

***CITY OF MOLALLA, OREGON  
ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2008***

***CITY OF MOLALLA, OREGON***

***CITY OFFICIALS***

***JUNE 30, 2008***

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***MAYOR***

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Molalla, Oregon 97038

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**CITY OF MOLALLA, OREGON**  
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**JUNE 30, 2008**

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***FINANCIAL SECTION***





## GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS  
475 Cottage Street NE, Suite 200, Salem, Oregon 97301  
(503) 581-7788

### *INDEPENDENT AUDITOR'S REPORT*

Honorable Mayor and Members of the City Council  
City of Molalla  
P.O. Box 248  
Molalla, Oregon 97038

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Molalla, Oregon, as of June 30, 2008, and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in the summary of significant accounting policies of the notes to the financial statements, the City prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Oregon, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The City does not maintain any historical cost and depreciation records for capital assets including infrastructure, and therefore, no information for capital assets is presented in the financial statements.

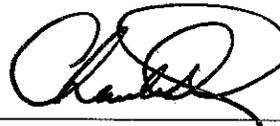
In our opinion, except for the matter discussed above, the financial statements referred to below, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the City of Molalla, Oregon, as of June 30, 2008, and the respective changes in financial position – modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in the summary of significant accounting policies in the notes to the financial statements.

Management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted by the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of City of Molalla, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole, on the basis of accounting described in the notes to the financial statements.

*GROVE, MUELLER & SWANK, PC*  
*CERTIFIED PUBLIC ACCOUNTANTS*

By: \_\_\_\_\_



Charles A. Swank, Shareholder  
December 30, 2008

# CITY OF MOLALLA, OREGON

## Management's Discussion and Analysis June 30, 2008

As management of the City of Molalla, we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008.

### **Financial Highlights**

1. In the government-wide statements, the assets of the City of Molalla exceeded its liabilities at June 30, 2008 by \$4,094,443.
2. The City's total net assets increased by \$25,378.
3. The City's governmental funds reported a combined ending fund balance of \$513,293 on June 30, 2008, a decrease of \$295,567 from the prior year.
4. At June 30, 2008, unreserved fund balance for the General Fund was \$(209,500).
5. The City's proprietary funds reported a combined ending fund balance of \$3,581,150, an increase of \$320,945 from the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Molalla's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include:

*The Statement of Net Assets (modified cash basis).* This presents information on the cash basis assets and liabilities of the City as of the date on the statement. Net assets are what remain after the cash basis liabilities have been paid off or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*The Statement of Activities (modified cash basis).* The *statement of activities* presents information showing how the net assets of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net assets.

In the government-wide financial statements, the City's activities are shown as governmental activities. All basic City government functions are show here: such as, administration, city hall, legal, parks, library, streets and police. These activities are primarily financed through property taxes and other intergovernmental activities.

**Fund financial statements.** The *fund financial statements* provide more detailed information about the City's funds, focusing on its most significant or "major" funds – not the City of Molalla as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Molalla, like state and other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** The *governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions.

**Proprietary funds.** The City of Molalla charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* and *other supplemental information*.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information.

## **Government-wide Financial Analysis**

**Statement of Net Assets.** The Statement of Net Assets (modified cash basis) is provided on a comparative basis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Molalla, assets exceeded liabilities by \$4,094,443 as of June 30, 2008.

Restricted net assets represents sources that are subject to external restrictions on their use, such as debt service payments or capital projects.

Unrestricted net assets are available for general operations of the City.

**Net Assets at June 30, 2008 and 2007**

	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets	\$ 922,425	\$ 3,581,150	\$ 4,503,575	\$ 900,811	\$ 3,260,205	\$ 4,161,016
Liabilities	409,132	-	409,132	91,951	-	91,951
Net assets:						
Restricted	377,224	1,670,893	2,048,117	773,254	2,023,420	2,796,674
Unrestricted	136,069	1,910,257	2,046,326	35,606	1,236,785	1,272,391
<b>Total Net Assets</b>	<b>\$ 513,293</b>	<b>\$ 3,581,150</b>	<b>\$ 4,094,443</b>	<b>\$ 808,860</b>	<b>\$ 3,260,205</b>	<b>\$ 4,069,065</b>

*Statement of Activities (modified cash basis).* During the current fiscal year, the City's total unrestricted net assets increased by \$773,935. The key elements of the change in the City's net assets for the year ended June 30, 2008 are as follows:

1. Property tax revenues decreased by \$48,854 (2%) during the year.
2. Charges for services increased by \$270,521.
3. Operating grants increased by \$8,792.
4. Capital grants decreased by \$1,451,219.
5. Sewer disbursements decreased by \$178,842.

**Changes in Net Assets  
For the years ended June 30, 2008 and 2007**

	2008			2007		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Receipts						
Program receipts:						
Charges for service	\$ 951,370	\$ 3,147,418	\$ 4,098,788	\$ 1,109,949	\$ 2,718,318	\$ 3,828,267
Operating grants	969,299	-	969,299	960,507	-	960,507
Capital grants	319,260	76,807	396,067	1,036,920	810,366	1,847,286
General receipts						
Property taxes	2,115,471	-	2,115,471	2,164,325	-	2,164,325
Intergovernmental	141,494	-	141,494	133,709	-	133,709
Licenses and permits	270,943	-	270,943	265,964	-	265,964
Miscellaneous	388,639	99,633	488,272	315,584	158,501	474,085
Loan proceeds	-	2,377,783	2,377,783	-	50,000	50,000
<b>Total Receipts</b>	<b>5,156,476</b>	<b>5,701,641</b>	<b>10,858,117</b>	<b>5,986,958</b>	<b>3,737,185</b>	<b>9,724,143</b>

	2008			2007		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Disbursements						
Governmental Activities						
General government	\$ 950,022	\$ -	\$ 950,022	\$ 990,713	\$ -	\$ 990,713
Public safety	2,138,776	-	2,138,776	2,162,434	-	2,162,434
Community	1,487,311	-	1,487,311	1,527,785	-	1,527,785
Public works	835,004	-	835,004	1,807,780	-	1,807,780
Long-term debt	30,699	-	30,699	34,291	-	34,291
Business-type Activities						
Water	-	1,578,086	1,578,086	-	1,496,053	1,496,053
Sewer	-	3,695,765	3,695,765	-	3,874,607	3,874,607
Storm water	-	117,076	117,076	-	103,580	103,580
<i>Total Disbursements</i>	<u>5,441,812</u>	<u>5,390,927</u>	<u>10,832,739</u>	<u>6,523,003</u>	<u>5,474,240</u>	<u>11,997,243</u>
Transfers	(10,231)	10,231	-	465,000	(465,000)	-
Change in net assets	(295,567)	320,945	25,378	(71,045)	(2,202,055)	(2,273,100)
Fund net assets – July 1	808,860	3,260,205	4,069,065	879,905	5,462,260	6,342,165
Fund net assets – June 30	<u>\$ 513,293</u>	<u>\$ 3,581,150</u>	<u>\$ 4,094,443</u>	<u>\$ 808,860</u>	<u>\$ 3,260,205</u>	<u>\$ 4,069,065</u>

**Financial Analysis of the City of Molalla's Government Funds**

As noted earlier the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on relatively short-term cash flow and funding for future basic services. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As of June 30, 2008 the City's governmental funds reported combined ending fund balances of \$513,293, a decrease of \$295,567 from the prior year.

*General Fund.* The General Fund is the primary operating fund of the City of Molalla. As of June 30, 2008, unreserved fund balance was \$(209,500). The fund balance decreased by \$12,831 during the current fiscal year.

### **General Fund Budgetary Highlights**

The governing body did not approve changes to the adopted budget for the fiscal year ended June 30, 2008.

### **Debt Administration**

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,247,203 (general obligation bonds \$575,286, revenue bonds \$9,600,000). Other outstanding long-term debt totaled \$71,917.

During the current fiscal year, the City's total debt increased by \$2,290,359 (29%).

State statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The assessed valuation of the City of Molalla \$384,173,377, therefore, the current debt limitation for the City of Molalla is \$11,525,201, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City of Molalla's long-term debt can be found in the notes to the basic financial statements of this report.

### **Economic Factors and the Next Year's Budget**

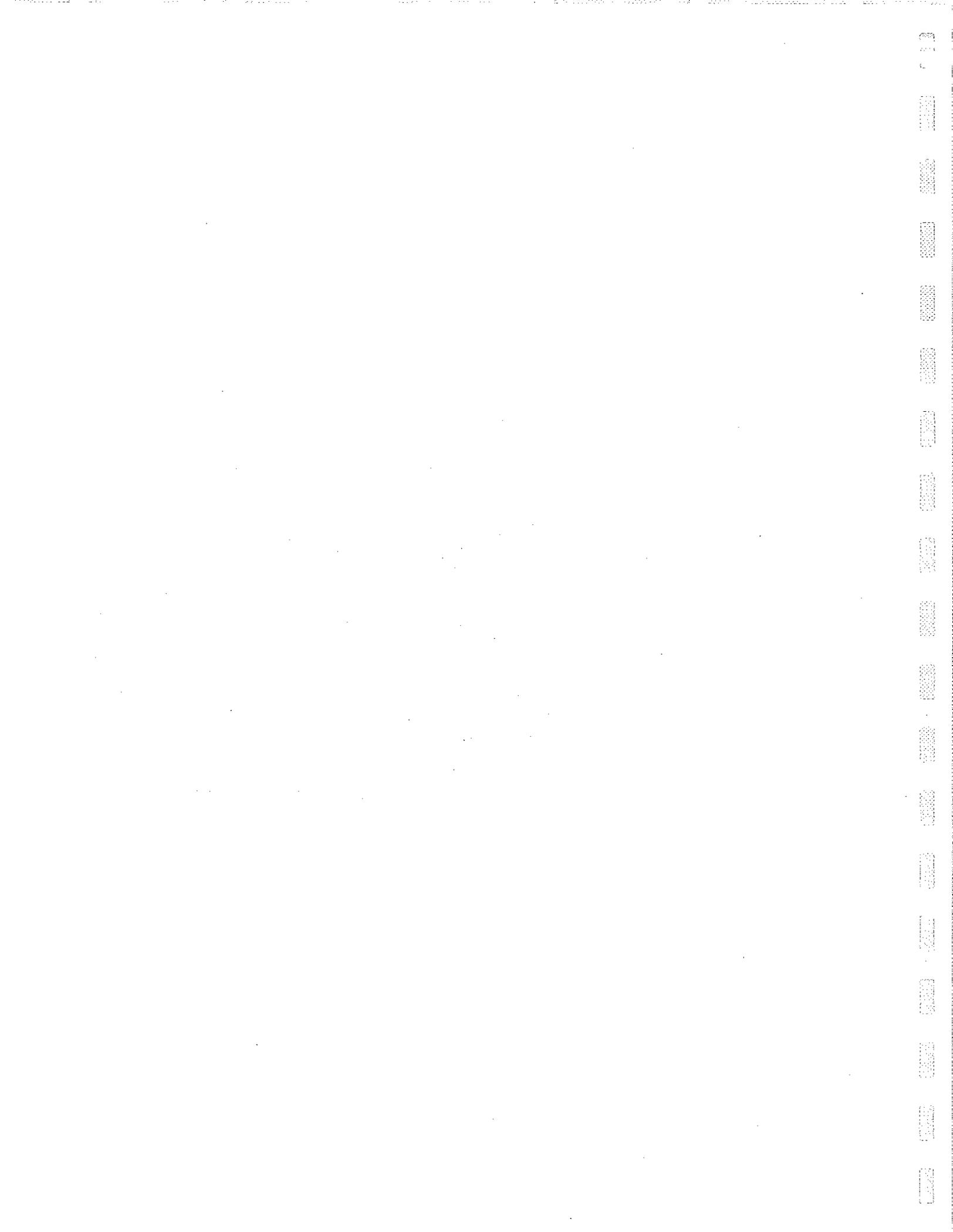
The City of Molalla's Budget Committee considered all the following factors while preparing the City budget for the 2008-09 fiscal year:

- a. Prior history of revenue and expenditures
- b. Capital projects in the water and sewer funds
- c. Expected property tax revenue

### **Requests for Information**

This financial report is designed to present the user (citizens, taxpayers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Mr. John Atkins, Jr.  
City Manager  
City of Molalla  
P.O. Box 248  
Molalla, Oregon 97038



***BASIC FINANCIAL STATEMENTS***



**CITY OF MOLALLA, OREGON**  
**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS)**  
**JUNE 30, 2008**

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
<b>ASSETS</b>			
Cash and investments	\$ 805,732	\$ 3,290,122	\$ 4,095,854
Cash with County	14,243	-	14,243
Property taxes receivable	102,450	-	102,450
Due from other funds	(291,028)	291,028	-
<i>Total Assets</i>	<u>631,397</u>	<u>3,581,150</u>	<u>4,212,547</u>
<b>LIABILITIES</b>			
Deposits	1,411	-	1,411
Deferred revenue	116,693	-	116,693
<i>Total Liabilities</i>	<u>118,104</u>	<u>-</u>	<u>118,104</u>
<b>NET ASSETS</b>			
Restricted for:			
Endowments - nonexpendable	114,548	-	114,548
Other purposes	262,676	1,670,893	1,933,569
Unrestricted	136,069	1,910,257	2,046,326
<i>Total Net Assets</i>	<u>\$ 513,293</u>	<u>\$ 3,581,150</u>	<u>\$ 4,094,443</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF MOLALLA, OREGON**  
**STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)**  
**YEAR ENDED JUNE 30, 2008**

	<i>Disbursements</i>	<i>Program Receipts</i>		
		<i>Fees, Fines, and Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>
<b>FUNCTIONS/PROGRAMS</b>				
<i>Governmental activities:</i>				
General government	\$ 950,022	\$ 228,942	\$ -	\$ -
Public safety	2,138,776	370,631	196,455	-
Public works	835,004	351,797	466,403	160,554
Community development	1,487,311	-	306,441	158,706
Interest on long-term debt	30,699	-	-	-
<i>Total governmental activities</i>	<u>5,441,812</u>	<u>951,370</u>	<u>969,299</u>	<u>319,260</u>
<i>Business-type activities:</i>				
Water	1,578,086	1,349,538	-	30,601
Sewer	3,695,765	1,708,996	-	30,600
Storm water	117,076	88,884	-	15,606
<i>Total business-type activities</i>	<u>5,390,927</u>	<u>3,147,418</u>	<u>-</u>	<u>76,807</u>
<i>Total activities</i>	<u>\$ 10,832,739</u>	<u>\$ 4,098,788</u>	<u>\$ 969,299</u>	<u>\$ 396,067</u>

**General receipts:**

- Property taxes
- Franchise fees
- Intergovernmental
- Loan proceeds
- Miscellaneous

*Total general receipts*

**Transfers**

**Change in net assets**

**Fund Net assets, July 1, 2007**

**Fund Net assets, June 30, 2008**

*Net (Disbursements) Receipts and  
Changes in Fund Net Assets*

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (721,080)	\$ -	\$ (721,080)
(1,571,690)	-	(1,571,690)
143,750	-	143,750
(1,022,164)	-	(1,022,164)
(30,699)	-	(30,699)
<u>(3,201,883)</u>	<u>-</u>	<u>(3,201,883)</u>
-	(197,947)	(197,947)
-	(1,956,169)	(1,956,169)
-	(12,586)	(12,586)
<u>-</u>	<u>(2,166,702)</u>	<u>(2,166,702)</u>
(3,201,883)	(2,166,702)	(5,368,585)
2,115,471	-	2,115,471
270,943	-	270,943
141,494	-	141,494
-	2,377,783	2,377,783
388,639	99,633	488,272
<u>2,916,547</u>	<u>2,477,416</u>	<u>5,393,963</u>
(10,231)	10,231	-
(295,567)	320,945	25,378
<u>808,860</u>	<u>3,260,205</u>	<u>4,069,065</u>
<u>\$ 513,293</u>	<u>\$ 3,581,150</u>	<u>\$ 4,094,443</u>

*The accompanying notes are an integral part of the financial statements.*

**CITY OF MOLALLA, OREGON**

**STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS**

JUNE 30, 2008

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ 805,732
Cash with County	13,964	-	279
Property taxes receivable	99,775	-	2,675
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 113,739	\$ -	\$ 808,686
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deposits	-	-	1,411
Due to other funds	209,500	52,260	29,268
Deferred revenue	113,739	-	2,954
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	323,239	52,260	33,633
<b>Fund Balances (Deficit)</b>			
Unreserved, reported in:			
General fund	(209,500)	-	-
Special revenue funds	-	(52,260)	390,832
Capital projects funds	-	-	196,920
Debt service fund	-	-	72,753
Permanent fund	-	-	114,548
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	(209,500)	(52,260)	775,053
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 113,739	\$ -	\$ 808,686

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*Totals*

\$ 805,732  
14,243  
102,450

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\$ 922,425

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1,411  
291,028  
116,693

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409,132

(209,500)  
338,572  
196,920  
72,753  
114,548

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513,293

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\$ 922,425

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*The accompanying notes are an integral part of the financial statements.*

**CITY OF MOLALLA, OREGON****STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Street</u>	<u>Other Governmental Funds</u>
<b>RECEIPTS</b>			
Taxes and assessments	\$ 2,075,921	\$ -	\$ 39,550
Licenses and permits	344,075	74,620	522,700
Charges for services	-	-	192,982
Intergovernmental	226,673	306,441	438,597
Fines and forfeitures	164,399	-	234,114
Miscellaneous	216,848	11,320	308,236
<i>Total Receipts</i>	3,027,916	392,381	1,736,179
<b>DISBURSEMENTS</b>			
Personal services	1,823,661	260,537	907,263
Materials and services	858,634	164,199	688,400
Capital outlay	33,908	-	632,155
Debt service	-	-	73,055
<i>Total Disbursements</i>	2,716,203	424,736	2,300,873
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	311,713	(32,355)	(564,694)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	80,000	15,000	619,544
Transfers out	(404,544)	(215,000)	(105,231)
<i>Total Other Financing Sources (Uses)</i>	(324,544)	(200,000)	514,313
<b>NET CHANGE IN FUND BALANCES</b>	(12,831)	(232,355)	(50,381)
<b>FUND BALANCES (Deficit), Beginning of year</b>	(196,669)	180,095	825,434
<b>FUND BALANCES (Deficit), End of year</b>	\$ (209,500)	\$ (52,260)	\$ 775,053

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*Totals*

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\$ 2,115,471  
941,395  
192,982  
971,711  
398,513  
536,404

---

5,156,476

2,991,461  
1,711,233  
666,063  
73,055

---

5,441,812

---

(285,336)

714,544  
(724,775)

---

(10,231)

---

(295,567)

808,860

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\$ 513,293

*The accompanying notes are an integral part of the financial statements.*

**CITY OF MOLALLA, OREGON**

**STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - PROPRIETARY FUNDS**

**JUNE 30, 2008**

	<u>Water</u>	<u>Water System Expansion</u>	<u>Water Capital Improvement</u>
<b>ASSETS</b>			
Cash and investments	\$ 488,079	\$ 871,521	\$ 535,947
Due from other funds	-	-	707,168
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 488,079</u>	<u>\$ 871,521</u>	<u>\$ 1,243,115</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ -
<b>Fund Balances</b>			
Unreserved	488,079	871,521	1,243,115
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 488,079</u>	<u>\$ 871,521</u>	<u>\$ 1,243,115</u>

<u>Sewer</u>	<u>Sewer System Expansion</u>	<u>Sewer Capital Improvement</u>	<u>Other Business-type Funds</u>	<u>Totals</u>
\$ 798,999	\$ -	\$ 325,607	\$ 269,969	\$ 3,290,122
-	-	-	-	707,168
<u>\$ 798,999</u>	<u>\$ -</u>	<u>\$ 325,607</u>	<u>\$ 269,969</u>	<u>\$ 3,997,290</u>
\$ -	\$ 416,140	\$ -	\$ -	\$ 416,140
798,999	(416,140)	325,607	269,969	3,581,150
<u>\$ 798,999</u>	<u>\$ -</u>	<u>\$ 325,607</u>	<u>\$ 269,969</u>	<u>\$ 3,997,290</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF MOLALLA, OREGON****STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS****(MODIFIED CASH BASIS) - PROPRIETARY FUNDS****YEAR ENDED JUNE 30, 2008**

	<u>Water</u>	<u>Water System Expansion</u>	<u>Water Capital Improvement</u>
<b>RECEIPTS</b>			
Licenses and permits	\$ -	\$ -	\$ 30,601
Charges for services	1,349,538	-	-
Miscellaneous	5,222	12,369	43,872
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	1,354,760	12,369	74,473
<b>DISBURSEMENTS</b>			
Personal services	464,576	-	-
Materials and services	279,426	-	-
Capital outlay	4,483	-	416,130
Debt service	-	413,471	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	748,485	413,471	416,130
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>			
	606,275	(401,102)	(341,657)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	438,702	75,000
Transfers out	(488,471)	-	-
Loan proceeds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(488,471)	438,702	75,000
<b>NET CHANGE IN FUND BALANCES</b>			
	117,804	37,600	(266,657)
<b>FUND BALANCES (Deficit), Beginning of year</b>			
	370,275	833,921	1,509,772
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES (Deficit), End of year</b>	\$ 488,079	\$ 871,521	\$ 1,243,115
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Sewer</i>	<i>Sewer System Expansion</i>	<i>Sewer Capital Improvement</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
\$ -	\$ -	\$ 30,600	\$ 15,606	\$ 76,807
1,708,996	-	-	88,884	3,147,418
2,474	9,859	14,634	11,203	99,633
1,711,470	9,859	45,234	115,693	3,323,858
330,572	-	-	80,497	875,645
465,268	-	-	35,721	780,415
4,483	13,083	2,526,737	858	2,965,774
-	355,622	-	-	769,093
800,323	368,705	2,526,737	117,076	5,390,927
911,147	(358,846)	(2,481,503)	(1,383)	(2,067,069)
-	540,170	-	-	1,053,872
(555,170)	-	-	-	(1,043,641)
-	-	2,377,783	-	2,377,783
(555,170)	540,170	2,377,783	-	2,388,014
355,977	181,324	(103,720)	(1,383)	320,945
443,022	(597,464)	429,327	271,352	3,260,205
\$ 798,999	\$ (416,140)	\$ 325,607	\$ 269,969	\$ 3,581,150

The accompanying notes are an integral part of the financial statements.

***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The City of Molalla, Oregon is governed by an elected mayor and six council members who comprise the City Council. The City Council exercises supervisory responsibilities over the City operations, but day-to-day management control is the responsibility of a city manager. All significant activities and organizations for which the City is financially accountable are included in the financial statements for the year ended June 30, 2008.

There are certain governmental agencies and various service districts which provide services within the City. These agencies have independently elected governing boards and the City is not financially accountable for these organizations. Therefore, financial information for these agencies is not included in the accompanying basic financial statements.

*Basic Financial Statements*

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally 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.

*Government-wide financial statements* display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets (Modified Cash Basis) and the Statement of Activities (Modified Cash Basis).

*The Statement of Net Assets (Modified Cash Basis)* presents all the current assets and liabilities of the City. Net assets, representing assets less liabilities, is shown in two components. Restricted for special purposes, amounts which must be spent in accordance with legal restrictions, and unrestricted, the amount available for ongoing City activities.

*The Statement of Activities (Modified Cash Basis)* demonstrates the degree to which the direct disbursements of a given function or segment are offset by program receipts. *Direct disbursements* are those that are clearly identifiable with a specific function or segment. *Program receipts* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general receipts*.

*Fund financial statements* display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental funds (general, special revenue, capital projects and debt service) and proprietary type funds (enterprise). Major individual governmental funds, and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column within each fund type in the financial section of the basic financial statements and are detailed in the supplemental information.

**CITY OF MOLALLA, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of Presentation*

The financial transactions of the City are recorded in the individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets liabilities, receipts or disbursements of either fund category or the government and enterprise combined) for the determination of major funds. The City electively added funds as major funds, which either had debt outstanding or specific community focus. Non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City reports the following major governmental funds:

*General Fund*

The General Fund is the operating fund of the City, and is used to account for all financial resources except those required to be accounted for in another fund. Primary sources of revenue are ad valorem taxes, franchise fees, state shared receipts and fines. The major expenditures are for parks and recreation, police, municipal court and general city operations.

*Street Fund*

This fund satisfies the requirements of ORS 366.815 to account for funds distributed by the State Highway Division. Expenditures are for road construction and maintenance.

The City reports the following nonmajor governmental funds:

*Street Improvement Fund*

This fund was established to begin needed street rehabilitation and repair projects.

*Library Fund*

This fund was established to provide an accounting for the financial activities related to the City Library.

*Planning Fund*

This fund was established to provide an accounting for fees collected in the enforcement of the Oregon Building Code.

*Adult Center*

This fund was established to account for the receipts and disbursements related to the adult center.

**CITY OF MOLALLA, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*State Revenue Sharing*

This fund was established to provide an accounting of monies received under the State Revenue Sharing Act.

*911 Emergency*

This fund was established to account for grant monies received from the State for the purpose of establishing the 911 emergency phone system.

*Drug Investigation*

This fund was established to account for amounts from the Municipal court to be used for drug investigation expenses.

*D.A.R.E.*

This fund was established to account for donations received from the community for a drug abuse resistance education program.

*Emergency Management*

This fund was established to account for purchasing capital improvements to operate the emergency management center.

*Park Expansion*

This fund was established to account for granting agency funds to expand city parks.

*Capital Improvement Fund*

This fund was established to account for capital improvement projects funded by collection of assessment principal payments and interest and a transfer from the General Fund.

*Equipment Fund*

This fund was established to allow for purchase of equipment. It is funded by transfers from the Water, Sewer and Street funds.

*Emergency Vehicle Fund*

This fund was established to allow for purchase of emergency equipment. It is funded primarily by court assessments.

*Bonded Debt Fund*

This fund accounts for payments on general obligation bonds. The primary source of revenue is transfers in.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recorder's Trust Fund*

This fund accounts for monies received from third parties which may be refunded to the payor or kept by the City. Such monies are kept in the Recorder's fund until final disposition is determined.

*Foxx Park Reserve Fund*

This fund was established to account for a nonexpendable trust for Sally Foxx Memorial donations. This fund was previously reported as a fiduciary fund.

The city reports the following major enterprise funds:

*Water Fund*

This fund was established to account for the provision of services to the general public where all or most of the costs involved are paid for in the form of charges to users of such services. Primary source of revenue is water sales.

*Water System Expansion Fund*

This fund was established to account for major construction projects of the City's water utility. These projects are financed primarily by proceeds from general obligation bond sales and federal grant monies.

*Water Capital Improvement Fund*

This fund was established to account for the upgrading or development of water facilities. The primary source of revenue is system development charges.

*Sewer Fund*

This fund was established to account for the provision of services to the general public where all or most of the costs involved are paid for in the form of charges to users of such services. Primary source of revenue is sewer surcharges.

*Sewer System Expansion Fund*

This fund was established to account for major construction projects of the City's sewer utility. These projects are financed primarily by proceeds from general obligation bond sales and federal grant monies.

*Sewer Capital Improvement Fund*

This fund was established to account for the upgrading or development of sewer facilities. The primary source of revenue is system development charges.

**CITY OF MOLALLA, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following nonmajor enterprise funds:

*Storm Water Fund*

This fund was established to account for the provision of services to the general public where all or most of the costs involved are paid for in the form of charges to users of such services. Primary source of revenue is sewer surcharges.

*Storm Water Capital Improvement Fund*

This fund was established to account for the upgrading or development of storm water facilities. The primary source of revenue is system development charges.

*Measurement Focus and Basis of Accounting*

Accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board, define principles that should be used to report financial transactions. The government-wide and proprietary fund financial statements are reported using the economic resources and accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when the liability is incurred. The governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when they become both measurable and available, while expenditures are recorded when the related liability is incurred.

The City's policy is to prepare its financial statements on the modified cash basis of accounting. Consequently, certain receipts and the related assets are recognized when received rather than when earned, and certain disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Also, assets that are measurable but not yet collected are recorded on the City's statement of assets and liabilities as an asset and deferred revenue. The City's policy, although not in accordance with accounting principles generally accepted in the United States of America, is acceptable under Oregon Law (ORS 294.445), which leaves the selection of the method of accounting to the discretion of the municipal corporation.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

*Use of Estimates*

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2008. Actual results may differ from such estimates.

**CITY OF MOLALLA, OREGON**  
*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*  
*YEAR ENDED JUNE 30, 2008*

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Investments*

The City maintains cash and investments in a common pool that is available for use by all funds. Each fund type's portion of this pool is displayed as cash and investments.

Oregon Revised Statutes authorize the City to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of U.S. Government and its agencies, certain bonded obligations of Oregon municipalities and the State Treasurer's Local Government Investment Pool, among others. Investments are stated at cost, which approximates fair value.

*Receivables and Deferred Revenues*

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments payable in equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current year are recorded as receivable at year-end. The City's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

Property tax receivables are offset by deferred revenue and, accordingly, have not been recorded as revenues.

*Capital Assets*

Capital assets, including public domain capital assets, are not being recorded. There are no records to support the cost of assets acquired in prior years.

Maintenance and repairs of capital assets are charged to expenditures as incurred.

*Long-Term Debt*

In the government-wide financial statements, long-term debt is not reported as a liability. Payment of principal and interest is charged to expenditures when paid.

*Budgets and Budgetary Accounting*

The City adopts the budget on a departmental basis (city hall, police, etc.) for the General Fund and an object basis (personal services, materials and services, capital outlay, debt service) for all other funds. Cash disbursements of a fund may not legally exceed that object's appropriations for cash disbursements. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. All supplemental appropriations are included in the budget comparison statements. Appropriations lapse at year-end and may not be carried over. The City does not use encumbrance accounting.

*Use of Restricted Assets*

When disbursements are paid for purposes in which both restricted and unrestricted net assets are available, the City deems restricted assets to be spent first.

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

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**CASH AND INVESTMENTS**

Cash and investments are comprised of the following at June 30, 2008:

**Cash**

Cash on hand	\$	100
Deposits with financial institutions		387,286

**Investments**

Local Government Investment Pool		3,708,468
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Cash and investments, governmental and business-type activities	\$	<u>4,095,854</u>
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**Deposits**

At year end, the book balance of the City's bank deposits (checking accounts) was \$387,286 and the bank balance was \$414,633. The difference is due to transactions in process. Of these deposits, \$100,000 was covered by federal depository insurance, the remaining amount is not collateralized.

**Investments**

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. At June 30, 2008, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

**Interest Rate Risk**

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments through use of the Local Government Investment Pool.

**Custodial Risk - Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

**CASH AND INVESTMENTS (Continued)**

*Custodial Credit Risk - Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-loan diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not subject to credit risk.

**LONG-TERM DEBT**

Long-term debt transactions for the year were as follows:

	<i>Outstanding July 1, 2007</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Outstanding June 30, 2008</i>	<i>Next Year Requirement</i>
<i>Governmental activities</i>					
EDD Loan, issued in 1993 at 6% interest.	\$ 29,202	\$ -	\$ (3,479)	\$ 25,723	\$ 3,668
1977 GO Bonds, issued in 1977 at 5% interest.	151,679	-	(10,496)	141,183	11,156
1978 GO Bonds, issued in 1978 at 5% interest.	465,963	-	(31,860)	434,103	32,525
Vehicle lease, issued in 2007	-	71,037	(24,843)	46,194	22,534
	<u>\$ 646,844</u>	<u>\$ 71,037</u>	<u>\$ (70,678)</u>	<u>\$ 647,203</u>	<u>\$ 69,883</u>

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

**LONG-TERM DEBT (Continued)**

	<u>Outstanding July 1, 2007</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2008</u>	<u>Next Year Requirement</u>
<i>Business-type activities</i>					
1992 Water Revenue Bonds, issued in 1992 at interest rates from 3.0-6.25%.	\$ 135,000	\$ -	\$ (20,000)	\$ 115,000	\$ 25,000
1997 Water Revenue Bonds, issued in 1997 at interest rates from 3.8-5.2%.	3,235,000	-	(225,000)	3,010,000	235,000
2000 Sewer Revenue Bonds, issued in 200 at interest rates from 4.45-5.95%.	3,940,000	-	(135,000)	3,805,000	140,000
State Revolving Loan, issued in 2007 with interest rate of 2.80%.	-	2,670,000	-	2,670,000	52,028
	<u>\$ 7,310,000</u>	<u>\$ 2,670,000</u>	<u>\$ (380,000)</u>	<u>\$ 9,600,000</u>	<u>\$ 452,028</u>

Future debt service requirements are as follows:

*Governmental Activities*

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	69,883	29,772	99,655
2010	73,436	27,250	100,686
2011	52,303	24,622	76,925
2012	54,958	21,859	76,817
2013	57,751	18,956	76,707
2014-2018	313,869	47,321	361,190
2019-2021	25,003	654	25,657
	<u>\$ 647,203</u>	<u>\$ 170,434</u>	<u>\$ 817,637</u>

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

**LONG-TERM DEBT (Continued)**

*Business-type Activities*

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	452,028	469,606	921,634
2010	531,048	419,483	950,531
2011	554,038	394,429	948,467
2012	582,113	367,341	949,454
2013	575,273	341,029	916,302
2014-2018	3,356,992	1,250,630	4,607,622
2019-2023	2,070,514	600,558	2,671,072
2024-2028	1,477,994	121,723	1,599,717
	<u>\$ 9,600,000</u>	<u>\$ 3,964,799</u>	<u>\$ 13,564,799</u>

**PENSION PLAN**

*Plan Description*

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan. The 2003 legislature adopted certain changes in the Oregon Public Employee Retirement System, and created a new system for all people hired after August 29, 2003. The Public Employee Retirement System (PERS), which was established under Oregon Revised Statute (ORS) 238.600, applies to all employees who had established membership prior to August 29, 2003. The Oregon Public Service Retirement Plan (OPSRP), which was established under ORS 238A and went into effect on January 1, 2004, applies to all people who are first employed with a public employer after August 29, 2003. The Public Employees Retirement Board (PERB) governs and acts as a common investment and administrative agent for both plans which are the retirement plans for most public employers in the State of Oregon. Benefits are established by state statute, and employer contributions are made at the actuarially determined rate for each system as adopted by the PERB. The Oregon Public Employees Retirement System, a component unit of the State of Oregon, issues a comprehensive annual financial report, which may be obtained by writing to Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700.

Both PERS and OPSRP plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries.

**CITY OF MOLALLA, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2008

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**PENSION PLAN (Continued)**

*Funding Policy*

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. For the year ended June 30, 2008, the required employer's contribution was 6.0% of Tier 1/Tier 2 subject payroll, 6.23% of OPSRP general service subject payroll, and 9.50% of OPSRP police and fire subject payroll.

*Annual Pension Cost*

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2008, the City's annual pension expenditures including the 6% employee contribution was \$274,070, based on subject salary of \$2,438,019 with total payroll of \$2,760,842.

The City's pension liability and the annual required contribution rate were determined using the entity age cost method. The assumptions utilized in the valuation include an investment return of 8.0%, an investment return of 8.5% on variable programs, projected salary increase of 4.0%, health cost inflation graded from 8.0% in 2005 to 5% in 2011, and a consumer price inflation component of 3.0%.

The unfunded actuarial liability ("UAL") created by this method is amortized as an increasing dollar amount over a period of twenty-four years. This is different from the prior method of amortization in that the liability was previously amortized as a level percentage of PERS covered payroll. The change in amortization method was in response to anticipated future declines in PERS covered payroll, since new hires will be participating in OPSRP.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits on all member contributions in Tier One and Tier Two Regular Accounts are assumed to accrue at an annual rate of 8.0%, compounded annually.

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

**PENSION PLAN (Continued)**

*Annual Pension Cost (continued)*

The following table presents three-year trend information for the City's employee pension plan:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2006	\$ 365,998	100%	\$ -
2007	397,581	100%	-
2008	274,070	100%	-

**TRANSFERS**

*Transfer from:*

<u>Transfer to:</u>	<u>General</u>	<u>Street</u>	<u>Water</u>	<u>Sewer</u>	<u>All Other</u> <u>Funds</u>	<u>Total</u>
General	\$ -	\$ 15,000	\$ 15,000	\$ 15,000	\$ 35,000	\$ 80,000
Library	2,000	-	-	-	-	2,000
Street Department	-	-	-	-	15,000	15,000
Adult Center	165,197	-	-	-	-	165,197
Street Improvements	-	185,000	-	-	-	185,000
Park Department	182,097	-	-	-	-	182,097
Capital Improvement	55,250	-	-	-	-	55,250
Equipment	-	15,000	15,000	-	-	30,000
Sewer Expansion	-	-	-	540,170	-	540,170
Water Expansion	-	-	383,471	-	55,231	438,702
Water Capital Improvement	-	-	75,000	-	-	75,000
	<u>\$ 404,544</u>	<u>\$ 215,000</u>	<u>\$ 488,471</u>	<u>\$ 555,170</u>	<u>\$ 105,231</u>	<u>\$ 1,768,416</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**EXPENDITURES IN EXCESS OF APPROPRIATIONS**

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations. The City Council approves appropriations by department for the General Fund and by major object class (personal services, materials and services, capital outlay and debt service) for all other funds.

**CITY OF MOLALLA, OREGON**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

**EXPENDITURES IN EXCESS OF APPROPRIATIONS (Continued)**

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2008 occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
<b>Governmental</b>			
<i>General</i>			
City Hall	\$ 689,685	\$ 853,941	\$ (164,256)
Police	1,497,190	1,742,469	(245,279)
<i>Street</i>			
Personal services	200,905	260,537	(59,632)
<i>Planning</i>			
Capital outlay	17,500	19,347	(1,847)
<i>Adult Center</i>			
Capital outlay	5,000	6,218	(1,218)
<i>911 Emergency</i>			
Materials and services	32,920	35,869	(2,949)
<i>Emergency Vehicle</i>			
Capital outlay	11,028	17,587	(6,559)

**FUND ACCUMULATED DEFICITS**

At June 30, 2008, the following funds had negative fund balances:

**Negative fund balances**

General	\$ (209,500)
Street	(52,260)
Planning	(25,678)
911 Emergency	(2,503)
Emergency Vehicle	(1,087)
Sewer System Expansion	(416,140)

The deficit fund balances imply unauthorized interfund borrowings at June 30, 2008.

**CITY OF MOLALLA, OREGON**

*NOTES TO BASIC FINANCIAL STATEMENTS (Continued)*

*YEAR ENDED JUNE 30, 2008*

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**RESERVATION OF FUND EQUITY**

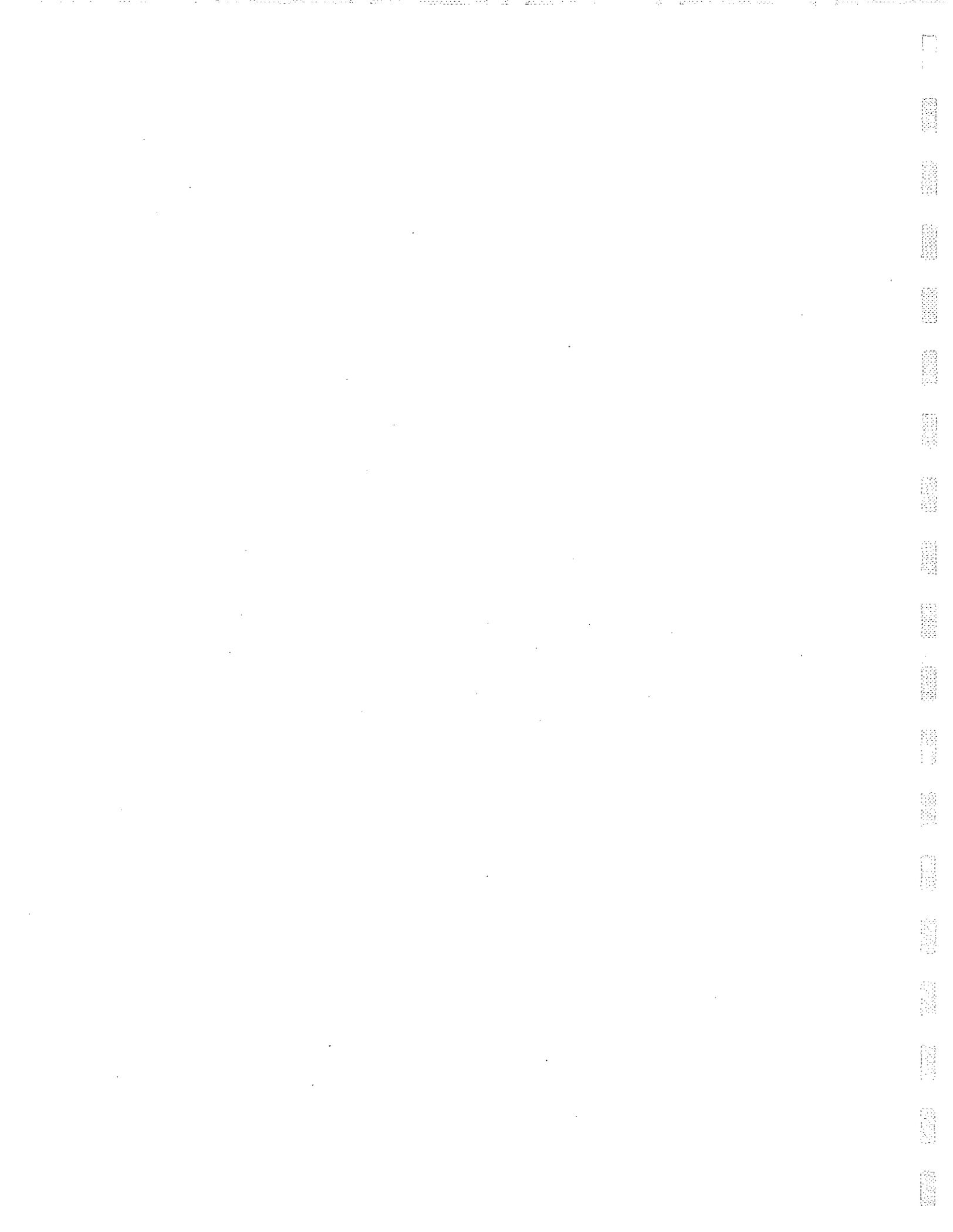
In conjunction with the issuance of \$350,000 of 1992 Water Revenue Bonds, the proceeds of which were used for improvements to the water system, the City agreed to set aside in a reserve account an amount equal to the lesser of the maximum annual debt service on the bonds or ten percent of the aggregate principal amount of the bonds. The reserve in the amount of \$13,500 is included in the amount of cash and investments listed on the Statement of Net Assets - Proprietary Funds (Modified Cash Basis).

Foxx Park Reserve Fund, a permanent fund, was established to account for a nonexpendable trust for Sally Foxx Memorial donations. Only interest earned may be expended for park improvements. The principal balance must remain unexpended. At June 30, 2008, the principal balance was \$96,303.

**CONTINGENCIES**

The City purchases commercial insurance to cover all commonly insurable risks, which includes property damage, liability and employee bonds. Most policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

From time to time, the City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.



***REQUIRED SUPPLEMENTARY INFORMATION***



**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**JUNE 30, 2008**

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The following table presents a schedule of funding progress for the City's defined benefit pension plan:

<i>Actuarial Valuation Ending December 31</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability</i>	<i>Unfunded Actuarial Liability (UAL)</i>	<i>Funded Percent</i>	<i>Covered Payroll</i>	<i>UAL as a Percentage of Covered Payroll</i>
12/31/04	\$ 8,088,109	\$ 7,474,910	\$ ( 613,199)	108%	\$ 2,161,886	( 28)%
12/31/05	9,454,552	7,575,638	( 1,878,914)	125	1,896,514	( 99)
12/31/06	10,652,928	8,092,951	( 2,559,977)	132	2,497,077	( 103)

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Taxes and assessments	\$ 2,041,418	\$ 2,041,418	\$ 2,075,921	\$ 34,503
Licenses and permits	165,000	364,601	344,075	(20,526)
Intergovernmental	225,726	225,726	226,673	947
Fines and forfeitures	181,088	181,088	164,399	(16,689)
Miscellaneous	175,710	175,710	216,848	41,138
<i>Total Receipts</i>	2,788,942	2,988,543	3,027,916	39,373
<b>DISBURSEMENTS</b>				
City Hall	689,685	689,685	853,941	(164,256)
Parks and recreation	107,721	-	-	-
Police	1,497,190	1,497,190	1,742,469	(245,279)
Municipal court and legal	181,088	181,088	119,793	61,295
Contingency	59,279	73,242	-	73,242
<i>Total Disbursements</i>	2,534,963	2,441,205	2,716,203	(274,998)
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	253,979	547,338	311,713	(235,625)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	80,000	80,000	80,000	-
Transfers out	(333,979)	(627,338)	(404,544)	222,794
<i>Total Other Financing Sources (Uses)</i>	(253,979)	(547,338)	(324,544)	222,794
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(12,831)	(12,831)
<b>FUND BALANCE (Deficit), Beginning of year</b>	-	-	(196,669)	(196,669)
<b>FUND BALANCE (Deficit), End of year</b>	\$ -	\$ -	\$ (209,500)	\$ (209,500)

**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -**  
**BUDGET AND ACTUAL - STREET FUND**  
**YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 140,000	\$ 65,000	\$ 74,620	\$ 9,620
Intergovernmental	313,500	313,500	306,441	(7,059)
Miscellaneous	10,267	10,267	11,320	1,053
<i>Total Receipts</i>	463,767	388,767	392,381	3,614
<b>DISBURSEMENTS</b>				
Personal services	200,905	200,905	260,537	(59,632)
Materials and services	398,962	323,962	164,199	159,763
Capital outlay	25,000	25,000	-	25,000
<i>Total Disbursements</i>	624,867	549,867	424,736	125,131
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	(161,100)	(161,100)	(32,355)	128,745
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	15,000	-
Transfers out	(215,000)	(215,000)	(215,000)	-
<i>Total Other Financing Sources (Uses)</i>	(200,000)	(200,000)	(200,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	(361,100)	(361,100)	(232,355)	128,745
<b>FUND BALANCE, Beginning of year</b>	361,100	361,100	180,095	(181,005)
<b>FUND BALANCE (Deficit), End of year</b>	\$ -	\$ -	\$ (52,260)	\$ (52,260)



***OTHER SUPPLEMENTARY INFORMATION***

**CITY OF MOLALLA, OREGON**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2008**

	<u>Street Improvement</u>	<u>Library</u>	<u>Planning Department</u>
<b>ASSETS</b>			
Cash and investments	\$ 139,739	\$ 118,740	\$ -
Cash with County	-	-	-
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 139,739</u>	<u>\$ 118,740</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deposits	\$ -	\$ -	\$ -
Due to other funds	-	-	25,678
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	-	-	25,678
<b>Fund Balances (Deficit)</b>			
Unreserved, reported in:			
Special revenue funds	139,739	118,740	(25,678)
Capital projects funds	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>139,739</u>	<u>118,740</u>	<u>(25,678)</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 139,739</u>	<u>\$ 118,740</u>	<u>\$ -</u>

<u>Adult Center</u>	<u>State Revenue Sharing</u>	<u>911 Emergency</u>	<u>Drug Investigation</u>	<u>Park Department</u>	<u>Park Expansion</u>
\$ 26,667	\$ 42,285	\$ -	\$ 4,509	\$ 46,347	\$ 22,009
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 26,667</u>	<u>\$ 42,285</u>	<u>\$ -</u>	<u>\$ 4,509</u>	<u>\$ 46,347</u>	<u>\$ 22,009</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,503	-	-	-
-	-	-	-	-	-
-	-	2,503	-	-	-
26,667	42,285	(2,503)	4,509	46,347	22,009
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>26,667</u>	<u>42,285</u>	<u>(2,503)</u>	<u>4,509</u>	<u>46,347</u>	<u>22,009</u>
<u>\$ 26,667</u>	<u>\$ 42,285</u>	<u>\$ -</u>	<u>\$ 4,509</u>	<u>\$ 46,347</u>	<u>\$ 22,009</u>

**CITY OF MOLALLA, OREGON**

**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -**

**NONMAJOR GOVERNMENTAL FUNDS (Continued)**

JUNE 30, 2008

	<u>Emergency Management</u>	<u>D.A.R.E</u>	<u>Recorder's Trust</u>
<b>ASSETS</b>			
Cash and investments	\$ 972	\$ 1,999	\$ 17,157
Cash with County	-	-	-
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 972</u>	<u>\$ 1,999</u>	<u>\$ 17,157</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deposits	\$ -	\$ -	\$ 1,411
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	-	-	1,411
<b>Fund Balances (Deficit)</b>			
Unreserved, reported in:			
Special revenue funds	972	1,999	15,746
Capital projects funds	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>972</u>	<u>1,999</u>	<u>15,746</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 972</u>	<u>\$ 1,999</u>	<u>\$ 17,157</u>

<i>Bonded Debt</i>	<i>Capital Improvement</i>	<i>Equipment</i>	<i>Emergency Vehicle</i>	<i>Foxx Park Reserve</i>	<i>Totals</i>
\$ 72,753	\$ 2,539	\$ 195,468	\$ -	\$ 114,548	\$ 805,732
279	-	-	-	-	279
2,675	-	-	-	-	2,675
<u>\$ 75,707</u>	<u>\$ 2,539</u>	<u>\$ 195,468</u>	<u>\$ -</u>	<u>\$ 114,548</u>	<u>\$ 808,686</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,411
-	-	-	1,087	-	29,268
2,954	-	-	-	-	2,954
<u>2,954</u>	<u>-</u>	<u>-</u>	<u>1,087</u>	<u>-</u>	<u>33,633</u>
-	-	-	-	-	390,832
-	2,539	195,468	(1,087)	-	196,920
72,753	-	-	-	-	72,753
-	-	-	-	114,548	114,548
<u>72,753</u>	<u>2,539</u>	<u>195,468</u>	<u>(1,087)</u>	<u>114,548</u>	<u>775,053</u>
<u>\$ 75,707</u>	<u>\$ 2,539</u>	<u>\$ 195,468</u>	<u>\$ -</u>	<u>\$ 114,548</u>	<u>\$ 808,686</u>

**CITY OF MOLALLA, OREGON****COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES****(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2008**

	<u>Street Improvement</u>	<u>Library</u>	<u>Planning Department</u>
<b>RECEIPTS</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	158,706	-	315,232
Charges for services	-	-	-
Intergovernmental	-	312,286	-
Fines and forfeitures	-	26,136	-
Miscellaneous	17,544	12,132	49,151
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	176,250	350,554	364,383
<b>DISBURSEMENTS</b>			
Personal services	-	215,889	327,637
Materials and services	-	57,663	114,433
Capital outlay	410,268	64,890	19,347
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	410,268	338,442	461,417
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>			
	(234,018)	12,112	(97,034)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	185,000	2,000	-
Transfers out	-	-	(25,000)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	185,000	2,000	(25,000)
<b>NET CHANGE IN FUND BALANCES</b>			
	(49,018)	14,112	(122,034)
<b>FUND BALANCES (Deficit), Beginning of year</b>			
	<hr/>	<hr/>	<hr/>
	188,757	104,628	96,356
<b>FUND BALANCES (Deficit), End of year</b>			
	<hr/>	<hr/>	<hr/>
	\$ 139,739	\$ 118,740	\$ (25,678)

<i>Adult Center</i>	<i>State Revenue Sharing</i>	<i>911 Emergency</i>	<i>Drug Investigation</i>	<i>Park Department</i>	<i>Park Expansion</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	48,762
-	-	-	-	192,982	-
17,371	55,040	53,900	-	-	-
-	-	-	1,746	-	-
140,779	-	-	254	-	-
158,150	55,040	53,900	2,000	192,982	48,762
209,050	-	-	-	154,687	-
86,606	-	35,869	2,000	170,801	-
6,218	-	-	-	3,244	30,000
-	-	-	-	-	-
301,874	-	35,869	2,000	328,732	30,000
(143,724)	55,040	18,031	-	(135,750)	18,762
165,197	-	-	-	182,097	-
-	(25,000)	-	-	-	-
165,197	(25,000)	-	-	182,097	-
21,473	30,040	18,031	-	46,347	18,762
5,194	12,245	(20,534)	4,509	-	3,247
\$ 26,667	\$ 42,285	\$ (2,503)	\$ 4,509	\$ 46,347	\$ 22,009

**CITY OF MOLALLA, OREGON****COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
(MODIFIED CASH BASIS) - NONMAJOR GOVERNMENTAL FUNDS (Continued)  
YEAR ENDED JUNE 30, 2008**

	<u>Emergency Management</u>	<u>D.A.R.E.</u>	<u>Recorder's Trust</u>
<b>RECEIPTS</b>			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	-	192,135
Miscellaneous	28	635	67,178
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	28	635	259,313
<b>DISBURSEMENTS</b>			
Personal services	-	-	-
Materials and services	-	600	220,428
Capital outlay	30	-	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	30	600	220,428
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>			
	(2)	35	38,885
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>			
	(2)	35	38,885
<b>FUND BALANCES (Deficit), Beginning of year</b>			
	974	1,964	(23,139)
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES (Deficit), End of year</b>			
	\$ 972	\$ 1,999	\$ 15,746
	<hr/>	<hr/>	<hr/>

<i>Bonded Debt</i>	<i>Capital Improvement</i>	<i>Equipment</i>	<i>Emergency Vehicle</i>	<i>Foxx Park Reserve</i>	<i>Totals</i>
\$ 39,550	\$ -	\$ -	\$ -	\$ -	\$ 39,550
-	-	-	-	-	522,700
-	-	-	-	-	192,982
-	-	-	-	-	438,597
-	-	-	14,097	-	234,114
7,194	2,336	5,180	28	5,797	308,236
46,744	2,336	5,180	14,125	5,797	1,736,179
-	-	-	-	-	907,263
-	-	-	-	-	688,400
-	26,597	53,725	17,587	249	632,155
73,055	-	-	-	-	73,055
73,055	26,597	53,725	17,587	249	2,300,873
(26,311)	(24,261)	(48,545)	(3,462)	5,548	(564,694)
-	55,250	30,000	-	-	619,544
-	(55,231)	-	-	-	(105,231)
-	19	30,000	-	-	514,313
(26,311)	(24,242)	(18,545)	(3,462)	5,548	(50,381)
99,064	26,781	214,013	2,375	109,000	825,434
\$ 72,753	\$ 2,539	\$ 195,468	\$ (1,087)	\$ 114,548	\$ 775,053

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - STREET IMPROVEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 830,745	\$ 830,745	\$ 158,706	\$ (672,039)
Miscellaneous	21,950	21,950	17,544	(4,406)
<i>Total Receipts</i>	852,695	852,695	176,250	(676,445)
<b>DISBURSEMENTS</b>				
Materials and services	60,000	60,000	-	60,000
Capital outlay	1,757,295	1,757,295	410,268	1,347,027
<i>Total Disbursements</i>	1,817,295	1,817,295	410,268	1,407,027
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(964,600)	(964,600)	(234,018)	730,582
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	185,000	185,000	185,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(779,600)	(779,600)	(49,018)	730,582
<b>FUND BALANCE, Beginning of year</b>	779,600	779,600	188,757	(590,843)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 139,739	\$ 139,739

**CITY OF MOLALLA, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - LIBRARY FUND****YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 314,832	\$ 314,832	\$ 312,286	\$ (2,546)
Fines and forfeitures	21,000	21,000	26,136	5,136
Miscellaneous	7,011	7,011	12,132	5,121
<i>Total Receipts</i>	342,843	342,843	350,554	7,711
<b>DISBURSEMENTS</b>				
Personal services	233,540	233,540	215,889	17,651
Materials and services	92,000	92,000	57,663	34,337
Capital outlay	94,303	94,303	64,890	29,413
<i>Total Disbursements</i>	419,843	419,843	338,442	81,401
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(77,000)	(77,000)	12,112	89,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,000	2,000	2,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(75,000)	(75,000)	14,112	89,112
<b>FUND BALANCE, Beginning of year</b>	75,000	75,000	104,628	29,628
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 118,740	\$ 118,740

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - PLANNING FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 821,104	\$ 821,104	\$ 315,232	\$ (505,872)
Miscellaneous	15,000	15,000	49,151	34,151
<i>Total Receipts</i>	836,104	836,104	364,383	(471,721)
<b>DISBURSEMENTS</b>				
Personal services	356,863	356,863	327,637	29,226
Materials and services	411,741	451,741	114,433	337,308
Capital outlay	17,500	17,500	19,347	(1,847)
Contingency	25,000	75,000	-	75,000
<i>Total Disbursements</i>	811,104	901,104	461,417	439,687
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	25,000	(65,000)	(97,034)	(32,034)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	(90,000)	(122,034)	(32,034)
<b>FUND BALANCE, Beginning of year</b>	-	90,000	96,356	6,356
<b>FUND BALANCE (Deficit), End of year</b>	\$ -	\$ -	\$ (25,678)	\$ (25,678)

**CITY OF MOLALLA, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - ADULT CENTER FUND****YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 7,500	\$ 7,500	\$ 17,371	\$ 9,871
Miscellaneous	133,000	133,000	140,779	7,779
<i>Total Receipts</i>	140,500	140,500	158,150	17,650
<b>DISBURSEMENTS</b>				
Personal services	213,947	213,947	209,050	4,897
Materials and services	100,150	100,150	86,606	13,544
Capital outlay	5,000	5,000	6,218	(1,218)
<i>Total Disbursements</i>	319,097	319,097	301,874	17,223
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(178,597)	(178,597)	(143,724)	34,873
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	165,197	165,197	165,197	-
<b>NET CHANGE IN FUND BALANCE</b>	(13,400)	(13,400)	21,473	34,873
<b>FUND BALANCE, Beginning of year</b>	13,400	13,400	5,194	(8,206)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 26,667	\$ 26,667

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - STATE REVENUE SHARING FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 55,040	\$ 30,040
<b>DISBURSEMENTS</b>	-	-	-	-
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	25,000	25,000	55,040	30,040
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,000)	(25,000)	(25,000)	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	30,040	30,040
<b>FUND BALANCE, Beginning of year</b>	-	-	12,245	12,245
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 42,285	\$ 42,285

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - 911 EMERGENCY FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Intergovernmental	\$ 32,920	\$ 32,920	\$ 53,900	\$ 20,980
<b>DISBURSEMENTS</b>				
Materials and services	32,920	32,920	35,869	(2,949)
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	-	-	18,031	18,031
<b>FUND BALANCE (Deficit), Beginning of year</b>	-	-	(20,534)	(20,534)
<b>FUND BALANCE (Deficit), End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,503)</u>	<u>\$ (2,503)</u>

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - DRUG INVESTIGATION FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 211	\$ 211	\$ 254	\$ 43
<b>DISBURSEMENTS</b>				
Materials and services	7,711	7,711	2,000	5,711
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	(7,500)	(7,500)	-	7,500
<b>FUND BALANCE, Beginning of year</b>	7,500	7,500	4,509	(2,991)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 4,509	\$ 4,509

**CITY OF MOLALLA, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - PARK DEPARTMENT FUND**

YEAR ENDED JUNE 30, 2008

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ -	\$ 198,520	\$ 192,982	\$ (5,538)
<b>DISBURSEMENTS</b>				
Personal services	-	198,817	154,687	44,130
Materials and services	-	171,800	170,801	999
Capital outlay	-	10,000	3,244	6,756
<i>Total Disbursements</i>	-	380,617	328,732	51,885
<b>RECEIPTS OVER (UNDER)</b>				
<b>DISBURSEMENTS</b>	-	(182,097)	(135,750)	46,347
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	182,097	182,097	-
<b>NET CHANGE IN FUND BALANCE</b>	-	-	46,347	46,347
<b>FUND BALANCE, Beginning of year</b>	-	-	-	-
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 46,347	\$ 46,347

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - PARK EXPANSION FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 186,000	\$ 186,000	\$ 48,762	\$ (137,238)
<b>DISBURSEMENTS</b>				
Materials and services	10,000	10,000	-	10,000
Capital outlay	176,000	176,000	30,000	146,000
<i>Total Disbursements</i>	<u>186,000</u>	<u>186,000</u>	<u>30,000</u>	<u>156,000</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	-	-	18,762	18,762
<b>FUND BALANCE, Beginning of year</b>	-	-	3,247	3,247
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,009</u>	<u>\$ 22,009</u>

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - EMERGENCY MANAGEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 28	\$ 28	\$ 28	\$ -
<b>DISBURSEMENTS</b>				
Capital outlay	1,028	1,028	30	998
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>				
	(1,000)	(1,000)	(2)	998
<b>FUND BALANCE, Beginning of year</b>				
	1,000	1,000	974	(26)
<b>FUND BALANCE, End of year</b>				
	\$ -	\$ -	\$ 972	\$ 972

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - D.A.R.E. FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 545	\$ 545	\$ 635	\$ 90
<b>DISBURSEMENTS</b>				
Materials and services	2,145	2,145	600	1,545
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,600)	(1,600)	35	1,635
<b>FUND BALANCE, Beginning of year</b>	1,600	1,600	1,964	364
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 1,999	\$ 1,999

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -**

**BUDGET AND ACTUAL - RECORDER'S TRUST FUND**

**YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Fines and forfeitures	\$ 181,088	\$ 181,088	\$ 192,135	\$ 11,047
Miscellaneous	50,000	50,000	67,178	17,178
<i>Total Receipts</i>	231,088	231,088	259,313	28,225
<b>DISBURSEMENTS</b>				
Materials and services	281,088	281,088	220,428	60,660
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>				
	(50,000)	(50,000)	38,885	88,885
<b>FUND BALANCE (Deficit), Beginning of year</b>				
	50,000	50,000	(23,139)	(73,139)
<b>FUND BALANCE, End of year</b>				
	\$ -	\$ -	\$ 15,746	\$ 15,746

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - BONDED DEBT FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Taxes and assessments	\$ 46,964	\$ 46,964	\$ 39,550	\$ (7,414)
<b>DISBURSEMENTS</b>				
Debt service	145,506	145,506	73,055	72,451
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(98,542)	(98,542)	(26,311)	72,231
<b>FUND BALANCE, Beginning of year</b>	98,542	98,542	99,064	522
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 72,753	\$ 72,753

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -**

**BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND**

**YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 2,337	\$ 2,337	\$ 2,336	\$ (1)
<b>DISBURSEMENTS</b>				
Capital outlay	85,337	85,337	26,597	58,740
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(83,000)	(83,000)	(24,261)	58,739
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	55,520	55,520	55,250	(270)
Transfers out	(55,520)	(55,520)	(55,231)	289
<i>Total Other Financing Sources (Uses)</i>	-	-	19	19
<b>NET CHANGE IN FUND BALANCE</b>	(83,000)	(83,000)	(24,242)	58,758
<b>FUND BALANCE, Beginning of year</b>	83,000	83,000	26,781	(56,219)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 2,539	\$ 2,539

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - EQUIPMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 5,180	\$ 5,180	\$ 5,180	\$ -
<b>DISBURSEMENTS</b>				
Capital outlay	219,180	219,180	53,725	165,455
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(214,000)	(214,000)	(48,545)	165,455
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	30,000	30,000	30,000	-
<b>NET CHANGE IN FUND BALANCE</b>	(184,000)	(184,000)	(18,545)	165,455
<b>FUND BALANCE, Beginning of year</b>	184,000	184,000	214,013	30,013
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 195,468	\$ 195,468

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - EMERGENCY VEHICLE FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Fines and forfeitures	\$ 10,000	\$ 10,000	\$ 14,097	\$ 4,097
Miscellaneous	28	28	28	-
<i>Total Receipts</i>	10,028	10,028	14,125	4,097
<b>DISBURSEMENTS</b>				
Capital outlay	11,028	11,028	17,587	(6,559)
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,000)	(1,000)	(3,462)	(2,462)
<b>FUND BALANCE, Beginning of year</b>	1,000	1,000	2,375	1,375
<b>FUND BALANCE (Deficit), End of year</b>	\$ -	\$ -	\$ (1,087)	\$ (1,087)

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -  
BUDGET AND ACTUAL - FOXX PARK RESERVE FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 3,097	\$ 3,097	\$ 5,797	\$ 2,700
<b>DISBURSEMENTS</b>				
Capital outlay	18,097	18,097	249	17,848
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>				
	(15,000)	(15,000)	5,548	20,548
<b>FUND BALANCE, Beginning of year</b>				
	110,000	110,000	109,000	(1,000)
<b>FUND BALANCE, End of year</b>				
	\$ 95,000	\$ 95,000	\$ 114,548	\$ 19,548

**CITY OF MOLALLA, OREGON**  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES (MODIFIED CASH BASIS) -**  
**NONMAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2008**

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	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and investments	\$ 167,798	\$ 102,171	\$ 269,969
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>	\$ -	\$ -	\$ -
<b>Fund Balances</b>			
Unreserved	167,798	102,171	269,969
<i>Total Liabilities and Fund Balances</i>	<u>\$ 167,798</u>	<u>\$ 102,171</u>	<u>\$ 269,969</u>

**CITY OF MOLALLA, OREGON****COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN RETAINED EARNINGS  
(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS  
YEAR ENDED JUNE 30, 2008**

	<i>Storm Water</i>	<i>Storm Water Capital Improvement</i>	<i>Totals</i>
<b>RECEIPTS</b>			
Licenses and permits	\$ -	\$ 15,606	\$ 15,606
Charges for services	88,884	-	88,884
Miscellaneous	8,959	2,244	11,203
<i>Total Receipts</i>	97,843	17,850	115,693
<b>DISBURSEMENTS</b>			
Personal services	80,497	-	80,497
Materials and services	35,721	-	35,721
Capital outlay	858	-	858
<i>Total Disbursements</i>	117,076	-	117,076
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(19,233)	17,850	(1,383)
<b>FUND BALANCES, Beginning of year</b>	187,031	84,321	271,352
<b>FUND BALANCES, End of year</b>	\$ 167,798	\$ 102,171	\$ 269,969

**CITY OF MOLALLA, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - WATER FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ 1,379,741	\$ 1,379,741	\$ 1,349,538	\$ (30,203)
Miscellaneous	4,025	4,025	5,222	1,197
<i>Total Receipts</i>	1,383,766	1,383,766	1,354,760	(29,006)
<b>DISBURSEMENTS</b>				
Personal services	485,202	485,202	464,576	20,626
Materials and services	424,493	424,493	279,426	145,067
Capital outlay	125,000	125,000	4,483	120,517
<i>Total Disbursements</i>	1,034,695	1,034,695	748,485	286,210
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	349,071	349,071	606,275	257,204
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(488,471)	(488,471)	(488,471)	-
<b>NET CHANGE IN FUND BALANCE</b>	(139,400)	(139,400)	117,804	257,204
<b>FUND BALANCE, Beginning of year</b>	139,400	139,400	370,275	230,875
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 488,079	\$ 488,079

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - WATER SYSTEM EXPANSION FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 21,435	\$ 21,435	\$ 12,369	\$ (9,066)
<b>DISBURSEMENTS</b>				
Capital outlay	396,224	396,224	-	396,224
Debt service	822,482	822,482	413,471	409,011
<i>Total Disbursements</i>	<u>1,218,706</u>	<u>1,218,706</u>	<u>413,471</u>	<u>805,235</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,197,271)	(1,197,271)	(401,102)	796,169
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	435,971	435,971	438,702	2,731
<b>NET CHANGE IN FUND BALANCE</b>	(761,300)	(761,300)	37,600	798,900
<b>FUND BALANCE, Beginning of year</b>	761,300	761,300	833,921	72,621
<b>FUND BALANCE, End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871,521</u>	<u>\$ 871,521</u>

**CITY OF MOLALLA, OREGON****SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 421,182	\$ 421,182	\$ 30,601	\$ (390,581)
Miscellaneous	45,128	45,128	43,872	(1,256)
<i>Total Receipts</i>	466,310	466,310	74,473	(391,837)
<b>DISBURSEMENTS</b>				
Materials and services	2,500	2,500	-	2,500
Capital outlay	2,252,872	2,252,872	416,130	1,836,742
<i>Total Disbursements</i>	2,255,372	2,255,372	416,130	1,839,242
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(1,789,062)	(1,789,062)	(341,657)	1,447,405
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	186,262	186,262	75,000	(111,262)
<b>NET CHANGE IN FUND BALANCE</b>	(1,602,800)	(1,602,800)	(266,657)	1,336,143
<b>FUND BALANCE, Beginning of year</b>	1,602,800	1,602,800	1,509,772	(93,028)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 1,243,115	\$ 1,243,115

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - SEWER FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ 1,376,581	\$ 1,376,581	\$ 1,708,996	\$ 332,415
Miscellaneous	1,730	1,730	2,474	744
<i>Total Receipts</i>	1,378,311	1,378,311	1,711,470	333,159
<b>DISBURSEMENTS</b>				
Personal services	374,745	374,745	330,572	44,173
Materials and services	496,296	496,296	465,268	31,028
Capital outlay	10,000	10,000	4,483	5,517
<i>Total Disbursements</i>	881,041	881,041	800,323	80,718
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	497,270	497,270	911,147	413,877
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(555,170)	(555,170)	(555,170)	-
<b>NET CHANGE IN FUND BALANCE</b>	(57,900)	(57,900)	355,977	413,877
<b>FUND BALANCE, Beginning of year</b>	57,900	57,900	443,022	385,122
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 798,999	\$ 798,999

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - SEWER SYSTEM EXPANSION FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Miscellaneous	\$ 9,859	\$ 9,859	\$ 9,859	\$ -
<b>DISBURSEMENTS</b>				
Capital outlay	189,859	189,859	13,083	176,776
Debt service	710,340	710,340	355,622	354,718
<i>Total Disbursements</i>	<u>900,199</u>	<u>900,199</u>	<u>368,705</u>	<u>531,494</u>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(890,340)	(890,340)	(358,846)	531,494
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	540,170	540,170	540,170	-
<b>NET CHANGE IN FUND BALANCE</b>	(350,170)	(350,170)	181,324	531,494
<b>FUND BALANCE (Deficit), Beginning of year</b>	<u>350,170</u>	<u>350,170</u>	<u>(597,464)</u>	<u>(947,634)</u>
<b>FUND BALANCE (Deficit), End of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (416,140)</u>	<u>\$ (416,140)</u>

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - SEWER CAPITAL IMPROVEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 777,995	\$ 777,995	\$ 30,600	\$ (747,395)
Miscellaneous	12,670	12,670	14,634	1,964
<i>Total Receipts</i>	790,665	790,665	45,234	(745,431)
<b>DISBURSEMENTS</b>				
Materials and services	6,000	6,000	-	6,000
Capital outlay	3,904,665	3,904,665	2,526,737	1,377,928
<i>Total Disbursements</i>	3,910,665	3,910,665	2,526,737	1,383,928
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(3,120,000)	(3,120,000)	(2,481,503)	638,497
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	2,670,000	2,670,000	2,377,783	(292,217)
<b>NET CHANGE IN FUND BALANCE</b>	(450,000)	(450,000)	(103,720)	346,280
<b>FUND BALANCE, Beginning of year</b>	450,000	450,000	429,327	(20,673)
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 325,607	\$ 325,607

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - STORM WATER FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Charges for services	\$ 93,488	\$ 93,488	\$ 88,884	\$ (4,604)
Miscellaneous	5,275	5,275	8,959	3,684
<i>Total Receipts</i>	98,763	98,763	97,843	(920)
<b>DISBURSEMENTS</b>				
Personal services	130,787	130,787	80,497	50,290
Materials and services	71,776	71,776	35,721	36,055
Capital outlay	80,000	80,000	858	79,142
<i>Total Disbursements</i>	282,563	282,563	117,076	165,487
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(183,800)	(183,800)	(19,233)	164,567
<b>FUND BALANCE, Beginning of year</b>	183,800	183,800	187,031	3,231
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 167,798	\$ 167,798

**CITY OF MOLALLA, OREGON**

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN RETAINED EARNINGS (CASH BASIS) -  
BUDGET AND ACTUAL - STORM WATER CAPITAL IMPROVEMENT FUND  
YEAR ENDED JUNE 30, 2008**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
<b>RECEIPTS</b>				
Licenses and permits	\$ 77,089	\$ 77,089	\$ 15,606	\$ (61,483)
Miscellaneous	2,244	2,244	2,244	-
<i>Total Receipts</i>	79,333	79,333	17,850	(61,483)
<b>DISBURSEMENTS</b>				
Materials and services	6,000	6,000	-	6,000
Capital outlay	153,033	153,033	-	153,033
<i>Total Disbursements</i>	159,033	159,033	-	159,033
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	(79,700)	(79,700)	17,850	97,550
<b>FUND BALANCE, Beginning of year</b>	79,700	79,700	84,321	4,621
<b>FUND BALANCE, End of year</b>	\$ -	\$ -	\$ 102,171	\$ 102,171

***OTHER SCHEDULES***



**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2008**

	<i>Balances</i> <i>July 1,</i> <i>2007</i>	<i>2007-2008</i> <i>Levy</i>	<i>Interest,</i> <i>Discounts and</i> <i>Adjustments</i>	<i>Collections</i>	<i>Balances</i> <i>June 30,</i> <i>2008</i>
<i>General Fund</i>					
2007-08	\$ -	\$ 2,088,826	\$ (53,496)	\$ (1,963,444)	\$ 71,886
2006-07	53,932		(600)	(35,169)	18,163
2005-06	14,098	-	(983)	(5,985)	7,130
2004-05	6,022	-	(127)	(3,596)	2,299
2003-04	2,369	-	(90)	(1,462)	817
2002-03	1,024	-	(45)	(205)	774
Prior	1,671	-	(31)	(259)	1,381
	<u>\$ 79,116</u>	<u>\$ 2,088,826</u>	<u>\$ (55,372)</u>	<u>\$ (2,010,120)</u>	<u>\$ 102,450</u>

**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF LONG-TERM DEBT TRANSACTIONS**  
**YEAR ENDED JUNE 30, 2008**

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
<b>DEBT PRINCIPAL TRANSACTIONS</b>			
EDD Loan	6.0%	1993	2012-13
1977 GO Bonds	5.0%	1977	2016-17
1978 GO Bonds	5.0%	1978	2018-19
1992 Water Revenue Bonds	3.0%-6.25%	1992	2011-12
1997 Water Revenue Bonds	3.8%-5.2%	1997	2016-17
2000 Sewer Revenue Bonds	4.45%-5.95%	2000	2024-25
State Revolving Loan	2.80%	2007	2028
Vehicle Lease	5.0%	2007	2010

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Unmatured Interest Outstanding July 1, 2007</i>
<b>DEBT INTEREST TRANSACTIONS</b>			
EDD Loan	6.0%	1993	\$ 7,415
1977 GO Bonds	5.0%	1977	45,277
1978 GO Bonds	5.0%	1978	150,193
1992 Water Revenue Bonds	3.0%-6.25%	1992	22,568
1997 Water Revenue Bonds	3.8%-5.2%	1997	1,006,402
2000 Sewer Revenue Bonds	4.45%-5.95%	2000	2,446,876
State Revolving Loan	2.80%	2007	-
Vehicle Lease	5.0%	2007	-
			\$ 3,678,731

<i>Outstanding July 1, 2007</i>	<i>New Issues</i>	<i>Principal Paid</i>	<i>Outstanding June 30, 2008</i>
\$ 29,202	\$ -	\$ (3,479)	\$ 25,723
151,679	-	(10,496)	141,183
465,963	-	(31,860)	434,103
135,000	-	(20,000)	115,000
3,235,000	-	(225,000)	3,010,000
3,940,000	-	(135,000)	3,805,000
-	2,670,000	-	2,670,000
-	71,037	(24,843)	46,194
<u>\$ 7,956,844</u>	<u>\$ 2,741,037</u>	<u>\$ (450,678)</u>	<u>\$ 10,247,203</u>

<i>New Issues</i>	<i>Interest Coupons Paid</i>	<i>Unmatured Interest June 30, 2008</i>
\$ -	\$ (1,752)	\$ 5,663
-	(7,328)	37,949
-	(23,371)	126,822
-	(9,253)	13,315
-	(159,218)	847,184
-	(220,622)	2,226,254
878,046	-	878,046
3,493	-	3,493
<u>\$ 881,539</u>	<u>\$ (421,544)</u>	<u>\$ 4,138,726</u>

**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE**  
**JUNE 30, 2008**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>EDD Loan</i>			<i>1977 GO Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 3,668	\$ 1,563	\$ 5,231	\$ 11,156	\$ 6,784	\$ 17,940
2010	3,909	1,322	5,231	11,714	6,212	17,926
2011	4,144	1,087	5,231	12,300	5,612	17,912
2012	4,392	839	5,231	12,914	4,982	17,896
2013	4,656	575	5,231	13,560	4,320	17,880
2014	4,954	277	5,231	14,238	3,625	17,863
2015	-	-	-	14,950	2,895	17,845
2016	-	-	-	15,698	2,129	17,827
2017	-	-	-	16,733	1,074	17,807
2018	-	-	-	17,920	316	18,236
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 25,723</u>	<u>\$ 5,663</u>	<u>\$ 31,386</u>	<u>\$ 141,183</u>	<u>\$ 37,949</u>	<u>\$ 179,132</u>



**CITY OF MOLALLA, OREGON**

**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)**

**JUNE 30, 2008**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1997 Water Revenue Bonds</i>			<i>2000 Sewer Revenue Bonds</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 235,000	\$ 147,816	\$ 382,816	\$ 140,000	\$ 213,353	\$ 353,353
2010	250,000	136,173	386,173	150,000	206,213	356,213
2011	260,000	123,675	383,675	155,000	198,488	353,488
2012	270,000	110,490	380,490	165,000	190,350	355,350
2013	285,000	96,330	381,330	175,000	181,358	356,358
2014	305,000	80,990	385,990	185,000	171,820	356,820
2015	320,000	64,740	384,740	190,000	161,738	351,738
2016	340,000	47,580	387,580	205,000	151,098	356,098
2017	360,000	29,380	389,380	215,000	139,618	354,618
2018	385,000	10,010	395,010	225,000	127,578	352,578
2019	-	-	-	240,000	114,753	354,753
2020	-	-	-	255,000	101,073	356,073
2021	-	-	-	270,000	86,538	356,538
2022	-	-	-	285,000	71,013	356,013
2023	-	-	-	300,000	54,625	354,625
2024	-	-	-	315,000	37,375	352,375
2025	-	-	-	335,000	19,263	354,263
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 3,010,000</u>	<u>\$ 847,184</u>	<u>\$ 3,857,184</u>	<u>\$ 3,805,000</u>	<u>\$ 2,226,254</u>	<u>\$ 6,031,254</u>

<i>Vehicle Lease</i>			<i>Clean Water State Revolving Loan</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 22,534	\$ 2,310	\$ 24,844	\$ 52,028	\$ 102,343	\$ 154,371
23,660	1,183	24,843	106,048	72,566	178,614
-	-	-	109,038	69,576	178,614
-	-	-	112,113	66,501	178,614
-	-	-	115,273	63,341	178,614
-	-	-	118,524	60,090	178,614
-	-	-	121,865	56,749	178,614
-	-	-	125,301	53,313	178,614
-	-	-	128,835	49,779	178,614
-	-	-	132,467	46,147	178,614
-	-	-	136,203	42,411	178,614
-	-	-	140,043	38,571	178,614
-	-	-	143,991	34,623	178,614
-	-	-	148,051	30,563	178,614
-	-	-	152,226	26,388	178,614
-	-	-	156,518	22,096	178,614
-	-	-	160,931	17,683	178,614
-	-	-	165,469	13,145	178,614
-	-	-	170,135	8,479	178,614
-	-	-	174,941	3,682	178,623
<u>\$ 46,194</u>	<u>\$ 3,493</u>	<u>\$ 49,687</u>	<u>\$ 2,670,000</u>	<u>\$ 878,046</u>	<u>\$ 3,548,046</u>

**CITY OF MOLALLA, OREGON**  
**SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)**  
**JUNE 30, 2008**

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 521,911	\$ 501,688	\$ 1,023,599
2010	604,484	447,916	1,052,400
2011	606,341	419,051	1,025,392
2012	637,071	389,200	1,026,271
2013	633,024	359,985	993,009
2014	669,227	328,787	998,014
2015	690,402	295,925	986,327
2016	731,765	261,634	993,399
2017	768,623	224,961	993,584
2018	810,844	186,644	997,488
2019	401,206	157,818	559,024
2020	395,043	139,644	534,687
2021	413,991	121,161	535,152
2022	433,051	101,576	534,627
2023	452,226	81,013	533,239
2024	471,518	59,471	530,989
2025	495,931	36,946	532,877
2026	165,469	13,145	178,614
2027	170,135	8,479	178,614
2028	174,941	3,682	178,623
	<u>\$ 10,247,203</u>	<u>\$ 4,138,726</u>	<u>\$ 14,385,929</u>

***REGULATORY SECTION***



**CITY OF MOLALLA, OREGON**

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS**

**YEAR ENDED JUNE 30, 2008**

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Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are as follows.

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Molalla (the City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2008. Our opinion was qualified for historical cost and depreciation records for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

*Significant Accounting Policies*

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the basic financial statements.

*Organization and Fund Structure*

The organization and fund structure of the City are documented on the title page and in the notes to the basic financial statements.

*Internal Control Over Financial Reporting*

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**CITY OF MOLALLA, OREGON**

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)**

**YEAR ENDED JUNE 30, 2008**

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*Adequacy of Accounting Records*

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements. The City does not maintain historical cost records for capital assets prior to fiscal year end 2004.

*Indebtedness*

The general obligation bonded debt of the City is in compliance with the limitation imposed by ORS 264.250 (3). We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2008.

*Adequacy of Collateral Securing Depository Balances*

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was not sufficient during the year ended June 30, 2008.

*Investments*

Our review of deposit and investment balances indicated that the City was in compliance with ORS 295, as it pertains to investment of public funds, during the year ended June 30, 2008.

*Budget Compliance*

The City appears to have complied with Local Budget Law (ORS 294.305 to 294.520) in the preparation, adoption and execution of its budget and tax levy for the year ended June 30, 2008, and the preparation and adoption of its budget for the year ending June 30, 2009, except as noted in the notes to the financial statements.

A description of the budgeting process is included in the notes to the basic financial statements.

*Insurance Policies and Fidelity Bonds*

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2008. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies covering City property at June 30, 2008.

*Public Contracting and Purchasing*

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

**CITY OF MOLALLA, OREGON**

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)**  
**YEAR ENDED JUNE 30, 2008**

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*Programs Funded From Outside Sources*

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to material programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material aspects.

*Financial Reporting Requirements*

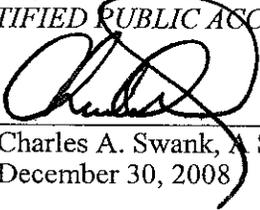
We have reviewed financial reports and other data relating to material programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

*Highway Funds*

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 368 and 373 as they pertain to the use of road funds.

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

GROVE, MUELLER & SWANK, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder  
December 30, 2008

