

***CITY OF MOLALLA, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2009***

CITY OF MOLALLA, OREGON

CITY OFFICIALS

JUNE 30, 2009

MAYOR

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Molalla, Oregon 97038

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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, 2009, 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.

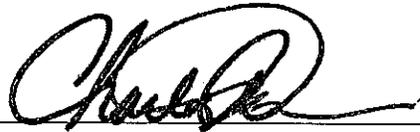
In our opinion, except for the matter discussed above, the financial statements referred to below, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the City of Molalla, Oregon, as of June 30, 2009, 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 and the schedule of funding progress - public employees retirement system are not required parts of the basic financial statements, but are 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 schedule of receipts, disbursements and changes in fund balance (cash basis) - budget and actual - General and Street Improvement Funds 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 17, 2009

CITY OF MOLALLA, OREGON

Management's Discussion and Analysis June 30, 2009

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, 2009.

Financial Highlights

	June 30,		change
	2009	2008	
Net assets	\$ 4,821,160	\$ 4,094,446	\$ 726,714
Change in net assets	823,017	25,378	797,639
Governmental fund balances	825,376	513,296	312,080
Change in governmental fund balances	408,383	(295,567)	703,950
Proprietary fund balances	3,995,784	3,581,150	414,634
Change in proprietary fund balances	414,634	320,945	93,689

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. Where the City provides services to the public for a fee, these activities are shown as business-type 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*.

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 \$4,917,463 as of June 30, 2009.

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.

Statements of Net Assets at June 30,

	2009			2008		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets	\$ 1,078,522	\$ 3,995,784	\$ 5,074,306	\$ 922,428	\$ 3,581,150	\$ 4,503,578
Liabilities	156,843	-	156,843	409,132	-	409,132
Net assets:						
Restricted	245,792	2,055,647	2,301,439	377,224	1,670,893	2,048,117
Unrestricted	675,887	1,940,137	2,616,024	136,072	1,910,257	2,046,329
Total Net Assets	\$ 921,679	\$ 3,995,784	\$ 4,917,463	\$ 513,296	\$ 3,581,150	\$ 4,094,446

Statement of Activities (modified cash basis). During the current fiscal year, the City's total unrestricted net assets from governmental activities increased by \$569,695. The key elements of the change in the City's net assets for the year ended June 30, 2009 are as follows:

1. Property tax revenues increased by \$85,649 (4%) during the year.
2. Charges for services decreased by \$47,268.
3. Operating grants decreased by \$131,921.
4. Capital grants increased by \$501,861.
5. Sewer disbursements decreased by \$2,326,781.

Statements of Changes in Net Assets
For the years ended June 30,

	2009			2008		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Receipts						
Program receipts:						
Charges for service	\$ 1,229,349	\$ 2,822,171	\$ 4,051,520	\$ 951,370	\$ 3,147,418	\$ 4,098,788
Operating grants	837,378	-	837,378	969,299	-	969,299
Capital grants	588,110	309,818	897,928	319,260	76,807	396,067
General receipts						
Property taxes	2,201,120	-	2,201,120	2,115,471	-	2,115,471
Intergovernmental	161,878	-	161,878	141,494	-	141,494
Licenses and permits	285,467	-	285,467	270,943	-	270,943
Miscellaneous	207,968	70,468	278,436	388,639	99,633	488,272
Loan proceeds	-	-	-	-	2,377,783	2,377,783
Total Receipts	5,511,270	3,202,457	8,713,727	5,156,476	5,701,641	10,858,117
Disbursements						
Governmental Activities						
General government	746,752	-	746,752	950,022	-	950,022
Public safety	2,385,828	-	2,385,828	2,138,776	-	2,138,776
Community	1,629,342	-	1,629,342	1,487,311	-	1,487,311
Public works	406,165	-	406,165	835,004	-	835,004
Long-term debt	30,883	-	30,883	30,699	-	30,699
Business-type Activities						
Water	-	1,211,039	1,211,039	-	1,578,086	1,578,086
Sewer	-	1,365,369	1,365,369	-	3,695,765	3,695,765
Storm water	-	115,332	115,332	-	117,076	117,076
Total Disbursements	5,198,970	2,691,740	7,890,710	5,441,812	5,390,927	10,832,739
Transfers	96,083	(96,083)	-	(10,231)	10,231	-
Change in net assets	408,383	414,634	823,017	(295,567)	320,945	25,378
Net assets – July 1	513,296	3,581,150	4,094,446	808,863	3,260,205	4,069,068
Net assets – June 30	\$ 921,679	\$ 3,995,784	\$ 4,917,463	\$ 513,296	\$ 3,581,150	\$ 4,094,446

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, 2009 the City's governmental funds reported combined ending fund balances of \$921,679, an increase of \$408,383 from the prior year.

General Fund. The General Fund is the primary operating fund of the City of Molalla. As of June 30, 2009, unreserved fund balance was \$(95,319). The fund balance increased by \$114,181 during the current fiscal year.

Other Funds. The primary activity of other governmental funds was providing street, library, adult center, and park related services.

General Fund Budgetary Highlights

The governing body did not approve changes to the adopted budget for the fiscal year ended June 30, 2009.

Debt Administration

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$9,729,140 (general obligation bonds \$530,473, revenue bonds \$9,152,972). Other outstanding long-term debt totaled \$45,695.

During the current fiscal year, the City's total debt decreased by \$518,063 (5%).

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 \$409,821,923, therefore, the current debt limitation for the City of Molalla is \$12,294,658, 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

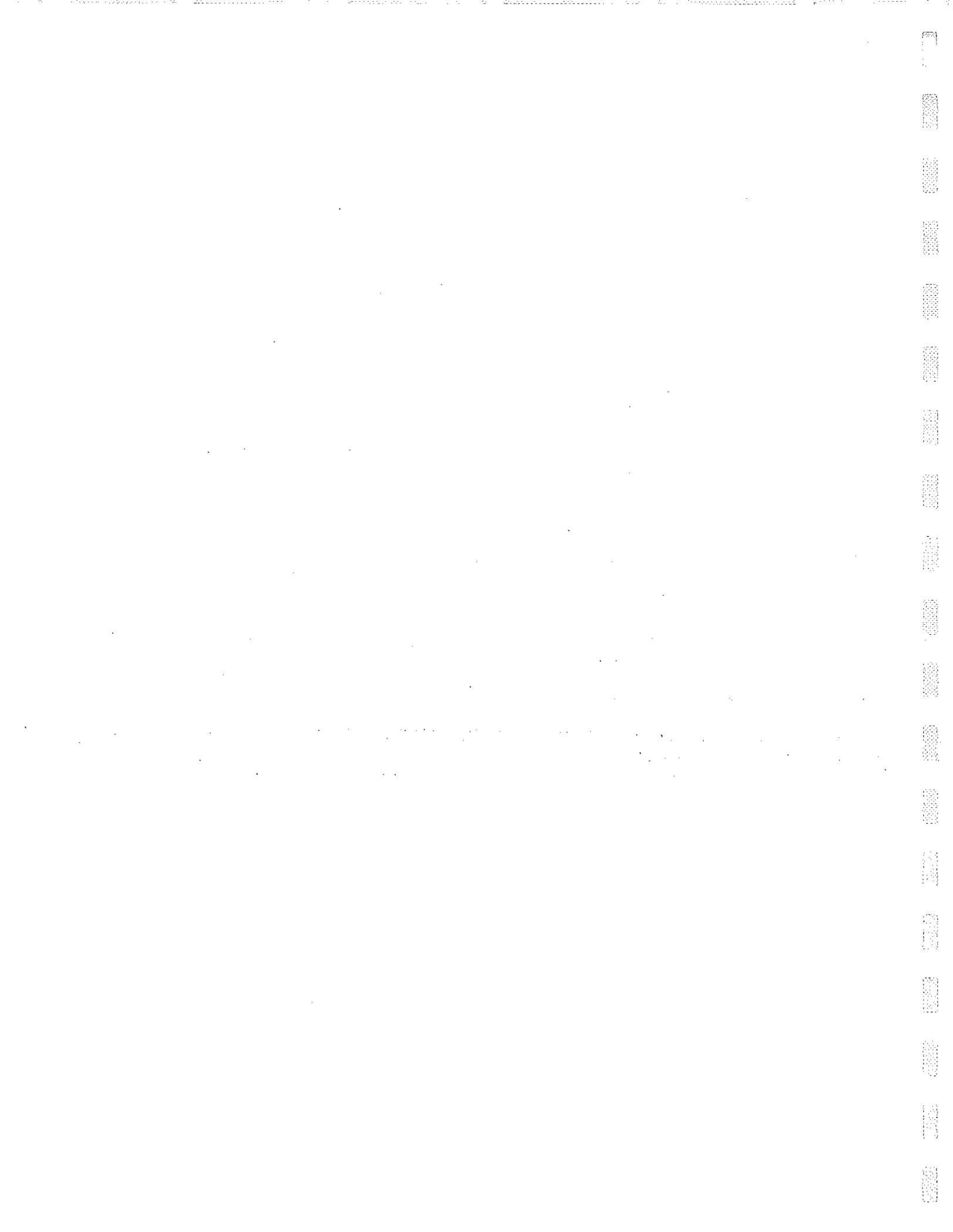
The City of Molalla's Budget Committee considered all the following factors while preparing the City budget for the 2009-10 fiscal year:

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

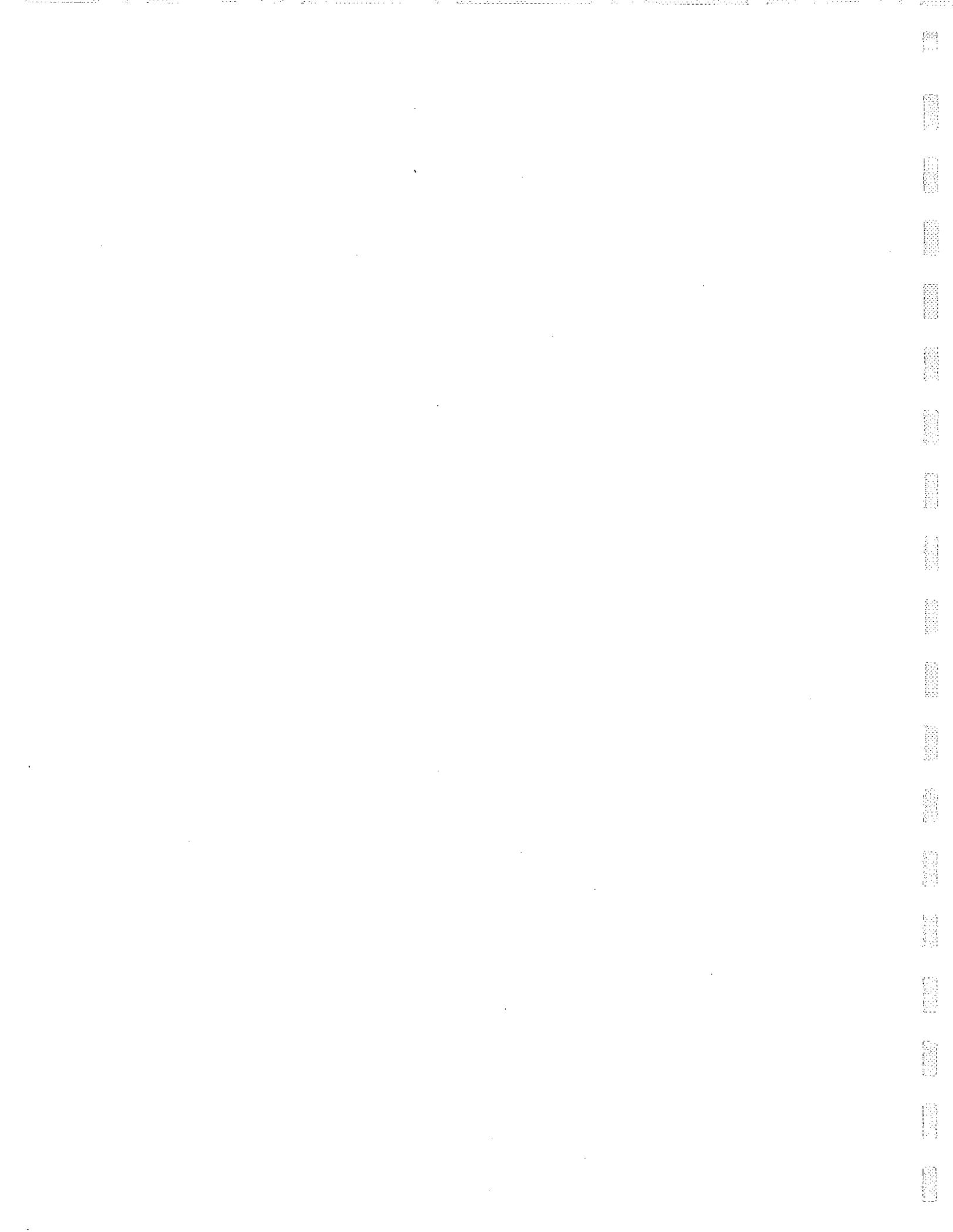
Requests for Information

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, 2009

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 921,679	\$ 3,995,784	\$ 4,917,463
Property taxes receivable	156,843	-	156,843
<i>Total Assets</i>	1,078,522	3,995,784	5,074,306
LIABILITIES			
Deferred revenue	156,843	-	156,843
NET ASSETS			
Fund net assets			
Restricted for:			
Debt service	68,326	-	68,326
Construction	64,896	-	64,896
Nonexpendable permanent fund	112,570	-	112,570
Unrestricted	675,887	3,995,784	4,671,671
<i>Total Net Assets</i>	\$ 921,679	\$ 3,995,784	\$ 4,917,463

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, 2009

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
Governmental activities:				
General government	\$ 746,752	\$ 300,798	\$ -	\$ -
Public safety	2,385,828	584,615	73,398	-
Public works	406,165	343,936	475,789	237,906
Community development	1,629,342	-	288,191	350,204
Interest on long-term debt	30,883	-	-	-
<i>Total governmental activities</i>	<u>5,198,970</u>	<u>1,229,349</u>	<u>837,378</u>	<u>588,110</u>
Business-type activities:				
Water	1,211,039	1,225,984	-	98,243
Sewer	1,365,369	1,505,140	-	173,856
Storm water	115,332	91,047	-	37,719
<i>Total business-type activities</i>	<u>2,691,740</u>	<u>2,822,171</u>	<u>-</u>	<u>309,818</u>
<i>Total activities</i>	<u>\$ 7,890,710</u>	<u>\$ 4,051,520</u>	<u>\$ 837,378</u>	<u>\$ 897,928</u>
General receipts:				
Property taxes				
Franchise fees				
Intergovernmental				
Miscellaneous				
<i>Total general receipts</i>				
Transfers				
Change in net assets				
Net assets, July 1, 2008				
Net assets, June 30, 2009				

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

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (445,954)	\$ -	\$ (445,954)
(1,727,815)	-	(1,727,815)
651,466	-	651,466
(990,947)	-	(990,947)
(30,883)	-	(30,883)
<u>(2,544,133)</u>	<u>-</u>	<u>(2,544,133)</u>
-	113,188	113,188
-	313,627	313,627
-	13,434	13,434
<u>-</u>	<u>440,249</u>	<u>440,249</u>
(2,544,133)	440,249	(2,103,884)
2,201,120	-	2,201,120
285,467	-	285,467
161,878	-	161,878
207,968	70,468	278,436
<u>2,856,433</u>	<u>70,468</u>	<u>2,926,901</u>
96,083	(96,083)	-
<u>408,383</u>	<u>414,634</u>	<u>823,017</u>
513,296	3,581,150	4,094,446
<u>\$ 921,679</u>	<u>\$ 3,995,784</u>	<u>\$ 4,917,463</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, 2009

	<u>General</u>	<u>Street Improvement</u>	<u>Other Governmental Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 507,354	\$ 414,325
Property taxes receivable	152,024	-	4,819
Due (to) from other funds	(95,319)	-	95,319
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 56,705	\$ 507,354	\$ 514,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ 152,024	\$ -	\$ 4,819
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	152,024	-	4,819
Fund Balances (Deficit)			
Unreserved, reported in:			
General fund	(95,319)	-	-
Special revenue funds	-	507,354	277,942
Capital projects fund	-	-	50,806
Debt service fund	-	-	68,326
Permanent fund	-	-	112,570
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	(95,319)	507,354	509,644
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 56,705	\$ 507,354	\$ 514,463
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Totals

\$ 921,679
156,843

\$ 1,078,522

\$ 156,843

156,843

(95,319)

785,296

50,806

68,326

112,570

921,679

\$ 1,078,522

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, 2009**

	<u>General</u>	<u>Street Improvements</u>	<u>Other Governmental Funds</u>
RECEIPTS			
Taxes and assessments	\$ 2,132,128	\$ -	\$ 68,991
Licenses and permits	238,046	350,204	495,680
Charges for services	-	-	266,230
Intergovernmental	241,346	-	715,627
Fines and forfeitures	274,593	-	337,875
Miscellaneous	107,937	174	233,909
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	2,994,050	350,378	2,118,312
DISBURSEMENTS			
Personal services	1,956,862	-	1,198,316
Materials and services	767,109	-	1,069,332
Capital outlay	57,193	3,762	152,356
Debt service	-	-	78,649
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	2,781,164	3,762	2,498,653
RECEIPTS OVER (UNDER) DISBURSEMENTS			
	212,886	346,616	(380,341)
OTHER FINANCING SOURCES (USES)			
Transfers in	213,140	21,000	444,429
Transfers out	(471,846)	-	(137,500)
Interfund loan	160,000	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(98,706)	21,000	306,929
NET CHANGE IN FUND BALANCES			
	114,180	367,616	(73,412)
FUND BALANCES (Deficit), Beginning of year			
	(209,499)	139,738	583,056
	<hr/>	<hr/>	<hr/>
FUND BALANCES (Deficit), End of year	\$ (95,319)	\$ 507,354	\$ 509,644
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Totals</u>	
\$	2,201,119
	1,083,930
	266,230
	956,973
	612,468
	342,020
	<hr/>
	5,462,740
	3,155,178
	1,836,441
	213,311
	78,649
	<hr/>
	5,283,579
	<hr/>
	179,161
	678,569
	(609,346)
	160,000
	<hr/>
	229,223
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	408,384
	513,295
	<hr/>
\$	921,679
	<hr/> <hr/>

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, 2009

	<u>Water</u>	<u>Water System Expansion</u>	<u>Water Capital Improvement</u>
ASSETS			
Cash and investments	\$ 417,760	\$ 860,323	\$ 1,415,912
LIABILITIES			
	-	-	-
NET ASSETS			
Restricted for construction	-	-	1,415,912
Unrestricted	417,760	860,323	-
<i>Total Net Assets</i>	<u>\$ 417,760</u>	<u>\$ 860,323</u>	<u>\$ 1,415,912</u>

<u>Sewer</u>	<u>Sewer System Expansion</u>	<u>Sewer Capital Improvement</u>	<u>Other Business-type Funds</u>	<u>Totals</u>
\$ 841,809	\$ (326,613)	\$ 499,158	\$ 287,435	\$ 3,995,784
-	-	-	-	-
-	-	499,158	140,577	2,055,647
841,809	(326,613)	-	146,858	1,940,137
<u>\$ 841,809</u>	<u>\$ (326,613)</u>	<u>\$ 499,158</u>	<u>\$ 287,435</u>	<u>\$ 3,995,784</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, 2009**

	<u>Water</u>	<u>Water System Expansion</u>	<u>Water Capital Improvement</u>
RECEIPTS			
Licenses and permits	\$ -	\$ -	\$ 98,243
Charges for services	1,225,984	-	-
Miscellaneous	15,300	15,647	28,228
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	1,241,284	15,647	126,471
DISBURSEMENTS			
Personal services	479,125	-	-
Materials and services	259,920	-	-
Capital outlay	-	-	2,591
Debt service	-	410,316	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	739,045	410,316	2,591
	<hr/>	<hr/>	<hr/>
RECEIPTS OVER (UNDER) DISBURSEMENTS	502,239	(394,669)	123,880
OTHER FINANCING SOURCES (USES)			
Transfers in	-	383,471	208,917
Transfers out	(572,558)	-	-
Interfund loan	-	-	(160,000)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(572,558)	383,471	48,917
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(70,319)	(11,198)	172,797
NET ASSETS (Deficit), Beginning of year	488,079	871,521	1,243,115
	<hr/>	<hr/>	<hr/>
NET ASSETS (Deficit), End of year	\$ 417,760	\$ 860,323	\$ 1,415,912
	<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>
\$ -	\$ -	\$ 173,857	\$ 37,719	\$ 309,819
1,505,140	-	-	91,417	2,822,541
3,748	3,162	3,964	4,032	74,081
1,508,888	3,162	177,821	133,168	3,206,441
342,547	-	-	87,894	909,566
426,808	452	-	27,438	714,618
-	-	17,400	370	20,361
-	353,353	154,371	-	918,040
769,355	353,805	171,771	115,702	2,562,585
739,533	(350,643)	6,050	17,466	643,856
-	440,170	167,500	-	1,200,058
(696,723)	-	-	-	(1,269,281)
-	-	-	-	(160,000)
(696,723)	440,170	167,500	-	(229,223)
42,810	89,527	173,550	17,466	414,633
798,999	(416,140)	325,608	269,969	3,581,151
\$ 841,809	\$ (326,613)	\$ 499,158	\$ 287,435	\$ 3,995,784

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, 2009.

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, 2009

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 Improvement Fund

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

The City reports the following nonmajor governmental funds:

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.

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.

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.

CITY OF MOLALLA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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.

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, 2009

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, 2009. Actual results may differ from such estimates.

CITY OF MOLALLA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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, 2009

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2009:

	<i>Carrying Value</i>	<i>Fair Value</i>
Cash		
Cash on hand	\$ 100	\$ 100
Deposits with financial institutions	503,136	503,136
Investments		
Local Government Investment Pool	4,414,226	4,414,226
Total	<u>\$ 4,917,462</u>	<u>4,917,462</u>

Deposits

At year end, the book balance of the City's bank deposits (checking accounts) was \$503,136 and the bank balance was \$427,037. The difference is due to transactions in process. Deposits are secured to legal limits by federal deposit insurance (up to \$250,000 per banking institution). The remaining amount is secured in accordance with ORS 295 under a collateral program administered by the Oregon State Treasurer.

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. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-Term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). At June 30, 2009, the fair value of the position in the Oregon State Treasurer's Short-Term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. LGIP is not rated for credit quality. 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.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

CASH AND INVESTMENTS (Continued)

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City's investment policy limits the types of investments that may be held and does not allow securities to be held by the counterparty.

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.

LONG-TERM DEBT

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

	<u>Outstanding July 1, 2008</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2009</u>	<u>Next Year Requirement</u>
<i>Governmental activities</i>					
EDD Loan, issued in 1993 at 6% interest.	\$ 25,723	\$ -	\$ (3,688)	\$ 22,035	\$ 3,909
1977 GO Bonds, issued in 1977 at 5% interest.	141,183	-	(10,625)	130,558	11,714
1978 GO Bonds, issued in 1978 at 5% interest.	434,103	-	(34,188)	399,915	34,153
Vehicle lease, issued in 2007	46,194	-	(22,534)	23,660	23,660
	<u>\$ 647,203</u>	<u>\$ -</u>	<u>\$ (71,035)</u>	<u>\$ 576,168</u>	<u>\$ 73,436</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2008</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2009</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%.	\$ 115,000	\$ -	\$ (20,000)	\$ 95,000	\$ 25,000
1997 Water Revenue Bonds, issued in 1997 at interest rates from 3.8-5.2%.	3,010,000	-	(235,000)	2,775,000	250,000
2000 Sewer Revenue Bonds, issued in 200 at interest rates from 4.45-5.95%.	3,805,000	-	(140,000)	3,665,000	150,000
State Revolving Loan, issued in 2007 with interest rate of 2.80%.	2,670,000	-	(52,028)	2,617,972	106,048
	<u>\$ 9,600,000</u>	<u>\$ -</u>	<u>\$ (447,028)</u>	<u>\$ 9,152,972</u>	<u>\$ 531,048</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>
2010	\$ 73,436	\$ 28,433	\$ 101,869
2011	52,303	24,622	76,925
2012	54,958	21,859	76,817
2013	57,751	18,956	76,707
2014	60,683	15,907	76,590
2015-2019	277,037	30,956	307,993
	<u>\$ 576,168</u>	<u>\$ 140,733</u>	<u>\$ 716,901</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

LONG-TERM DEBT (Continued)

Business-type Activities

<i>Fiscal Year Ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 531,048	\$ 419,483	\$ 950,531
2011	554,038	393,023	947,061
2012	587,113	367,341	954,454
2013	575,273	341,029	916,302
2014	608,524	312,900	921,424
2015-2019	3,124,671	1,094,894	4,219,565
2020-2024	2,165,829	502,865	2,668,694
2025-2029	1,006,476	62,252	1,068,728
	<u>\$ 9,152,972</u>	<u>\$ 3,493,787</u>	<u>\$ 12,646,759</u>

In 2008-09, the General Fund borrowed \$160,000 from the Water Capital Fund. The transaction has been reported as loan proceeds received in the General Fund and loan proceeds disbursed from the Water Capital Fund. The loan will be repaid over the next two years with interest at the equivalent of the State Local Investment Pool.

PENSION PLAN

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("OPERS"), an agent 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, 2009

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, 2009, 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, 2009, the City's annual pension expenditures including the 6% employee contribution was \$307,376, based on subject salary of \$2,176,086 with total payroll of \$2,898,696.

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.

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

<i>Fiscal Year Ending June 30,</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2007	\$ 397,581	100%	\$ -
2008	274,070	100%	-
2009	307,376	100%	-

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 80,000	\$ 471,846
Library	2,000	-
Street Department	15,000	15,000
Planning Department	49,000	25,000
Adult Center	168,563	-
State Revenue Sharing	-	97,500
Street Improvements	21,000	-
Park Department	139,346	-
Capital Improvement	55,520	-
Equipment	15,000	-
Sewer Department	-	622,670
Water Department	-	513,471
Sewer Expansion	440,170	-
Water Expansion	383,471	-
Sewer Capital Improvement	167,500	-
Water Capital Improvement	208,917	-
	<u>\$ 1,745,487</u>	<u>\$ 1,745,487</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.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2009 occurred as follows:

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2009

EXPENDITURES IN EXCESS OF APPROPRIATIONS (Continued)

<u>Fund/Appropriation Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Governmental			
<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, 2009, the following funds had negative fund balances:

Negative fund balances

General	\$ (95,319)
Street	(72,140)
Planning	(173,642)
Sewer System Expansion	(326,613)

The deficit fund balances imply unauthorized interfund borrowings at June 30, 2009.

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, 2009, the principal balance was \$96,303.

CITY OF MOLALLA, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

YEAR ENDED JUNE 30, 2009

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.

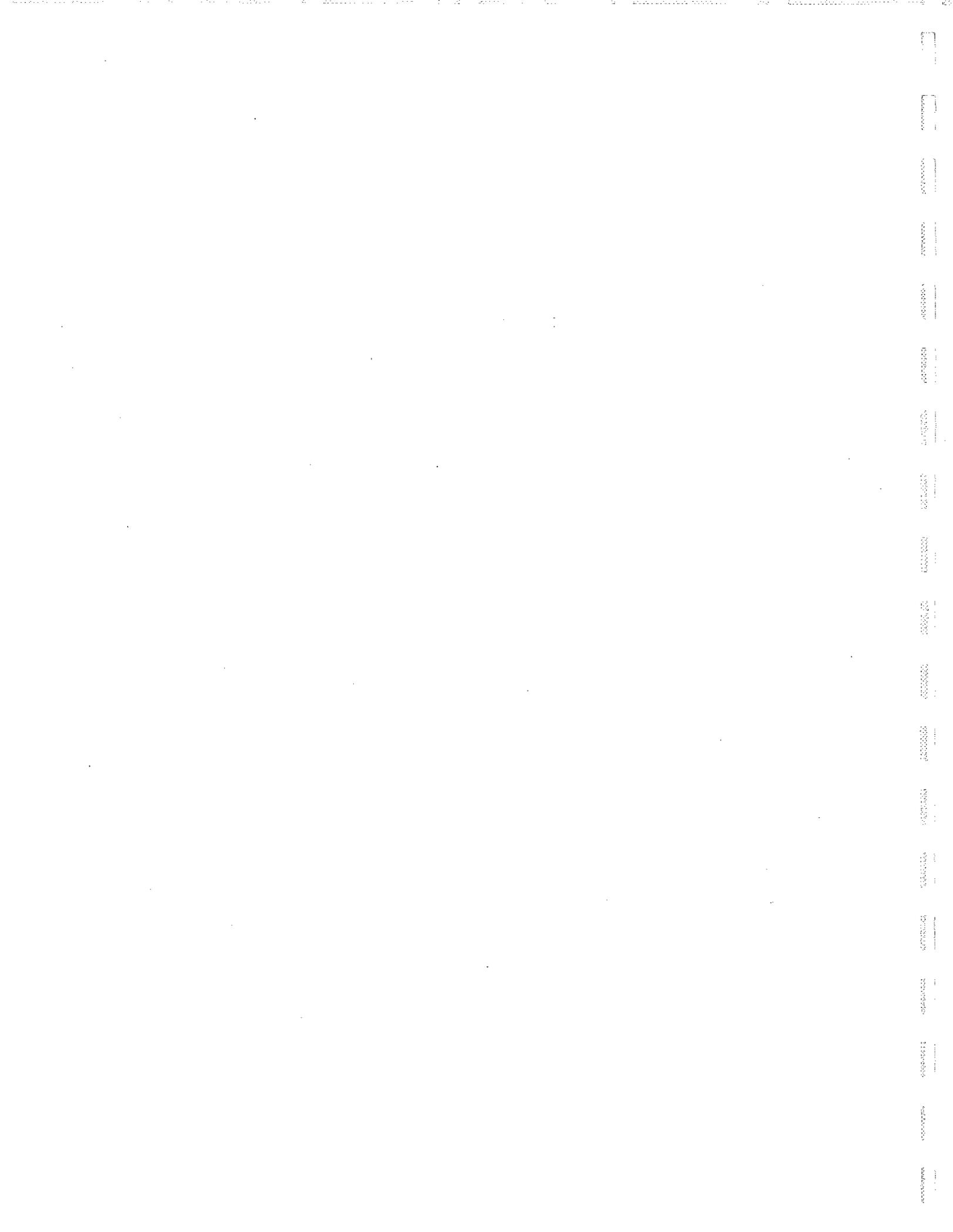
GASB PRONOUNCEMENTS ISSUED, NOT YET IN EFFECT

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact future financial presentations.

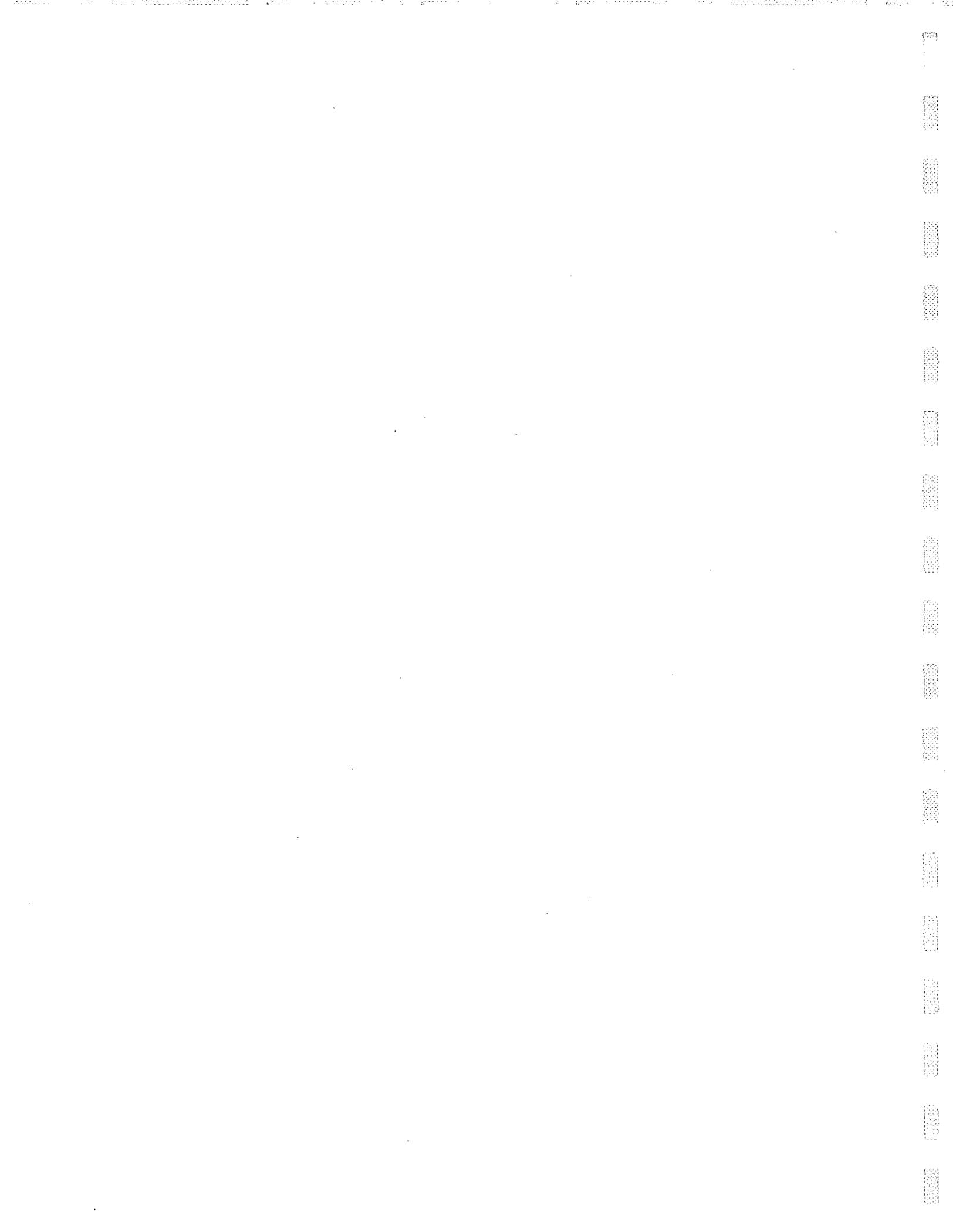
Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", issued June 30, 2004, will be effective for the District beginning with its year ending June 30, 2010. This Statement establishes standards for measurement, recognition, and display of other postemployment benefits, expenses, and related liabilities or assets, note disclosures, and if applicable, required supplementary information in the financial reports.

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", issued February, 2009 will be effective for the District Beginning with its fiscal year ending June 30, 2011. The Statement establishes new classifications for fund equity and new definitions for governmental fund types.



REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MOLALLA, OREGON

SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

JUNE 30, 2009

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>
12/31/06	\$ 10,652,928	\$ 8,092,951	\$ (2,559,977)	132%	\$ 2,497,077	(103)%
12/31/07	11,550,923	8,667,355	(2,883,568)	133	2,331,408	(124)
12/31/08	8,945,436	9,554,948	609,512	94	2,305,653	26

More current information is not available.

CITY OF MOLALLA, OREGON

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

BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 2,259,831	\$ 2,259,831	\$ 2,132,128	\$ (127,703)
Licenses and permits	426,075	426,075	371,186	(54,889)
Intergovernmental	297,054	297,054	241,346	(55,708)
Fines and forfeitures	180,000	180,000	274,593	94,593
Miscellaneous	183,710	183,710	107,937	(75,773)
<i>Total Receipts</i>	3,346,670	3,346,670	3,127,190	(219,480)
DISBURSEMENTS				
City Hall	889,217	889,217	779,634	109,583
Police	1,779,951	1,779,951	1,839,612	(59,661)
Municipal court and legal	135,129	135,129	161,918	(26,789)
Contingency	150,527	150,527	-	150,527
<i>Total Disbursements</i>	2,954,824	2,954,824	2,781,164	173,660
RECEIPTS OVER (UNDER) DISBURSEMENTS	391,846	391,846	346,026	(45,820)
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	80,000	80,000	-
Transfers out	(471,846)	(471,846)	(471,846)	-
Interfund loan	-	-	160,000	160,000
<i>Total Other Financing Sources (Uses)</i>	(391,846)	(391,846)	(231,846)	160,000
NET CHANGE IN FUND BALANCE	-	-	114,180	114,180
FUND BALANCE (Deficit), Beginning of year				
	-	-	(209,499)	(209,499)
FUND BALANCE (Deficit), End of year				
	\$ -	\$ -	\$ (95,319)	\$ (95,319)

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 241,000	\$ 241,000	\$ 350,204	\$ 109,204
Miscellaneous	75	75	174	99
<i>Total Receipts</i>	241,075	241,075	350,378	109,303
DISBURSEMENTS				
Materials and services	23,500	23,500	-	23,500
Capital outlay	241,075	241,075	3,762	237,313
<i>Total Disbursements</i>	264,575	264,575	3,762	260,813
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(23,500)	(23,500)	346,616	-
OTHER FINANCING SOURCES (USES)				
Transfers in	21,000	21,000	21,000	-
NET CHANGE IN FUND BALANCE	(2,500)	(2,500)	367,616	370,116
FUND BALANCE, Beginning of year	2,500	2,500	139,738	137,238
FUND BALANCE, End of year	\$ -	\$ -	\$ 507,354	\$ 507,354



OTHER SUPPLEMENTARY INFORMATION

CITY OF MOLALLA, OREGON

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

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2009

	<u>Street</u>	<u>Library</u>	<u>Planning Department</u>
ASSETS			
Cash and investments	\$ -	\$ 47,542	\$ -
Property taxes receivable	-	-	-
Due (to) from other funds	(72,140)	89,844	(173,642)
	<u> </u>	<u> </u>	<u> </u>
<i>Total Assets</i>	<u>\$ (72,140)</u>	<u>\$ 137,386</u>	<u>\$ (173,642)</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
Fund Balances (Deficit)			
Unreserved, reported in:			
Special revenue funds	(72,140)	137,386	(173,642)
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<u> </u>	<u> </u>	<u> </u>
<i>Total Fund Balances</i>	<u>(72,140)</u>	<u>137,386</u>	<u>(173,642)</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ (72,140)</u>	<u>\$ 137,386</u>	<u>\$ (173,642)</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>
\$ -	\$ 178	\$ 168	\$ 2,541	\$ 47,652	\$ 64,896
-	-	-	-	-	-
43,544	-	-	-	-	-
<u>\$ 43,544</u>	<u>\$ 178</u>	<u>\$ 168</u>	<u>\$ 2,541</u>	<u>\$ 47,652</u>	<u>\$ 64,896</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
43,544	178	168	2,541	47,652	64,896
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>43,544</u>	<u>178</u>	<u>168</u>	<u>2,541</u>	<u>47,652</u>	<u>64,896</u>
<u>\$ 43,544</u>	<u>\$ 178</u>	<u>\$ 168</u>	<u>\$ 2,541</u>	<u>\$ 47,652</u>	<u>\$ 64,896</u>

CITY OF MOLALLA, OREGON

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2009

	<u>Emergency Management</u>	<u>D.A.R.E</u>	<u>Recorder's Trust</u>
ASSETS			
Cash and investments	\$ 972	\$ 1,274	\$ 12,345
Property taxes receivable	-	-	-
Due (to) from other funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 972</u>	<u>\$ 1,274</u>	<u>\$ 12,345</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Deferred revenue	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>
Fund Balances (Deficit)			
Unreserved, reported in:			
Special revenue funds	972	1,274	12,345
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>972</u>	<u>1,274</u>	<u>12,345</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 972</u>	<u>\$ 1,274</u>	<u>\$ 12,345</u>

<i>Bonded Debt</i>	<i>Capital Improvement</i>	<i>Equipment</i>	<i>Emergency Vehicle</i>	<i>Foxx Park Reserve</i>	<i>Totals</i>
\$ 68,326	\$ 50,806	\$ -	\$ 5,055	\$ 112,570	\$ 414,325
4,819	-	-	-	-	4,819
-	-	207,713	-	-	95,319
<u>\$ 73,145</u>	<u>\$ 50,806</u>	<u>\$ 207,713</u>	<u>\$ 5,055</u>	<u>\$ 112,570</u>	<u>\$ 514,463</u>
\$ 4,819	\$ -	\$ -	\$ -	\$ -	\$ 4,819
-	-	207,713	5,055	-	277,942
-	50,806	-	-	-	50,806
68,326	-	-	-	-	68,326
-	-	-	-	112,570	112,570
<u>68,326</u>	<u>50,806</u>	<u>207,713</u>	<u>5,055</u>	<u>112,570</u>	<u>509,644</u>
<u>\$ 73,145</u>	<u>\$ 50,806</u>	<u>\$ 207,713</u>	<u>\$ 5,055</u>	<u>\$ 112,570</u>	<u>\$ 514,463</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, 2009**

	<u>Street</u>	<u>Library</u>	<u>Planning Department</u>
RECEIPTS			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	86,552	-	308,923
Charges for services	-	-	-
Intergovernmental	285,035	325,261	-
Fines and forfeitures	-	27,853	-
Miscellaneous	7,249	6,510	27,085
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	378,836	359,624	336,008
DISBURSEMENTS			
Personal services	258,147	228,325	291,049
Materials and services	140,569	70,496	216,924
Capital outlay	-	44,157	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	398,716	342,978	507,973
RECEIPTS OVER (UNDER) DISBURSEMENTS			
	(19,880)	16,646	(171,965)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	2,000	49,000
Transfers out	(15,000)	-	(25,000)
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	2,000	24,000
NET CHANGE IN FUND BALANCES			
	(19,880)	18,646	(147,965)
FUND BALANCES (Deficit), Beginning of year			
	(52,260)	118,740	(25,677)
	<hr/>	<hr/>	<hr/>
FUND BALANCES (Deficit), End of year			
	\$ (72,140)	\$ 137,386	\$ (173,642)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	100,205
-	-	-	-	266,230	-
10,720	55,393	39,218	-	-	-
-	-	-	-	-	-
147,657	-	-	31	-	-
158,377	55,393	39,218	31	266,230	100,205
214,497	-	-	-	206,298	-
90,143	-	36,547	2,000	183,034	-
5,423	-	-	-	14,939	57,318
-	-	-	-	-	-
310,063	-	36,547	2,000	404,271	57,318
(151,686)	55,393	2,671	(1,969)	(138,041)	42,887
168,563	-	-	-	139,346	-
-	(97,500)	-	-	-	-
168,563	(97,500)	-	-	139,346	-
16,877	(42,107)	2,671	(1,969)	1,305	42,887
26,667	42,285	(2,503)	4,510	46,347	22,009
\$ 43,544	\$ 178	\$ 168	\$ 2,541	\$ 47,652	\$ 64,896

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, 2009**

	<u>Emergency Management</u>	<u>D.A.R.E.</u>	<u>Recorder's Trust</u>
RECEIPTS			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	-	-	-
Intergovernmental	-	-	-
Fines and forfeitures	-	-	303,908
Miscellaneous	-	125	37,594
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	-	125	341,502
DISBURSEMENTS			
Personal services	-	-	-
Materials and services	-	850	344,903
Capital outlay	-	-	-
Debt service	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	-	850	344,903
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(725)	(3,401)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-	-
NET CHANGE IN FUND BALANCES	-	(725)	(3,401)
FUND BALANCES (Deficit), Beginning of year	972	1,999	15,746
	<hr/>	<hr/>	<hr/>
FUND BALANCES (Deficit), End of year	<u>\$ 972</u>	<u>\$ 1,274</u>	<u>\$ 12,345</u>

<i>Bonded Debt</i>	<i>Capital Improvement</i>	<i>Equipment</i>	<i>Emergency Vehicle</i>	<i>Foxx Park Reserve</i>	<i>Totals</i>
\$ 68,991	\$ -	\$ -	\$ -	\$ -	\$ 68,991
-	-	-	-	-	495,680
-	-	-	-	-	266,230
-	-	-	-	-	715,627
-	-	-	6,114	-	337,875
-	1,023	4,892	28	1,715	233,909
68,991	1,023	4,892	6,142	1,715	2,118,312
-	-	-	-	-	1,198,316
-	-	(16,134)	-	-	1,069,332
-	3,045	23,781	-	3,693	152,356
73,418	5,231	-	-	-	78,649
73,418	8,276	7,647	-	3,693	2,498,653
(4,427)	(7,253)	(2,755)	6,142	(1,978)	(380,341)
-	55,520	15,000	-	-	444,429
-	-	-	-	-	(137,500)
-	55,520	15,000	-	-	306,929
(4,427)	48,267	12,245	6,142	(1,978)	(73,412)
72,753	2,539	195,468	(1,087)	114,548	583,056
\$ 68,326	\$ 50,806	\$ 207,713	\$ 5,055	\$ 112,570	\$ 509,644

CITY OF MOLALLA, OREGON

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

BUDGET AND ACTUAL - STREET FUND

YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 75,000	\$ 75,000	\$ 86,552	\$ 11,552
Intergovernmental	314,780	314,780	285,035	(29,745)
Miscellaneous	1,600	1,600	7,249	5,649
<i>Total Receipts</i>	391,380	391,380	378,836	(12,544)
DISBURSEMENTS				
Personal services	214,525	214,525	258,147	(43,622)
Materials and services	226,855	226,855	140,569	86,286
<i>Total Disbursements</i>	441,380	441,380	398,716	42,664
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(50,000)	(50,000)	(19,880)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
<i>Total Other Financing Sources (Uses)</i>	-	-	-	-
NET CHANGE IN FUND BALANCE	(50,000)	(50,000)	(19,880)	30,120
FUND BALANCE (Deficit),				
<i>Beginning of year</i>	50,000	50,000	(52,260)	(102,260)
FUND BALANCE (Deficit), End of year	\$ -	\$ -	\$ (72,140)	\$ (72,140)

CITY OF MOLALLA, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - LIBRARY FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 313,775	\$ 313,775	\$ 325,261	\$ 11,486
Fines and forfeitures	23,000	23,000	27,853	4,853
Miscellaneous	12,100	12,100	6,510	(5,590)
<i>Total Receipts</i>	348,875	348,875	359,624	10,749
DISBURSEMENTS				
Personal services	244,147	244,147	228,325	15,822
Materials and services	89,950	89,950	70,496	19,454
Capital outlay	91,778	91,778	44,157	47,621
<i>Total Disbursements</i>	425,875	425,875	342,978	82,897
RECEIPTS OVER (UNDER) DISBURSEMENTS	(77,000)	(77,000)	16,646	-
OTHER FINANCING SOURCES (USES)				
Transfers in	2,000	2,000	2,000	-
NET CHANGE IN FUND BALANCE	(75,000)	(75,000)	18,646	93,646
FUND BALANCE, Beginning of year	75,000	75,000	118,740	43,740
FUND BALANCE, End of year	\$ -	\$ -	\$ 137,386	\$ 137,386

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - PLANNING DEPARTMENT FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 547,700	\$ 547,700	\$ 308,923	\$ (238,777)
Miscellaneous	134,480	134,480	27,085	(107,395)
<i>Total Receipts</i>	682,180	682,180	336,008	(346,172)
DISBURSEMENTS				
Personal services	369,924	369,924	291,049	78,875
Materials and services	257,256	257,256	216,924	40,332
Contingency	30,000	30,000	-	30,000
<i>Total Disbursements</i>	657,180	657,180	507,973	149,207
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	25,000	25,000	(171,965)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	49,000	49,000
Transfers out	(25,000)	(25,000)	(25,000)	-
<i>Total Other Financing Sources (Uses)</i>	(25,000)	(25,000)	24,000	49,000
NET CHANGE IN FUND BALANCE				
	-	-	(147,965)	(147,965)
FUND BALANCE, Beginning of year				
	-	-	(25,677)	(25,677)
FUND BALANCE (Deficit), End of year				
	\$ -	\$ -	\$ (173,642)	\$ (173,642)

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 32,500	\$ 32,500	\$ 10,720	\$ (21,780)
Miscellaneous	136,400	136,400	147,657	11,257
<i>Total Receipts</i>	168,900	168,900	158,377	(10,523)
DISBURSEMENTS				
Personal services	224,549	224,549	214,497	10,052
Materials and services	109,250	109,250	90,143	19,107
Capital outlay	3,500	3,500	5,423	(1,923)
<i>Total Disbursements</i>	337,299	337,299	310,063	27,236
RECEIPTS OVER (UNDER) DISBURSEMENTS	(168,399)	(168,399)	(151,686)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	168,399	168,399	168,563	164
NET CHANGE IN FUND BALANCE	-	-	16,877	16,877
FUND BALANCE, Beginning of year	-	-	26,667	26,667
FUND BALANCE, End of year	\$ -	\$ -	\$ 43,544	\$ 43,544

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 28,500	\$ 28,500	\$ 55,393	\$ 26,893
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	28,500	28,500	55,393	26,893
OTHER FINANCING SOURCES (USES)				
Transfers out	(48,500)	(48,500)	(97,500)	(49,000)
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	(42,107)	(22,107)
FUND BALANCE, Beginning of year	20,000	20,000	42,285	22,285
FUND BALANCE, End of year	\$ -	\$ -	\$ 178	\$ 178

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 33,232	\$ 33,232	\$ 39,218	\$ 5,986
DISBURSEMENTS				
Materials and services	33,232	33,232	36,547	(3,315)
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	2,671	2,671
FUND BALANCE (Deficit), Beginning of year	-	-	(2,503)	(2,503)
FUND BALANCE, End of year	\$ -	\$ -	\$ 168	\$ 168

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 200	\$ 200	\$ 31	\$ (169)
DISBURSEMENTS				
Materials and services	3,200	3,200	2,000	1,200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,000)	(3,000)	(1,969)	1,031
FUND BALANCE, Beginning of year	3,000	3,000	4,510	1,510
FUND BALANCE, End of year	\$ -	\$ -	\$ 2,541	\$ 2,541

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Charges for services	\$ 231,520	\$ 231,520	\$ 266,230	\$ 34,710
DISBURSEMENTS				
Personal services	182,766	182,766	206,298	(23,532)
Materials and services	178,100	178,100	183,034	(4,934)
Capital outlay	10,000	10,000	14,939	(4,939)
<i>Total Disbursements</i>	<u>370,866</u>	<u>370,866</u>	<u>404,271</u>	<u>(33,405)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(139,346)	(139,346)	(138,041)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	139,346	139,346	139,346	-
NET CHANGE IN FUND BALANCE	-	-	1,305	1,305
FUND BALANCE, Beginning of year	-	-	46,347	46,347
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,652</u>	<u>\$ 47,652</u>

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 100,205	\$ 65,205
DISBURSEMENTS				
Materials and services	10,000	10,000	-	10,000
Capital outlay	58,000	58,000	57,318	682
<i>Total Disbursements</i>	<u>68,000</u>	<u>68,000</u>	<u>57,318</u>	<u>10,682</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(33,000)	(33,000)	42,887	-
FUND BALANCE, Beginning of year	33,000	33,000	22,009	(10,991)
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,896</u>	<u>\$ 64,896</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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 30	\$ 30	\$ -	\$ (30)
DISBURSEMENTS				
Capital outlay	970	970	-	970
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(940)	(940)	-	940
FUND BALANCE, Beginning of year				
	940	940	972	32
FUND BALANCE, End of year				
	\$ -	\$ -	\$ 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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 545	\$ 545	\$ 125	\$ (420)
DISBURSEMENTS				
Materials and services	2,545	2,545	850	1,695
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,000)	(2,000)	(725)	1,275
FUND BALANCE, Beginning of year	2,000	2,000	1,999	(1)
FUND BALANCE, End of year	\$ -	\$ -	\$ 1,274	\$ 1,274

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Fines and forfeitures	\$ 180,000	\$ 180,000	\$ 303,908	\$ 123,908
Miscellaneous	50,000	50,000	37,594	(12,406)
<i>Total Receipts</i>	230,000	230,000	341,502	111,502
DISBURSEMENTS				
Materials and services	265,000	265,000	344,903	(79,903)
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(35,000)	(35,000)	(3,401)	31,599
FUND BALANCE, Beginning of year	35,000	35,000	15,746	(19,254)
FUND BALANCE, End of year	\$ -	\$ -	\$ 12,345	\$ 12,345

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 72,649	\$ 72,649	\$ 68,991	\$ (3,658)
DISBURSEMENTS				
Debt service	145,402	145,402	73,418	71,984
RECEIPTS OVER (UNDER) DISBURSEMENTS	(72,753)	(72,753)	(4,427)	68,326
FUND BALANCE, Beginning of year	72,753	72,753	72,753	-
FUND BALANCE, End of year	\$ -	\$ -	\$ 68,326	\$ 68,326

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, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 2,337	\$ 2,337	\$ 1,023	\$ (1,314)
DISBURSEMENTS				
Capital outlay	22,337	22,337	3,045	19,292
Debt service	5,520	5,520	5,231	289
<i>Total Disbursements</i>	<u>27,857</u>	<u>27,857</u>	<u>8,276</u>	<u>19,581</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(25,520)	(25,520)	(7,253)	18,267
OTHER FINANCING SOURCES (USES)				
Transfers in	55,520	55,520	55,520	-
Transfers out	(50,000)	(50,000)	-	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>5,520</u>	<u>5,520</u>	<u>55,520</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	48,267	68,267
FUND BALANCE, Beginning of year	20,000	20,000	2,539	(17,461)
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,806</u>	<u>\$ 50,806</u>

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - EQUIPMENT FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 3,000	\$ 3,000	\$ 4,892	\$ 1,892
DISBURSEMENTS				
Materials and services	-	-	(16,134)	16,134
Capital outlay	118,000	118,000	23,781	94,219
<i>Total Disbursements</i>	<u>118,000</u>	<u>118,000</u>	<u>7,647</u>	<u>110,353</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(115,000)	(115,000)	(2,755)	112,245
OTHER FINANCING SOURCES (USES)				
Transfers in	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(100,000)	(100,000)	12,245	112,245
FUND BALANCE, Beginning of year	100,000	100,000	195,468	95,468
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,713</u>	<u>\$ 207,713</u>

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, 2009*

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Fines and forfeitures	\$ 3,944	\$ 3,944	\$ 6,114	\$ 2,170
Miscellaneous	25	25	28	3
<i>Total Receipts</i>	3,969	3,969	6,142	2,173
DISBURSEMENTS				
Capital outlay	8,076	8,076	-	8,076
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,107)	(4,107)	6,142	10,249
FUND BALANCE (Deficit), Beginning of year	4,107	4,107	(1,087)	(5,194)
FUND BALANCE, End of year	\$ -	\$ -	\$ 5,055	\$ 5,055

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, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 3,100	\$ 3,100	\$ 1,715	\$ (1,385)
DISBURSEMENTS				
Capital outlay	23,100	23,100	3,693	19,407
Debt service	90,000	90,000	-	90,000
<i>Total Deductions</i>	<u>113,100</u>	<u>113,100</u>	<u>3,693</u>	<u>109,407</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(110,000)	(110,000)	(1,978)	108,022
FUND BALANCE, Beginning of year	<u>110,000</u>	<u>110,000</u>	<u>114,548</u>	<u>4,548</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,570</u>	<u>\$ 112,570</u>

CITY OF MOLALLA, OREGON

COMBINING STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2009

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 146,858	\$ 140,577	\$ 287,435
LIABILITIES			
	-	-	-
NET ASSETS			
Restricted for construction	-	140,577	140,577
Unrestricted	146,858	-	146,858
<i>Total Net Assets</i>	<u>\$ 146,858</u>	<u>\$ 140,577</u>	<u>\$ 287,435</u>

CITY OF MOLALLA, OREGON

**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2009**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Totals</u>
RECEIPTS			
Licenses and permits	\$ -	\$ 37,719	\$ 37,719
Charges for services	91,417	-	91,417
Miscellaneous	2,975	1,057	4,032
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	94,392	38,776	133,168
DISBURSEMENTS			
Personal services	87,894	-	87,894
Materials and services	27,438	-	27,438
Capital outlay	-	370	370
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	115,332	370	115,702
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,940)	38,406	17,466
NET ASSETS, Beginning of year	167,798	102,171	269,969
	<hr/>	<hr/>	<hr/>
NET ASSETS, End of year	\$ 146,858	\$ 140,577	\$ 287,435
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF MOLALLA, OREGON

*SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2009*

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,436,719	\$ 1,436,719	\$ 1,225,984	\$ (210,735)
Miscellaneous	7,000	7,000	15,299	8,299
<i>Total Receipts</i>	1,443,719	1,443,719	1,241,283	(202,436)
DISBURSEMENTS				
Personal services	507,141	507,141	479,125	28,016
Materials and services	469,421	469,421	259,919	209,502
Capital outlay	100,000	100,000	-	100,000
<i>Total Disbursements</i>	1,076,562	1,076,562	739,044	337,518
RECEIPTS OVER (UNDER) DISBURSEMENTS	367,157	367,157	502,239	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(597,157)	(597,157)	(572,558)	24,599
CHANGE IN NET ASSETS	(230,000)	(230,000)	(70,319)	159,681
NET ASSETS, Beginning of year	230,000	230,000	488,079	258,079
NET ASSETS, End of year	\$ -	\$ -	\$ 417,760	\$ 417,760

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER SYSTEM EXPANSION FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 36,000	\$ 36,000	\$ 15,647	\$ (20,353)
DISBURSEMENTS				
Capital outlay	766,997	766,997	-	766,997
Debt service	904,974	904,974	410,316	494,658
<i>Total Disbursements</i>	<u>1,671,971</u>	<u>1,671,971</u>	<u>410,316</u>	<u>1,261,655</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(1,635,971)	(1,635,971)	(394,669)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	435,971	435,971	383,471	(52,500)
CHANGE IN NET ASSETS				
	(1,200,000)	(1,200,000)	(11,198)	1,188,802
NET ASSETS, Beginning of year				
	1,200,000	1,200,000	871,521	(328,479)
NET ASSETS, End of year				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 860,323</u>	<u>\$ 860,323</u>

CITY OF MOLALLA, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 191,170	\$ 191,170	\$ 98,243	\$ (92,927)
Miscellaneous	45,000	45,000	28,228	(16,772)
<i>Total Receipts</i>	<u>236,170</u>	<u>236,170</u>	<u>126,471</u>	<u>(109,699)</u>
DISBURSEMENTS				
Materials and services	2,500	2,500	-	2,500
Capital outlay	1,942,587	1,942,587	2,591	1,939,996
<i>Total Disbursements</i>	<u>1,945,087</u>	<u>1,945,087</u>	<u>2,591</u>	<u>1,942,496</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(1,708,917)	(1,708,917)	123,880	-
OTHER FINANCING SOURCES (USES)				
Transfers in	208,917	208,917	208,917	-
Interfund loan	-	-	(160,000)	(160,000)
<i>Total Other Financing Sources (Uses)</i>	<u>208,917</u>	<u>208,917</u>	<u>48,917</u>	<u>(160,000)</u>
CHANGE IN NET ASSETS	(1,500,000)	(1,500,000)	172,797	1,672,797
NET ASSETS, Beginning of year	1,500,000	1,500,000	1,243,115	(256,885)
NET ASSETS, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415,912</u>	<u>\$ 1,415,912</u>

CITY OF MOLALLA, OREGON

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

BUDGET AND ACTUAL - SEWER FUND

YEAR ENDED JUNE 30, 2009

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,567,273	\$ 1,567,273	\$ 1,505,140	\$ (62,133)
Miscellaneous	1,600	1,600	3,748	2,148
<i>Total Receipts</i>	1,568,873	1,568,873	1,508,888	(59,985)
DISBURSEMENTS				
Personal services	400,863	400,863	342,547	58,316
Materials and services	514,396	514,396	426,808	87,588
<i>Total Disbursements</i>	915,259	915,259	769,355	145,904
RECEIPTS OVER (UNDER) DISBURSEMENTS	653,614	653,614	739,533	85,919
OTHER FINANCING SOURCES (USES)				
Transfers out	(703,614)	(703,614)	(696,723)	6,891
CHANGE IN NET ASSETS	(50,000)	(50,000)	42,810	92,810
NET ASSETS, Beginning of year	50,000	50,000	798,999	748,999
NET ASSETS, End of year	\$ -	\$ -	\$ 841,809	\$ 841,809

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER SYSTEM EXPANSION FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 8,100	\$ 8,100	\$ 3,162	\$ (4,938)
DISBURSEMENTS				
Materials and services	-	-	452	(452)
Capital outlay	11,564	11,564	-	11,564
Debt service	706,706	706,706	353,353	353,353
<i>Total Disbursements</i>	<u>718,270</u>	<u>718,270</u>	<u>353,805</u>	<u>364,465</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(710,170)	(710,170)	(350,643)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	440,170	440,170	440,170	-
CHANGE IN NET ASSETS	(270,000)	(270,000)	89,527	359,527
NET ASSETS (Deficit), Beginning of year	<u>270,000</u>	<u>270,000</u>	<u>(416,140)</u>	<u>(686,140)</u>
NET ASSETS (Deficit), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (326,613)</u>	<u>\$ (326,613)</u>

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2009**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 301,835	\$ 301,835	\$ 173,857	\$ (127,978)
Miscellaneous	13,000	13,000	3,964	(9,036)
<i>Total Receipts</i>	314,835	314,835	177,821	(137,014)
DISBURSEMENTS				
Materials and services	6,000	6,000	-	6,000
Capital outlay	141,335	141,335	17,400	123,935
Debt service	167,500	167,500	154,371	13,129
<i>Total Disbursements</i>	314,835	314,835	171,771	143,064
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	-	-	6,050	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	167,500	167,500
CHANGE IN NET ASSETS				
	-	-	173,550	173,550
NET ASSETS, Beginning of year				
	-	-	325,608	325,608
NET ASSETS, End of year				
	\$ -	\$ -	\$ 499,158	\$ 499,158

CITY OF MOLALLA, OREGON

*SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - STORM WATER FUND
YEAR ENDED JUNE 30, 2009*

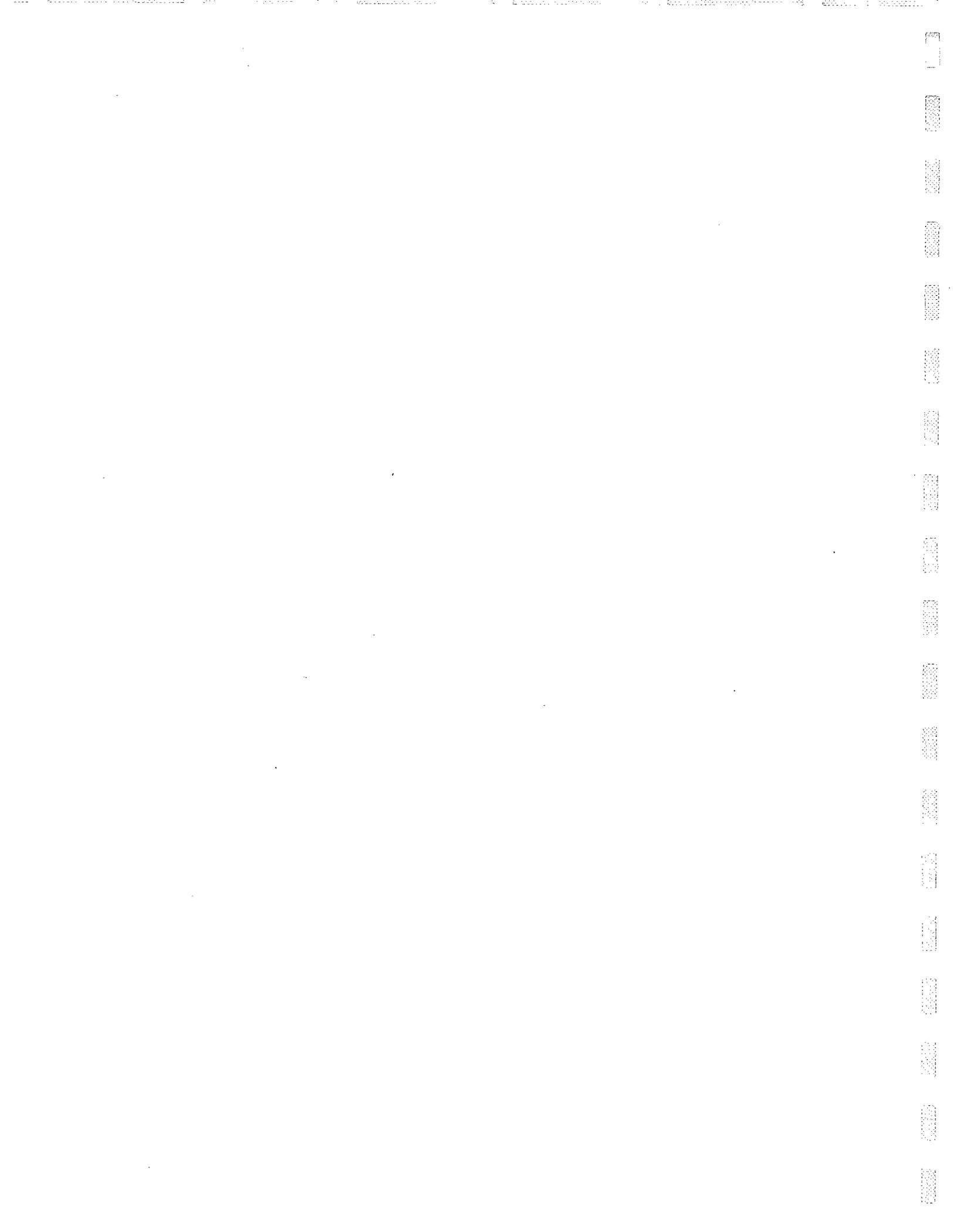
	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 88,546	\$ 88,546	\$ 91,417	\$ 2,871
Miscellaneous	5,350	5,350	2,975	(2,375)
<i>Total Receipts</i>	93,896	93,896	94,392	496
DISBURSEMENTS				
Personal services	136,293	136,293	87,894	48,399
Materials and services	82,603	82,603	27,438	55,165
Capital outlay	50,000	50,000	-	50,000
<i>Total Disbursements</i>	268,896	268,896	115,332	153,564
RECEIPTS OVER (UNDER) DISBURSEMENTS	(175,000)	(175,000)	(20,940)	-
NET ASSETS, Beginning of year	175,000	175,000	167,798	(7,202)
NET ASSETS, End of year	\$ -	\$ -	\$ 146,858	\$ 146,858

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - STORM WATER CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and permits	\$ 23,700	\$ 23,700	\$ 37,719	\$ 14,019
Miscellaneous	2,550	2,550	1,057	(1,493)
<i>Total Receipts</i>	26,250	26,250	38,776	12,526
DISBURSEMENTS				
Materials and services	6,000	6,000	-	6,000
Capital outlay	105,250	105,250	370	104,880
<i>Total Disbursements</i>	111,250	111,250	370	110,880
RECEIPTS OVER (UNDER) DISBURSEMENTS	(85,000)	(85,000)	38,406	-
NET ASSETS, Beginning of year	85,000	85,000	102,171	17,171
NET ASSETS, End of year	\$ -	\$ -	\$ 140,577	\$ 140,577

OTHER SCHEDULES



CITY OF MOLALLA, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2009

	<i>Balances</i> <i>July 1,</i> <i>2008</i>	<i>2008-2009</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>2009</i>
<i>General Fund</i>					
2008-09	\$ -	\$ 2,251,383	\$ (58,721)	\$ (2,096,021)	\$ 96,641
2007-08	71,886	-	(1,590)	(42,901)	27,395
2006-07	18,162	-	(282)	(8,038)	9,842
2005-06	7,130	-	(231)	(3,941)	2,958
2004-05	2,299	-	(73)	(1,345)	881
2003-04	817	-	(72)	(157)	588
2002-03	775	-	(6)	(108)	661
Prior	1,210	-	(9)	(83)	1,118
	<u>\$ 102,279</u>	<u>\$ 2,251,383</u>	<u>\$ (60,984)</u>	<u>\$ (2,152,594)</u>	<u>\$ 140,084</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2009

DEBT PRINCIPAL TRANSACTIONS	Interest Rates	Date of Issue	Fiscal Year of Maturity
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

DEBT INTEREST TRANSACTIONS	Interest Rates	Date of Issue	Unmatured Interest Outstanding July 1, 2008
EDD Loan	6.0%	1993	\$ 5,663
1977 GO Bonds	5.0%	1977	37,949
1978 GO Bonds	5.0%	1978	126,822
1992 Water Revenue Bonds	3.0%-6.25%	1992	13,315
1997 Water Revenue Bonds	3.8%-5.2%	1997	847,184
2000 Sewer Revenue Bonds	4.45%-5.95%	2000	2,226,254
State Revolving Loan	2.80%	2007	878,046
Vehicle Lease	5.0%	2007	3,493
			\$ 4,138,726

<i>Outstanding July 1, 2008</i>	<i>New Issues</i>	<i>Principal Paid</i>	<i>Outstanding June 30, 2009</i>
\$ 25,723	\$ -	\$ (3,688)	\$ 22,035
141,183	-	(10,625)	130,558
434,103	-	(34,188)	399,915
115,000	-	(20,000)	95,000
3,010,000	-	(235,000)	2,775,000
3,805,000	-	(140,000)	3,665,000
2,670,000	-	(52,028)	2,617,972
46,194	-	(22,534)	23,660
<u>\$ 10,247,203</u>	<u>\$ -</u>	<u>\$ (518,063)</u>	<u>\$ 9,729,140</u>

<i>New Issues</i>	<i>Interest Coupons Paid</i>	<i>Unmatured Interest June 30, 2009</i>
\$ -	\$ (1,543)	\$ 4,120
-	(7,284)	30,665
-	(22,057)	104,765
-	(7,500)	5,815
-	(147,816)	699,368
-	(213,353)	2,012,901
-	(102,343)	775,703
-	(2,310)	1,183
<u>\$ -</u>	<u>\$ (504,206)</u>	<u>\$ 3,634,520</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2009

<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>
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	4,934	297	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	574	17,307
2018	-	-	-	18,451	316	18,767
2019	-	-	-	-	-	-
2020	-	-	-	-	-	-
2021	-	-	-	-	-	-
2022	-	-	-	-	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
	<u>\$ 22,035</u>	<u>\$ 4,120</u>	<u>\$ 26,155</u>	<u>\$ 130,558</u>	<u>\$ 30,665</u>	<u>\$ 161,223</u>

CITY OF MOLALLA, OREGON

SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)

JUNE 30, 2009

Fiscal Year

Ending June 30,	1997 Water Revenue Bonds			2000 Sewer Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	-	-	-	-	-	-
	\$ 2,775,000	\$ 699,368	\$ 3,474,368	\$ 3,665,000	\$ 2,012,901	\$ 5,677,901

<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>
\$ 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>\$ 23,660</u>	<u>\$ 1,183</u>	<u>\$ 24,843</u>	<u>\$ 2,617,972</u>	<u>\$ 775,703</u>	<u>\$ 3,393,675</u>

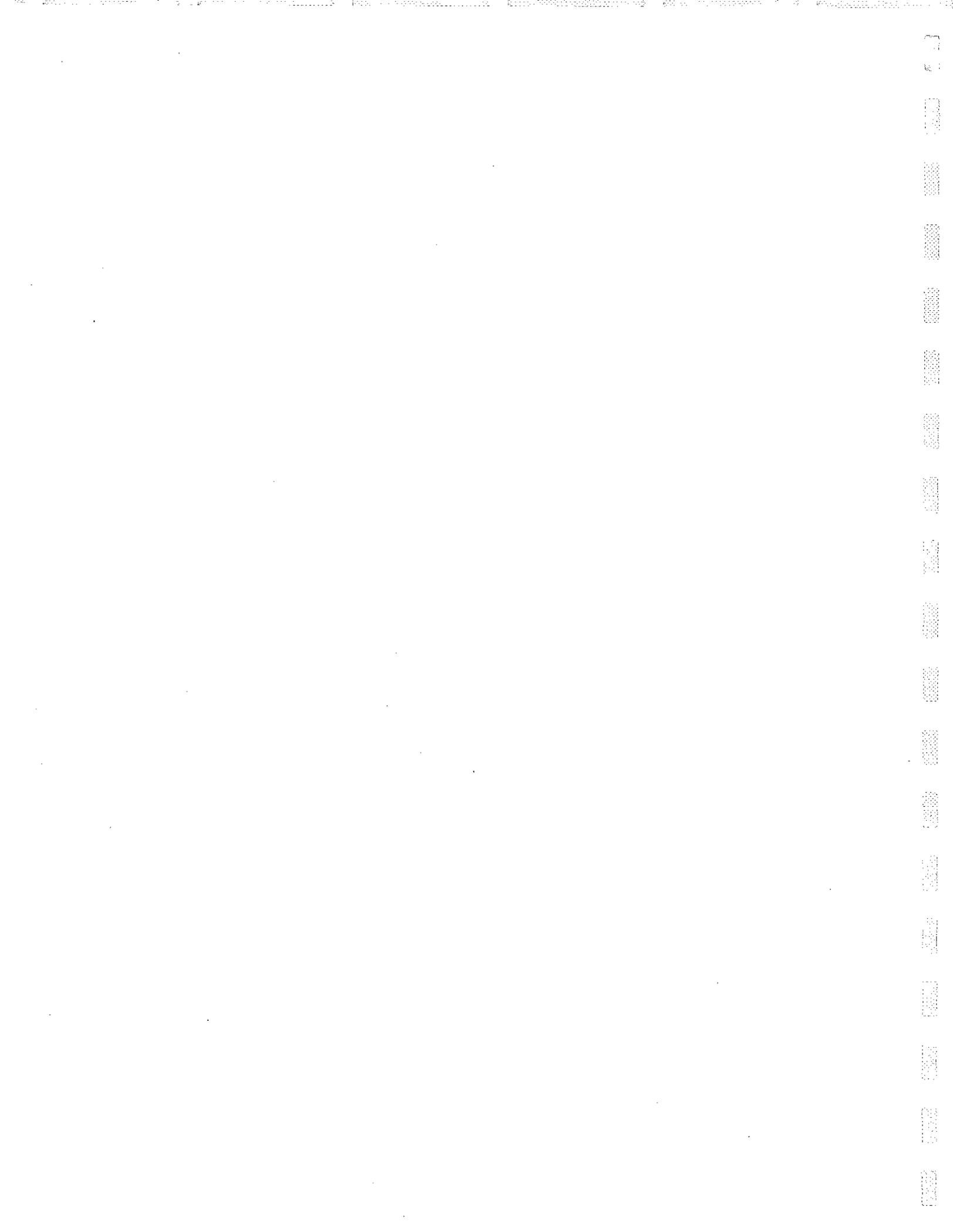
CITY OF MOLALLA, OREGON

SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)

JUNE 30, 2009

<i>Fiscal Year Ending June 30,</i>	<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2010	\$ 604,484	\$ 447,916	\$ 1,052,400
2011	606,341	417,645	1,023,986
2012	642,071	389,200	1,031,271
2013	633,024	359,985	993,009
2014	669,207	328,807	998,014
2015	690,402	295,925	986,327
2016	731,765	261,634	993,399
2017	768,623	224,461	993,084
2018	811,375	186,644	998,019
2019	399,543	157,186	556,729
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>\$ 9,729,140</u>	<u>\$ 3,634,520</u>	<u>\$ 13,363,660</u>

REGULATORY SECTION



CITY OF MOLALLA, OREGON
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
YEAR ENDED JUNE 30, 2009

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2009. 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. Our comments to management regarding control deficiencies are contained in a separate letter dated December 17, 2009.

CITY OF MOLALLA, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)
YEAR ENDED JUNE 30, 2009

Adequacy of Accounting Records

The City's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements, except the City does not maintain historical cost and depreciation records for capital assets.

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, 2009.

Adequacy of Collateral Securing Depository Balances

The City has complied with Oregon Revised Statutes Chapter 295 in relation to deposit accounts.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2009.

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, 2009, and the preparation and adoption of its budget for the year ending June 30, 2010, except as noted in the notes to the financial statements, and except that the budgeted transfers in did not equal the budgeted transfers out in the 2009-10 budget.

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, 2009. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage.

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.

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.

CITY OF MOLALLA, OREGON

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2009

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.

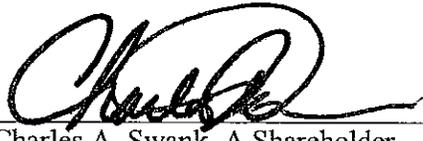
Highway Funds

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 17, 2009

