and cash equivalent at end of year	<u>\$ 768,151</u>	<u>\$ 5,664,243</u>	<u>\$ 480,341</u>	<u>\$ 6,912,735</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (265,108)	\$ (244,338)	\$ (450)	\$ (509,896)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Decrease (increase) in assets				
Accounts receivable	(1,085)	-	-	(1,085)
Increase (decrease) in liabilities				
Accounts payable	(330,545)	-	(1,100)	(331,645)
Due to Clean Water Services	<u>39,103</u>	<u>-</u>	<u>-</u>	<u>39,103</u>
Net cash provided by (used in) operating activities	<u>\$ (557,635)</u>	<u>\$ (244,338)</u>	<u>\$ (1,550)</u>	<u>\$ (803,523)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS				
Transfers out	<u>\$ (119,537)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,537)</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Fees and fines	\$ -	\$ 9,693	\$ 9,693
System development charges	445,200	421,949	(23,251)
Interest	<u>2,000</u>	<u>4,763</u>	<u>2,763</u>
 TOTAL REVENUES	 <u>447,200</u>	 <u>436,405</u>	 <u>(10,795)</u>
 EXPENDITURES			
Sewer infrastructure construction	941,160	274,801	666,359
Debt service	119,537	119,537	-
Contingency	<u>15,457</u>	<u>-</u>	<u>15,457</u>
 TOTAL EXPENDITURES	 <u>1,076,154</u>	 <u>394,338</u>	 <u>681,816</u>
 Net change in fund balance	 (628,954)	 42,067	 671,021
Fund balance at beginning of year	<u>628,954</u>	<u>735,838</u>	<u>106,884</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 777,905</u>	 <u>\$ 777,905</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, 2018**

	Budget	Actual	Variance
REVENUES			
System development charges	\$ 470,064	\$ 1,259,600	\$ 789,536
Interest	17,000	86,027	69,027
TOTAL REVENUES	487,064	1,345,627	858,563
EXPENDITURES			
Water infrastructure construction	1,310,117	244,338	1,065,779
Contingency	150,000	-	150,000
TOTAL EXPENDITURES	1,460,117	244,338	1,215,779
Excess (deficiency) of revenues over expenditures	(973,053)	1,101,289	2,074,342
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,400)	(1,400)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,400)	(1,400)	-
Net change in fund balance	(974,453)	1,099,889	2,074,342
Fund balance at beginning of year	4,686,180	4,931,815	245,635
Fund balance at end of year	\$ 3,711,727	\$ 6,031,704	\$ 2,319,977

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
System development charges	\$ 24,750	\$ 71,726	\$ 46,976
Interest	<u>1,900</u>	<u>7,005</u>	<u>5,105</u>
 TOTAL REVENUES	 <u>26,650</u>	 <u>78,731</u>	 <u>52,081</u>
 EXPENDITURES			
SWC infrastructure construction	310,000	450	309,550
Contingency	<u>114,895</u>	<u>-</u>	<u>114,895</u>
 TOTAL EXPENDITURES	 <u>424,895</u>	 <u>450</u>	 <u>424,445</u>
 Net change in fund balance	 (398,245)	 78,281	 476,526
Fund balance at beginning of year	<u>398,245</u>	<u>431,933</u>	<u>33,688</u>
 Fund balance at end of year	 <u>\$ -</u>	 <u>\$ 510,214</u>	 <u>\$ 510,214</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2018**

	Information Systems	Equipment	Risk Management	Totals
<u>ASSETS</u>				
Current assets				
Cash and cash equivalents	\$ 748,122	\$ 1,239,463	\$ 167,706	\$ 2,155,291
Investments	46,526	77,083	10,430	134,039
Prepays	-	-	129,905	129,905
Total current assets	<u>794,648</u>	<u>1,316,546</u>	<u>308,041</u>	<u>2,419,235</u>
Capital assets				
Other capital assets, net	-	2,187,520	-	2,187,520
Total capital assets	<u>-</u>	<u>2,187,520</u>	<u>-</u>	<u>2,187,520</u>
TOTAL ASSETS	<u>794,648</u>	<u>3,504,066</u>	<u>308,041</u>	<u>4,606,755</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension related items	-	47,303	-	47,303
Other postemployment benefit related items	-	687	-	687
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>47,990</u>	<u>-</u>	<u>47,990</u>
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable	13,368	25,921	1,502	40,791
Accrued payroll liabilities	-	3,416	-	3,416
Current portion of long-term obligations	-	10,642	-	10,642
Total current liabilities	<u>13,368</u>	<u>39,979</u>	<u>1,502</u>	<u>54,849</u>
Long-term obligations				
Other postemployment benefit liability	-	20,461	-	20,461
Net pension liability	-	154,864	-	154,864
Total long-term obligations	<u>-</u>	<u>175,325</u>	<u>-</u>	<u>175,325</u>
TOTAL LIABILITIES	<u>13,368</u>	<u>215,304</u>	<u>1,502</u>	<u>230,174</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Pension related items	-	413	-	413
Other postemployment benefit related items	-	1,162	-	1,162
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>1,575</u>	<u>-</u>	<u>1,575</u>
<u>NET POSITION</u>				
Net investment in capital assets	-	2,187,520	-	2,187,520
Unrestricted	781,280	1,147,657	306,539	2,235,476
TOTAL NET POSITION	<u>\$ 781,280</u>	<u>\$ 3,335,177</u>	<u>\$ 306,539</u>	<u>\$ 4,422,996</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018**

	Information Systems	Equipment	City Utility	Risk Management	Totals
OPERATING REVENUES					
Charges for services	\$ 337,342	\$ 886,646	\$ -	\$ 511,031	\$ 1,735,019
Total operating revenues	<u>337,342</u>	<u>886,646</u>	<u>-</u>	<u>511,031</u>	<u>1,735,019</u>
OPERATING EXPENSES					
Systems operation and maintenance	314,809	479,441	215,295	613,522	1,623,067
General fund administrative charges	-	3,655	-	-	3,655
Depreciation	<u>-</u>	<u>295,538</u>	<u>-</u>	<u>-</u>	<u>295,538</u>
Total operating expenses	<u>314,809</u>	<u>778,634</u>	<u>215,295</u>	<u>613,522</u>	<u>1,922,260</u>
Operating income (loss)	<u>22,533</u>	<u>108,012</u>	<u>(215,295)</u>	<u>(102,491)</u>	<u>(187,241)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earned	9,674	16,126	-	2,553	28,353
Miscellaneous	-	3,761	-	62,910	66,671
Gain (loss) on sale of capital assets	<u>-</u>	<u>(22,428)</u>	<u>-</u>	<u>-</u>	<u>(22,428)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>9,674</u>	<u>(2,541)</u>	<u>-</u>	<u>65,463</u>	<u>72,596</u>
Income (loss) before transfers	32,207	105,471	(215,295)	(37,028)	(114,645)
Transfers in	-	151,392	215,295	-	366,687
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Change in net position	32,207	256,863	-	(77,028)	212,042
Net position at beginning of year	749,073	3,104,599	-	383,567	4,237,239
Prior period adjustment	<u>-</u>	<u>(26,285)</u>	<u>-</u>	<u>-</u>	<u>(26,285)</u>
Net position at end of year	<u>\$ 781,280</u>	<u>\$ 3,335,177</u>	<u>\$ -</u>	<u>\$ 306,539</u>	<u>\$ 4,422,996</u>

CITY OF FOREST GROVE

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018**

	Information		City	Risk	
	Systems	Equipment	Utility	Management	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from interfund services provided	\$ 337,342	\$ 886,646	\$ -	\$ 511,031	\$ 1,735,019
Cash paid to employees	-	(209,489)	-	-	(209,489)
Cash paid to suppliers	<u>(309,082)</u>	<u>(333,092)</u>	<u>(215,295)</u>	<u>(571,032)</u>	<u>(1,428,501)</u>
Net cash provided by (used in) operating activities	<u>28,260</u>	<u>344,065</u>	<u>(215,295)</u>	<u>(60,001)</u>	<u>97,029</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	215,295	-	215,295
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net cash provided by (used in) non-capital financial activities	<u>-</u>	<u>-</u>	<u>215,295</u>	<u>(40,000)</u>	<u>175,295</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in	-	151,392	-	-	151,392
Sale of capital assets	-	28,631	-	-	28,631
Other	-	3,761	-	62,910	66,671
Acquisition of capital assets	<u>-</u>	<u>(494,313)</u>	<u>-</u>	<u>-</u>	<u>(494,313)</u>
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(310,529)</u>	<u>-</u>	<u>62,910</u>	<u>(247,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	9,674	16,126	-	2,553	28,353
Purchase of investments	<u>(42,400)</u>	<u>(70,175)</u>	<u>-</u>	<u>(9,270)</u>	<u>(121,845)</u>
Net cash provided by (used in) investing activities	<u>(32,726)</u>	<u>(54,049)</u>	<u>-</u>	<u>(6,717)</u>	<u>(93,492)</u>
Net increase (decrease) in cash and cash equivalents	(4,466)	(20,513)	-	(43,808)	(68,787)
Cash and cash equivalents at beginning of year	<u>752,588</u>	<u>1,259,976</u>	<u>-</u>	<u>211,514</u>	<u>2,224,078</u>
Cash and cash equivalent at end of year	<u>\$ 748,122</u>	<u>\$ 1,239,463</u>	<u>\$ -</u>	<u>\$ 167,706</u>	<u>\$ 2,155,291</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 22,533	\$ 108,012	\$ (215,295)	\$ (102,491)	\$ (187,241)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	-	295,538	-	-	295,538
Decrease (increase) in assets and deferred outflows					
Prepaid expenses	-	-	-	49,949	49,949
Pension related items	-	65,655	-	-	65,655
Increase (decrease) in liabilities and deferred inflows					
Accounts payable	5,727	13,899	-	(7,459)	12,167
Payroll related liabilities	-	721	-	-	721
Compensated absences payable	-	5,076	-	-	5,076
Net pension liability	-	(145,019)	-	-	(145,019)
Other postemployment benefit liability	-	(15)	-	-	(15)
Pension related items	-	(964)	-	-	(964)
Other postemployment benefit related items	<u>-</u>	<u>1,162</u>	<u>-</u>	<u>-</u>	<u>1,162</u>
Net cash provided by (used in) operating activities	<u>\$ 28,260</u>	<u>\$ 344,065</u>	<u>\$ (215,295)</u>	<u>\$ (60,001)</u>	<u>\$ 97,029</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 337,236	\$ 337,342	\$ 106
Interest	<u>2,800</u>	<u>9,674</u>	<u>6,874</u>
TOTAL REVENUES	<u>340,036</u>	<u>347,016</u>	<u>6,980</u>
EXPENDITURES			
Information system services	650,865	314,809	336,056
Contingency	<u>40,000</u>	<u>-</u>	<u>40,000</u>
TOTAL EXPENDITURES	<u>690,865</u>	<u>314,809</u>	<u>376,056</u>
Net change in fund balance	(350,829)	32,207	383,036
Fund balance at beginning of year	<u>772,468</u>	<u>749,073</u>	<u>(23,395)</u>
Fund balance at end of year	<u><u>\$ 421,639</u></u>	<u><u>\$ 781,280</u></u>	<u><u>\$ 359,641</u></u>

CITY OF FOREST GROVE

**EQUIPMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 969,245	\$ 886,646	\$ (82,599)
Interest	10,000	16,126	6,126
Miscellaneous	22	3,761	3,739
TOTAL REVENUES	979,267	906,533	(72,734)
EXPENDITURES			
Vehicle services	1,085,210	1,051,514	33,696
Contingency	250,000	-	250,000
TOTAL EXPENDITURES	1,335,210	1,051,514	283,696
Excess (deficiency) of revenues over expenditures	(355,943)	(144,981)	210,962
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	17,000	28,631	11,631
Transfers in	184,392	151,392	(33,000)
TOTAL OTHER FINANCING SOURCES (USES)	201,392	180,023	(21,369)
Net change in fund balance	(154,551)	35,042	189,593
Fund balance at beginning of year	1,199,424	1,252,167	52,743
Fund balance at end of year	\$ 1,044,873	1,287,209	\$ 242,336

Reconciliation to generally accepted accounting principles

Capital assets, net	2,187,520
Deferred outflows of resources	47,990
Net pension liability	(154,864)
Other postemployment benefit liability	(20,461)
Long-term obligations	(10,642)
Deferred inflows of resources	(1,575)
Net position-ending	\$ 3,335,177

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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
Materials and services	\$ 215,295	\$ 215,295	\$ -
TOTAL EXPENDITURES	<u>215,295</u>	<u>215,295</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>215,295</u>	<u>215,295</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,295</u>	<u>215,295</u>	<u>-</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>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF FOREST GROVE

**RISK MANAGEMENT - INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2018**

	Budget	Actual	Variance
REVENUES			
Charges for services	\$ 535,837	\$ 511,031	\$ (24,806)
Interest	4,000	2,553	(1,447)
Miscellaneous	-	62,910	62,910
	<u>539,837</u>	<u>576,494</u>	<u>36,657</u>
EXPENDITURES			
Risk management services	709,117	613,522	95,595
Contingency	50,000	-	50,000
	<u>759,117</u>	<u>613,522</u>	<u>145,595</u>
TOTAL REVENUES	<u>539,837</u>	<u>576,494</u>	<u>36,657</u>
TOTAL EXPENDITURES	<u>759,117</u>	<u>613,522</u>	<u>145,595</u>
Excess (deficiency) of revenues over expenditures	<u>(219,280)</u>	<u>(37,028)</u>	<u>182,252</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(40,000)	(40,000)	-
	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>
Net change in fund balance	(259,280)	(77,028)	182,252
Fund balance at beginning of year	<u>401,414</u>	<u>383,567</u>	<u>(17,847)</u>
Fund balance at end of year	<u>\$ 142,134</u>	<u>\$ 306,539</u>	<u>\$ 164,405</u>

CITY OF FOREST GROVE

**UNSEGREGATED TAX AND INTEREST AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Year Ended June 30, 2018**

	<u>Balances July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances June 30, 2018</u>
Assets				
Cash and cash equivalents	<u>\$ 189,878</u>	<u>\$ 188,379</u>	<u>\$ 200,430</u>	<u>\$ 177,827</u>
Liabilities				
Amounts held in trust	<u>\$ 189,878</u>	<u>\$ 188,379</u>	<u>\$ 200,430</u>	<u>\$ 177,827</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **CITY OF FOREST GROVE** as of and for the year ended June 30, 2018, and have issued our report thereon dated January 30, 2019.

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).

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:

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

A. Budgets legally required (ORS Chapter 294)

1. Resources as presented in the 2017-18 budget detail for the General Fund do not equal requirements.
2. Transfers in of \$2,000,262 and transfers out of \$2,001,763 were budgeted in the 2017-18 budget. Transfers in should equal transfers out.
3. Total resources and requirements on budget detail for the year 2017-18 do not equal the financial summary LB-1 totals.
4. In the budget detail for 2018-19, the excess of actual revenues over actual expenditures in the 2015-16 year do not equal the beginning balance of the 2016-17 year in the General Fund by \$48,030 and in the Capital Projects Fund by \$2,200,000.
5. Total resources and requirements for 2016-17 actual and 2017-18 adopted amounts on budget detail for the year 2018-19 do not equal the financial summary LB-1 totals.

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.

Restriction on Use

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

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
January 30, 2019

By:



Bradley G. Bingenheimer, Member