

***CITY OF MOLALLA, OREGON
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010***

CITY OF MOLALLA, OREGON

CITY OFFICIALS

JUNE 30, 2010

MAYOR

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Molalla, Oregon 97038

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CITY OF MOLALLA, OREGON
TABLE OF CONTENTS
JUNE 30, 2010

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets (Modified Cash Basis)	8
Statement of Activities (Modified Cash Basis)	9
Fund Financial Statements	
Statement of Assets and Liabilities (Modified Cash Basis) - Governmental Funds	10
Statement of Receipts, Disbursements and Changes in Fund Balances (Modified Cash Basis) - Governmental Funds	11
Statement of Net Assets (Modified Cash Basis) - Proprietary Funds	12
Statement of Receipts, Disbursements and Changes in Fund Net Assets (Modified Cash Basis) - Proprietary Funds	13
Notes to Basic Financial Statements	14-30
Required Supplementary Information	
Schedule of Funding Progress - Public Employees Retirement System	31
Schedule of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) - Budget and Actual	
General Fund	32
Street Improvement Fund	33
Library Fund	34
Other Supplementary Information	
Nonmajor Governmental Funds - Statements and Schedules	
Combining Statement of Assets and Liabilities (Modified Cash Basis)	35-36
Combining Statement of Receipts, Disbursements and Changes in Fund Balances (Modified Cash Basis)	37-38
Schedules of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) - Budget and Actual	
Street Fund	39
Street SDC Fund	40
Planning Fund	41
Adult Center Fund	42
State Revenue Sharing Fund	43
911 Emergency Fund	44
Drug Investigation Fund	45
Parks & Recreation Fund	46
Park Capital Fund	47
Park SDC Fund	48
Emergency Management Fund	49
D.A.R.E. Fund	50
Recorder's Trust Fund	51
Bonded Debt Fund	52

CITY OF MOLALLA, OREGON
TABLE OF CONTENTS (Continued)
JUNE 30, 2010

Page

FINANCIAL SECTION (Continued)

Other Supplementary Information (Continued)

Nonmajor Governmental Funds - Statements and Schedules

Schedules of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) -

Budget and Actual

Capital Improvement Fund 53

Equipment Fund 54

Emergency Vehicle Fund 55

URA Fund 56

Sally Foxx Park Fund 57

Nonmajor Enterprise Funds - Statements and Schedules

Combining Statement of Net Assets (Modified Cash Basis) 58

Combining Statement of Receipts, Disbursements and Changes in Fund Net Assets
 (Modified Cash Basis) 59

Schedules of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) -

Budget and Actual

Water Fund 60

Water Debt Retirement Fund 61

Water Capital Improvement Fund 62

Sewer Fund 63

Sewer Debt Retirement Fund 64

Sewer Capital Improvement Fund 65

Storm Water Fund 66

Storm Water Capital Improvement Fund 67

Storm Water SDC Fund 68

Water SDC Fund 69

Sewer SDC Fund 70

CWSFR Debt Retirement Fund 71

Other Schedules

Schedule of Property Tax Transactions 72

Schedule of Long-Term Debt Transactions 73

Future Bond and Interest Requirements 74-75

REGULATORY SECTION

Independent Auditor's Report Required By Oregon State Regulations 76-77

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, 2010, 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.

During the year the City had significant problems with its software. The City was unable to accurately record its receipts and disbursements and to reconcile what had been recorded with its cash balances.

Since the City did not accurately record its receipts and disbursements and we were not able to apply other auditing procedures to satisfy ourselves as to the amounts of receipts and disbursements or the allocation of such items by fund, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on 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, 2010, and the

respective changes in financial position 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.

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

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

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

By: 

Charles A. Swank, Shareholder
February 16, 2011

CITY OF MOLALLA, OREGON
 Management's Discussion and Analysis
 June 30, 2010

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, 2010.

Financial Highlights

	June 30,		change
	2010	2009	
Net assets	\$ 5,361,775	\$ 4,917,464	\$ 444,311
Change in net assets	444,311	823,017	(378,706)
Governmental net assets	1,382,777	921,679	461,098
Change in governmental net assets	461,098	408,383	52,715
Proprietary net assets	3,978,998	3,995,785	(16,787)
Change in proprietary net assets	(16,787)	414,634	(431,421)

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 \$5,361,775 as of June 30, 2010.

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,

	2010			2009		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets	\$ 1,550,287	\$ 3,978,998	\$ 5,529,285	\$ 1,078,522	\$ 3,995,784	\$ 5,074,306
Liabilities	167,510	-	167,510	156,843	-	156,843
Net assets:						
Restricted	255,954	3,074,561	3,330,515	245,792	2,055,648	2,301,440
Unrestricted	1,030,520	904,437	1,934,957	675,887	1,940,137	2,616,024
Total Net Assets	\$ 1,286,474	\$ 3,978,998	\$ 5,265,472	\$ 921,679	\$ 3,995,785	\$ 4,917,464

Statement of Activities (modified cash basis). During the current fiscal year, the City's total unrestricted net assets from governmental activities increased by \$461,098 . The key elements of the change in the City's net assets for the year ended June 30, 2010 are as follows:

1. Property tax revenues increased by \$161,843 (7.35%) during the year.
2. Charges for services decreased by \$(146,459).
3. Operating grants increased by \$620,041 .
4. Capital grants decreased by \$(383,979).
5. Loan proceeds of \$6,672,189 offset by \$6,812,714 in disbursements in the proprietary funds.

**Statements of Activities
For the years ended June 30,**

	2010			2009		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Receipts						
Program receipts:						
Charges for service	\$ 1,016,693	\$ 2,888,368	\$ 3,905,061	\$ 1,229,349	\$ 2,822,171	\$ 4,051,520
Operating grants	1,457,419	-	1,457,419	837,378	-	837,378
Capital grants	294,749	219,200	513,949	588,110	309,818	897,928
General receipts						
Property taxes	2,362,963	-	2,362,963	2,201,120	-	2,201,120
Intergovernmental	149,799	-	149,799	161,878	-	161,878
Licenses and permits	292,917	-	292,917	285,467	-	285,467
Miscellaneous	459,108	34,752	493,860	207,968	70,468	278,436
Loan proceeds	-	6,672,189	6,672,189	-	-	-
Total Receipts	6,033,648	9,814,509	15,848,157	5,511,270	3,202,457	8,713,727
Disbursements						
Governmental						
General government	831,924	-	831,924	746,752	-	746,752
Public safety	2,527,461	-	2,527,461	2,385,828	-	2,385,828
Community	1,659,655	-	1,659,655	1,629,342	-	1,629,342
Public works	853,522	-	853,522	406,165	-	406,165
Long-term debt	26,830	-	26,830	30,883	-	30,883
Business-type Activities						
Water	-	4,418,262	4,418,262	-	1,211,039	1,211,039
Sewer	-	4,961,232	4,961,232	-	1,365,369	1,365,369
Storm water	-	124,960	124,960	-	115,332	115,332
Total Disbursements	5,899,392	9,504,454	15,403,846	5,198,970	2,691,740	7,890,710
Transfers	326,842	(326,842)	-	96,083	(96,083)	-
Change in net assets	461,098	(16,787)	444,311	408,383	414,634	823,017
Net assets - July 1	921,679	3,995,785	4,917,464	513,296	3,581,151	4,094,447
Net assets - June 30	\$ 1,382,777	\$ 3,978,998	\$ 5,361,775	\$ 921,679	\$ 3,995,785	\$ 4,917,464

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, 2010 the City's governmental funds reported \$1,382,777 combined ending fund balances, an increase of \$461,098 from the prior year.

General Fund. The General Fund is the primary operating fund of the City of Molalla. As of June 30, 2010, the fund balance was \$(18,715) which was an increase of \$76,604 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

There were no changes to the adopted budget for the fiscal year ended June 30, 2010.

Debt Administration

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$8,990,050 (general obligation bonds \$440,000 , revenue bonds \$6,020,000). Other outstanding long-term debt totaled \$2,530,050 .

During the current fiscal year, the City's total debt decreased by \$739,373 (7.60%).

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 \$451,485,885, therefore, the current debt limitation for the City of Molalla is \$13,544,577, 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

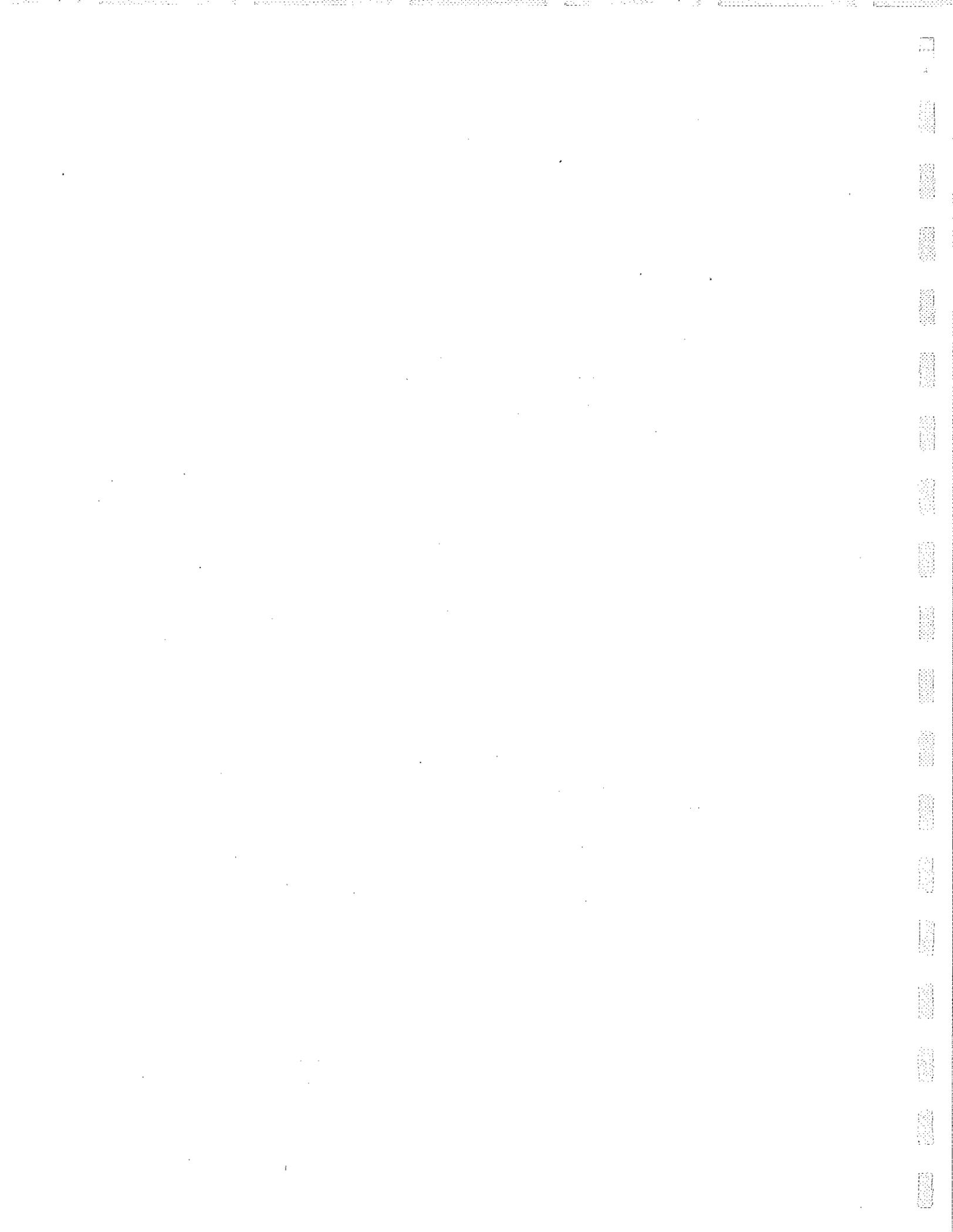
The City of Molalla's Budget Committee considered all the following factors while preparing the City budget for the 2009-10 fiscal year:

- 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, 2010

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 1,382,777	\$ 3,978,998	\$ 5,361,775
Property taxes receivable	167,510	-	167,510
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	1,550,287	3,978,998	5,529,285
LIABILITIES			
Deferred revenue	167,510	-	167,510
	<hr/>	<hr/>	<hr/>
NET ASSETS			
Restricted for:			
Debt service	13,345	1,073,437	1,086,782
Construction	230,174	2,001,124	2,231,298
Nonexpendable permanent fund	108,738	-	108,738
Unrestricted	1,030,520	904,437	1,934,957
	<hr/>	<hr/>	<hr/>
<i>Total Net Assets</i>	<u>\$ 1,382,777</u>	<u>\$ 3,978,998</u>	<u>\$ 5,361,775</u>

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

CITY OF MOLALLA, OREGON
STATEMENT OF ACTIVITIES (MODIFIED CASH BASIS)
YEAR ENDED JUNE 30, 2010

	<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	\$ 831,924	\$ 319,412	\$ -	\$ -
Public safety	2,527,461	516,990	81,028	-
Public works	853,522	180,291	924,969	294,749
Community development	1,659,655	-	451,422	-
Interest on long-term debt	26,830	-	-	-
<i>Total governmental activities</i>	<u>5,899,392</u>	<u>1,016,693</u>	<u>1,457,419</u>	<u>294,749</u>
Business-type activities:				
Water	1,331,791	1,248,931	-	69,441
Sewer	1,446,684	1,546,155	-	136,084
Storm water	124,960	93,282	-	13,675
<i>Total business-type activities</i>	<u>2,903,435</u>	<u>2,888,368</u>	<u>-</u>	<u>219,200</u>
<i>Total activities</i>	<u>\$ 8,802,827</u>	<u>\$ 3,905,061</u>	<u>\$ 1,457,419</u>	<u>\$ 513,949</u>
General receipts:				
Property taxes				
Franchise fees				
Intergovernmental				
Proceeds from issuance of debt				
Refunding of debt				
Miscellaneous				
<i>Total general receipts</i>				
Transfers				
Change in net assets				
Net assets, July 1, 2009				
Net assets, June 30, 2010				

***Net (Disbursements) Receipts and Changes in
Restricted and Unrestricted Net Assets***

<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
\$ (512,512)	\$ -	\$ (512,512)
(1,929,443)	-	(1,929,443)
546,487	-	546,487
(1,208,233)	-	(1,208,233)
(26,830)	-	(26,830)
<u>(3,130,531)</u>	<u>-</u>	<u>(3,130,531)</u>
-	(13,419)	(13,419)
-	235,555	235,555
-	(18,003)	(18,003)
<u>-</u>	<u>204,133</u>	<u>204,133</u>
(3,130,531)	204,133	(2,926,398)
2,362,963	-	2,362,963
292,917	-	292,917
149,799	-	149,799
-	6,672,189	6,672,189
-	(6,601,019)	(6,601,019)
459,108	34,752	493,860
<u>3,264,787</u>	<u>105,922</u>	<u>3,370,709</u>
326,842	(326,842)	-
461,098	(16,787)	444,311
<u>921,679</u>	<u>3,995,785</u>	<u>4,917,464</u>
<u>\$ 1,382,777</u>	<u>\$ 3,978,998</u>	<u>\$ 5,361,775</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, 2010

	<u>General</u>	<u>Street Capital Improvement</u>	<u>Library</u>
ASSETS			
Cash and investments	\$ -	\$ 204,383	\$ 391,535
Property taxes receivable	161,254	-	-
Due from other funds	-	80,260	87,826
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	\$ 161,254	\$ 284,643	\$ 479,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 18,715	\$ -	\$ -
Deferred revenue	161,254	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	179,969	-	-
Fund Balances			
Reserved for endowment	-	-	-
Unreserved, reported in:			
General fund	(18,715)	-	-
Special revenue funds	-	284,643	479,361
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	(18,715)	284,643	479,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Total Liabilities and Fund Balances</i>	\$ 161,254	\$ 284,643	\$ 479,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other</i>	
<i>Governmental</i>	
<i>Funds</i>	<i>Totals</i>
\$ 786,859	\$ 1,382,777
6,256	167,510
-	168,086
<hr/>	<hr/>
\$ 793,115	\$ 1,718,373
<hr/> <hr/>	<hr/> <hr/>
\$ 149,371	\$ 168,086
6,256	167,510
<hr/>	<hr/>
155,627	335,596
96,303	96,303
-	(18,715)
504,390	1,268,394
11,015	11,015
13,345	13,345
12,435	12,435
<hr/>	<hr/>
637,488	1,382,777
<hr/>	<hr/>
\$ 793,115	\$ 1,718,373
<hr/> <hr/>	<hr/> <hr/>

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, 2010**

	<u>General</u>	<u>Street Capital Improvement</u>	<u>Library</u>
RECEIPTS			
Taxes and assessments	\$ 2,279,569	\$ -	\$ -
Licenses and permits	238,859	-	-
Charges for services	-	-	-
Intergovernmental	256,602	124,808	785,669
Fines and forfeitures	251,456	-	27,850
Miscellaneous	161,034	514	4,326
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	3,187,520	125,322	817,845
DISBURSEMENTS			
Personal services	1,983,566	-	322,069
Materials and services	760,937	-	72,442
Capital outlay	125,814	368,033	81,359
Debt service			
Principal	23,660	-	-
Interest	1,183	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	2,895,160	368,033	475,870
	<hr/>	<hr/>	<hr/>
RECEIPTS OVER (UNDER) DISBURSEMENTS	292,360	(242,711)	341,975
OTHER FINANCING SOURCES (USES)			
Transfers in	179,042	20,000	-
Transfers out	(394,798)	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	(215,756)	20,000	-
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	76,604	(222,711)	341,975
FUND BALANCES (DEFICITS), Beginning of year	(95,319)	507,354	137,386
	<hr/>	<hr/>	<hr/>
FUND BALANCES (DEFICITS), End of year	\$ (18,715)	\$ 284,643	\$ 479,361
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 83,393	\$ 2,362,962
400,188	639,047
286,883	286,883
434,339	1,601,418
265,332	544,638
432,826	598,700
<hr/>	<hr/>
1,902,961	6,033,648
919,227	3,224,862
1,036,529	1,869,908
69,098	644,304
108,645	132,305
26,830	28,013
<hr/>	<hr/>
2,160,329	5,899,392
<hr/>	<hr/>
(257,368)	134,256
571,598	770,640
(49,000)	(443,798)
<hr/>	<hr/>
522,598	326,842
<hr/>	<hr/>
265,230	461,098
372,258	921,679
<hr/>	<hr/>
\$ 637,488	\$ 1,382,777
<hr/> <hr/>	<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, 2010

	<u>Water</u>	<u>Water Debt Retirement</u>	<u>Water Capital Improvement</u>	<u>Sewer</u>
ASSETS				
Cash and investments	\$ 329,412	\$ 737,363	\$ 1,140,285	\$ 402,786
Due from other funds	-	-	-	55,357
	<u>329,412</u>	<u>737,363</u>	<u>1,140,285</u>	<u>458,143</u>
<i>Total Assets</i>	<u>329,412</u>	<u>737,363</u>	<u>1,140,285</u>	<u>458,143</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
NET ASSETS				
Restricted for debt service	-	737,363	-	-
Restricted for construction	-	-	1,140,285	-
Unrestricted	329,412	-	-	458,143
	<u>329,412</u>	<u>737,363</u>	<u>1,140,285</u>	<u>458,143</u>
<i>Total Net Assets</i>	<u>\$ 329,412</u>	<u>\$ 737,363</u>	<u>\$ 1,140,285</u>	<u>\$ 458,143</u>

<i>Sewer Debt Retirement</i>	<i>Sewer Capital Improvement</i>	<i>Other Business-type Funds</i>	<i>Totals</i>
\$ 336,074	\$ 691,874	\$ 341,204	\$ 3,978,998
-	-	-	55,357
<u>336,074</u>	<u>691,874</u>	<u>341,204</u>	<u>4,034,355</u>
\$ -	\$ -	\$ 55,357	\$ 55,357
336,074	-	-	1,073,437
-	691,874	224,322	2,056,481
-	-	61,525	849,080
<u>\$ 336,074</u>	<u>\$ 691,874</u>	<u>\$ 285,847</u>	<u>\$ 3,978,998</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, 2010

	<u>Water</u>	<u>Water Debt Retirement</u>	<u>Water Capital Improvement</u>
OPERATING RECEIPTS			
Charges for services	\$ 1,248,931	\$ -	\$ -
Miscellaneous	8,936	-	-
<i>Total Operating Receipts</i>	1,257,867	-	-
OPERATING DISBURSEMENTS			
Personal services	519,532	-	-
Materials and services	274,338	-	-
Capital outlay	-	-	8,472
<i>Total Operating Disbursements</i>	793,870	-	8,472
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	463,997	-	(8,472)
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Interest earnings	2,231	9,537	7,641
Debt service			
Principal	-	(275,000)	-
Interest	-	(142,267)	-
Other debt related disbursements	-	(112,181)	-
<i>Total Nonoperating Receipts (Disbursements)</i>	2,231	(519,911)	7,641
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	466,228	(519,911)	(831)
OTHER FINANCING SOURCES (USES)			
Capital contributions	-	-	-
Transfers in	-	425,000	82,600
Transfers out	(554,576)	-	(357,396)
Proceeds from issuance of debt	-	2,975,000	-
Premium on debt issued	-	83,421	-
Refunded debt principal paid	-	(3,086,470)	-
CHANGE IN NET ASSETS	(88,348)	(122,960)	(275,627)
NET ASSETS (Deficit), Beginning of year	417,760	860,323	1,415,912
NET ASSETS, End of year	<u>\$ 329,412</u>	<u>\$ 737,363</u>	<u>\$ 1,140,285</u>

<u>Sewer</u>	<u>Sewer Debt Retirement</u>	<u>Sewer Capital Improvement</u>	<u>Other Business-type Funds</u>	<u>Totals</u>
\$ 1,546,155	\$ -	\$ -	\$ 93,282	\$ 2,888,368
2,577	-	-	642	12,155
1,548,732	-	-	93,924	2,900,523
308,510	-	-	93,470	921,512
466,021	-	-	44,317	784,676
-	-	2,284	-	10,756
774,531	-	2,284	137,787	1,716,944
774,201	-	(2,284)	(43,863)	1,183,579
1,500	60	-	1,688	22,657
-	(150,000)	-	(106,048)	(531,048)
-	(206,663)	-	(72,566)	(421,496)
-	(121,826)	-	-	(234,007)
1,500	(478,429)	-	(176,926)	(1,163,894)
775,701	(478,429)	(2,284)	(220,789)	19,685
-	-	-	219,200	219,200
-	1,041,896	195,000	-	1,744,496
(1,159,367)	-	-	-	(2,071,339)
-	3,545,000	-	-	6,520,000
-	68,768	-	-	152,189
-	(3,514,548)	-	-	(6,601,018)
(383,666)	662,687	192,716	(1,589)	(16,787)
841,809	(326,613)	499,158	287,436	3,995,785
<u>\$ 458,143</u>	<u>\$ 336,074</u>	<u>\$ 691,874</u>	<u>\$ 285,847</u>	<u>\$ 3,978,998</u>

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

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, 2010.

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, 2010

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

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 Capital Improvement

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

Library

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

The City reports the following nonmajor governmental funds:

Street

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.

Street SDC

This fund accounts for the collection and use of Street System Development Charges.

Planning

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adult Center

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

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.

Parks & Recreation

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

Capital Improvement

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

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

Emergency Vehicle

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bonded Debt

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

Park Capital

This fund accounts for park improvements.

Park SDC

This fund accounts for collection and use of Park System Development Charges.

Recorder's Trust

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.

URA Fund

This fund accounts for Urban Renewal Agency transactions.

Sally Foxx Park

This fund was established to account for a nonexpendable trust for Sally Foxx Memorial donations.

The City reports the following major enterprise funds:

Water

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 Debt Retirement

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

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sewer

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 Debt Retirement

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

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

The City reports the following nonmajor enterprise funds:

Storm Water

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

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

Storm Water SDC

This fund accounts for the collection and use of Storm Water System Development Charges.

Water SDC

This fund accounts for the collection and use of Water System Development Charges.

Sewer SDC

This fund accounts for the collection and use of Sewer System Development Charges.

CWSFR

This fund accounts for the debt service payments on the CWSFR loan.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Enterprise funds distinguish between operating receipts and disbursements and nonoperating items. Operating receipts and disbursements result from providing services to customers in connection with ongoing utility operations. The principal operating receipts are charges to customers for service. Operating disbursements include payroll and related costs, materials and supplies, and capital outlay. All receipts not considered operating are reported as nonoperating items.

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, 2010. Actual results may differ from such estimates.

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.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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, 2010

CASH AND INVESTMENTS

Cash and investments are comprised of the following at June 30, 2010:

	<u>Carrying Value</u>	<u>Fair Value</u>
Cash		
Cash on hand	\$ 100	\$ 100
Deposits with financial institutions	691,296	691,296
Investments		
Local Government Investment Pool	4,670,379	4,670,379
Total	<u>\$ 5,361,775</u>	<u>5,361,775</u>

Deposits

At June 30, 2010, the City's deposits with various financial institutions had a bank value of \$769,338 . All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2010, none of the City's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the City's name.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

CASH AND INVESTMENTS (Continued)

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, 2010, 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.

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.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT

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

	<i>Outstanding July 1, 2009</i>	<i>Issued</i>	<i>Matured/ Redeemed During Year</i>	<i>Refinanced During Year</i>	<i>Outstanding June 30, 2010</i>	<i>Next Year Requirement</i>
<i>Governmental activities</i>						
1977 GO Bonds, issued in 1977 at 5% interest.	\$ 130,558	\$ -	\$ (11,780)	\$ (118,778)	\$ -	\$ -
1978 GO Bonds, issued in 1978 at 5% interest.	400,650	-	(27,956)	(372,694)	-	-
EDD Loan, issued in 1993 at 6% interest.	22,035	-	(3,909)	-	18,126	4,144
Vehicle lease, issued in 2007	23,660	-	(23,660)	-	-	-
2010 GO Water Refunding Bonds, issued in 2010 with interest rates from 2 - 3.5%	-	505,000	(65,000)	-	440,000	55,000
	<u>\$ 576,903</u>	<u>\$ 505,000</u>	<u>\$ (132,305)</u>	<u>\$ (491,472)</u>	<u>\$ 458,126</u>	<u>\$ 59,144</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT (Continued)

	<u>Outstanding July 1, 2009</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Refinanced During Year</u>	<u>Outstanding June 30, 2010</u>	<u>Next Year Requirement</u>
<i>Business-type activities</i>						
1992 Water Revenue Bonds, issued in 1992 at interest rates from 3 - 6.25%.	\$ 95,000	\$ -	\$ (25,000)	\$ (70,000)	\$ -	\$ -
1997 Water Revenue Bonds, issued in 1997 at interest rates from 3.8 - 5.2%.	2,775,000	-	(250,000)	(2,525,000)	-	-
2000 Sewer Revenue Bonds, issued in 2000 at interest rates from 4.45 - 5.95%.	3,664,548	-	(150,000)	(3,514,548)	-	-
State Revolving Loan, issued in 2007 with interest rate of 2.8%.	2,617,972	-	(106,048)	-	2,511,924	109,038
2010 Water Revenue Refunding Bonds, issued in 2010 with interest rate of 3%	-	2,475,000	-	-	2,475,000	300,000
2010 Sewer Revenue Refunding Bonds, issued in 2010 with interest rates of 3 - 4%	-	3,545,000	-	-	3,545,000	170,000
	<u>\$ 9,152,520</u>	<u>\$ 6,020,000</u>	<u>\$ (531,048)</u>	<u>\$ (6,109,548)</u>	<u>\$ 8,531,924</u>	<u>\$ 579,038</u>

During the fiscal year ended June 30, 2010, the City issued \$2,475,000 of Water Revenue bonds and \$3,545,000 of Sewer Revenue bonds. The proceeds were used to pay off previously issued Water and Sewer Revenue bonds. The new Water Revenue bonds bear interest at 3% and mature in 2017. The new Sewer Revenue bonds bear interest at rates ranging from 3% to 4% and mature in 2025.

The Water Revenue bonds require a reserve account in the amount of \$247,500 and the Sewer Revenue bonds require a reserve account in the amount of \$322,450 at June 30, 2010. The City was in compliance with these requirements.

The City also issued \$505,000 of general obligation Water Refunding bonds, which bear interest at rates ranging from 2% to 3.5%. Final maturity is in 2018.

The refunding of Water and Sewer bonds is estimated to save the City \$249,357 (water) and \$468,030 (sewer) over the life of the bonds, based on an aggregate difference in debt service requirements of \$454,729 (water) and \$636,494 (sewer).

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

Governmental Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 59,144	\$ 13,967	\$ 73,111
2012	59,392	12,902	72,294
2013	59,656	10,988	70,644
2014	64,934	5,603	70,537
2015	60,000	7,663	67,663
2016-2019	155,000	10,676	165,676
	<u>\$ 458,126</u>	<u>\$ 61,799</u>	<u>\$ 519,925</u>

Business-type Activities

Fiscal Year Ending June 30,	Principal	Interest	Total
2011	\$ 579,038	\$ 227,627	\$ 806,665
2012	612,113	249,701	861,814
2013	625,273	231,391	856,664
2014	608,524	213,140	821,664
2015	631,865	194,949	826,814
2016-2020	2,802,849	691,096	3,493,945
2021-2025	2,161,717	303,353	2,465,070
2026-2028	510,545	25,306	535,851
	<u>\$ 8,531,924</u>	<u>\$ 2,136,563</u>	<u>\$ 10,668,487</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 year with interest at the equivalent of the State Local Investment Pool.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

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.

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, 2010, 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, 2010, the City's annual pension expenditures including the 6% employee contribution was \$264,032, based on subject salary of \$1,857,381 with total payroll of \$2,907,484.

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.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

PENSION PLAN (Continued)

Annual Pension Cost (Continued)

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:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2008	\$ 274,070	100%	\$ -
2009	307,376	100%	-
2010	264,032	100%	-

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

TRANSFERS

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 179,042	\$ 394,798
Street	15,000	-
Planning Department	175,000	-
Adult Center	172,678	-
State Revenue Sharing	-	49,000
Street Improvements	20,000	-
Park Development	139,000	-
Bonded Debt	36,500	-
Capital Improvement	5,520	-
Equipment	27,900	-
Sewer	-	1,159,367
Water	-	554,576
Sewer Debt	191,441	-
Sewer System Expansion	1,041,896	-
Water System Expansion	425,000	-
Sewer Capital Improvement	195,000	-
Water Capital Improvement	82,600	357,396
Sewer SDC	-	191,440
	<u>\$ 2,706,577</u>	<u>\$ 2,706,577</u>

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

EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

IN EXCESS OF APPROPRIATIONS (Continued)

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2010 occurred as follows:

<u>Fund/Appropriation Category</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
Governmental			
<i>General</i>			
Police	\$ 1,783,938	\$ 2,037,195	\$ (253,257)
Transfers out	(395,144)	(394,798)	(346)
<i>Street</i>			
Personal services	199,398	296,451	(97,053)
<i>Planning</i>			
Personal services	141,047	176,078	(35,031)
Materials and services	210,931	232,192	(21,261)
<i>Parks & Recreation</i>			
Personal services	201,505	221,007	(19,502)
<i>Adult Center</i>			
Personal services	210,124	215,691	(5,567)
<i>911 Emergency</i>			
Materials and services	32,057	39,357	(7,300)
<i>Recorder's Trust</i>			
Materials and services	265,000	309,564	(44,564)
<i>Water</i>			
Personal services	518,449	519,532	(1,083)
Materials and services	267,472	274,338	(6,866)

FUND ACCUMULATED DEFICITS

At June 30, 2010, the following funds had negative fund balances:

Negative fund balances

General	\$ (18,715)
Street	(80,260)
Planning	(69,111)
Sewer SDC	(55,357)

The deficit fund balances imply unauthorized interfund borrowings at June 30, 2010.

RESERVATION OF FUND EQUITY

The Sally Foxx Park 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, 2010, the principal balance was \$96,303.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2010

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.

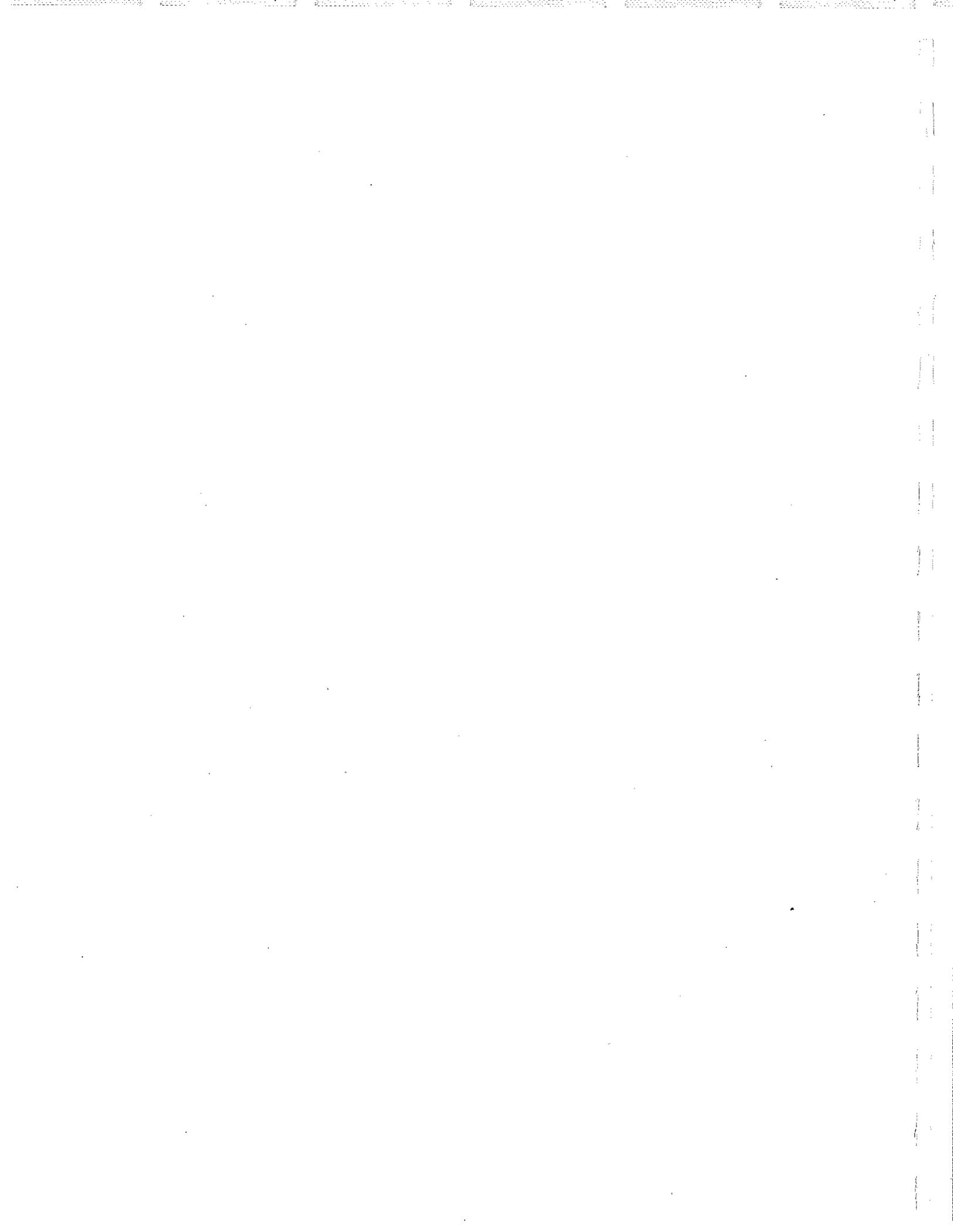
Management has not currently determined what, if any, impact implementation of the following statements may have on future financial statements.

GASB Statement No. 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.

SUBSEQUENT EVENTS

The City adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855). ASC 855 establishes new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through February 16, 2011, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF MOLALLA, OREGON
SCHEDULE OF FUNDING PROGRESS - PUBLIC EMPLOYEES RETIREMENT SYSTEM
JUNE 30, 2010

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
12/31/09	10,301,439	10,259,527	(41,912)	100	2,398,909	(2)

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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 2,437,580	\$ 2,437,580	\$ 2,279,569	\$ (158,011)
Licenses and permits	249,520	249,520	238,859	(10,661)
Intergovernmental	273,579	273,579	256,602	(16,977)
Fines and forfeitures	180,000	180,000	251,456	71,456
Miscellaneous	183,710	183,710	161,034	(22,676)
<i>Total Receipts</i>	<u>3,324,389</u>	<u>3,324,389</u>	<u>3,187,520</u>	<u>(136,869)</u>
DISBURSEMENTS				
City Hall	797,361	797,361	718,721	78,640
Police	1,783,938	1,783,938	2,037,195	(253,257)
Municipal court and legal	167,199	167,199	139,244	27,955
Contingency	160,309	160,309	-	160,309
<i>Total Disbursements</i>	<u>2,908,807</u>	<u>2,908,807</u>	<u>2,895,160</u>	<u>13,647</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	415,582	415,582	292,360	(123,222)
OTHER FINANCING SOURCES (USES)				
Transfers in	175,751	175,751	179,042	3,291
Transfers out	(395,144)	(395,144)	(394,798)	346
<i>Total Other Financing Sources (Uses)</i>	<u>(219,393)</u>	<u>(219,393)</u>	<u>(215,756)</u>	<u>3,637</u>
NET CHANGE IN FUND BALANCE	<u>196,189</u>	<u>196,189</u>	<u>76,604</u>	<u>(119,585)</u>
FUND BALANCE (Deficit), Beginning of year				
	<u>(90,000)</u>	<u>(90,000)</u>	<u>(95,319)</u>	<u>(5,319)</u>
FUND BALANCE (Deficit), End of year	<u>\$ 106,189</u>	<u>\$ 106,189</u>	<u>\$ (18,715)</u>	<u>\$ (124,904)</u>

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ -	\$ -	\$ 124,808	\$ 124,808
Miscellaneous	2,000	2,000	514	(1,486)
<i>Total Receipts</i>	2,000	2,000	125,322	123,322
DISBURSEMENTS				
Materials and services	43,500	43,500	-	43,500
Capital outlay	452,421	452,421	368,033	84,388
<i>Total Disbursements</i>	495,921	495,921	368,033	127,888
RECEIPTS OVER (UNDER) DISBURSEMENTS	(493,921)	(493,921)	(242,711)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	(473,921)	(473,921)	(222,711)	251,210
FUND BALANCE, Beginning of year	473,921	473,921	507,354	33,433
FUND BALANCE, End of year	\$ -	\$ -	\$ 284,643	\$ 284,643

CITY OF MOLALLA, OREGON**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -****BUDGET AND ACTUAL - LIBRARY FUND****YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 629,147	\$ 629,147	\$ 785,669	\$ 156,522
Fines and forfeitures	24,000	24,000	27,850	3,850
Miscellaneous	11,000	11,000	4,326	(6,674)
<i>Total Receipts</i>	664,147	664,147	817,845	153,698
DISBURSEMENTS				
Personal services	367,348	367,348	322,069	45,279
Materials and services	193,299	193,299	72,442	120,857
Capital outlay	232,000	232,000	81,359	150,641
<i>Total Disbursements</i>	814,147	814,147	475,870	338,277
NET CHANGE IN FUND BALANCE	(150,000)	(150,000)	341,975	491,975
FUND BALANCE, Beginning of year	150,000	150,000	137,386	(12,614)
FUND BALANCE, End of year	\$ -	\$ -	\$ 479,361	\$ 479,361

OTHER SUPPLEMENTARY INFORMATION

CITY OF MOLALLA, OREGON

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

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2010

	<u>Street</u>	<u>Street SDC</u>	<u>Planning</u>
ASSETS			
Cash and investments	\$ -	\$ 139,272	\$ -
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ -</u>	<u>\$ 139,272</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ 80,260	\$ -	\$ 69,111
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	80,260	-	69,111
Fund Balances (Deficit)			
Reserved for endowment	-	-	-
Unreserved, reported in:			
Special revenue funds	(80,260)	139,272	(69,111)
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>(80,260)</u>	<u>139,272</u>	<u>(69,111)</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ -</u>	<u>\$ 139,272</u>	<u>\$ -</u>

<u>Adult Center</u>	<u>State Revenue Sharing</u>	<u>911 Emergency</u>	<u>Drug Investigation</u>	<u>Parks & Recreation</u>	<u>Park Capital</u>	<u>Park SDC</u>
\$ 51,415	\$ 10,197	\$ 84	\$ 3,043	\$ 65,105	\$ 64,896	\$ 26,006
-	-	-	-	-	-	-
<u>\$ 51,415</u>	<u>\$ 10,197</u>	<u>\$ 84</u>	<u>\$ 3,043</u>	<u>\$ 65,105</u>	<u>\$ 64,896</u>	<u>\$ 26,006</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
51,415	10,197	84	3,043	65,105	64,896	26,006
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>51,415</u>	<u>10,197</u>	<u>84</u>	<u>3,043</u>	<u>65,105</u>	<u>64,896</u>	<u>26,006</u>
<u>\$ 51,415</u>	<u>\$ 10,197</u>	<u>\$ 84</u>	<u>\$ 3,043</u>	<u>\$ 65,105</u>	<u>\$ 64,896</u>	<u>\$ 26,006</u>

CITY OF MOLALLA, OREGON

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

JUNE 30, 2010

	<u>Emergency Management</u>	<u>D.A.R.E</u>	<u>Recorder's Trust</u>
ASSETS			
Cash and investments	\$ 972	\$ 660	\$ 20,571
Property taxes receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 972</u>	<u>\$ 660</u>	<u>\$ 20,571</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	-	-	-
Fund Balances			
Reserved for endowment	-	-	-
Unreserved, reported in:			
Special revenue funds	972	660	20,571
Capital projects fund	-	-	-
Debt service fund	-	-	-
Permanent fund	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>972</u>	<u>660</u>	<u>20,571</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 972</u>	<u>\$ 660</u>	<u>\$ 20,571</u>

<u>Bonded Debt</u>	<u>Capital Improvement</u>	<u>Equipment</u>	<u>Emergency Vehicle</u>	<u>URA</u>	<u>Sally Foxx Park</u>	<u>Totals</u>
\$ 13,345	\$ 11,015	\$ 227,442	\$ 9,687	\$ 34,411	\$ 108,738	\$ 786,859
3,214	-	-	-	3,042	-	6,256
<u>\$ 16,559</u>	<u>\$ 11,015</u>	<u>\$ 227,442</u>	<u>\$ 9,687</u>	<u>\$ 37,453</u>	<u>\$ 108,738</u>	<u>\$ 793,115</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 149,371
3,214	-	-	-	3,042	-	6,256
3,214	-	-	-	3,042	-	155,627
-	-	-	-	-	96,303	96,303
-	-	227,442	9,687	34,411	-	504,390
-	11,015	-	-	-	-	11,015
13,345	-	-	-	-	-	13,345
-	-	-	-	-	12,435	12,435
<u>13,345</u>	<u>11,015</u>	<u>227,442</u>	<u>9,687</u>	<u>34,411</u>	<u>108,738</u>	<u>637,488</u>
<u>\$ 16,559</u>	<u>\$ 11,015</u>	<u>\$ 227,442</u>	<u>\$ 9,687</u>	<u>\$ 37,453</u>	<u>\$ 108,738</u>	<u>\$ 793,115</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, 2010**

	<u>Street</u>	<u>Street SDC</u>	<u>Planning</u>
RECEIPTS			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	91,251	139,272	143,659
Charges for services	-	-	-
Intergovernmental	318,677	-	-
Fines and forfeitures	-	-	-
Miscellaneous	38,998	-	194,142
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	448,926	139,272	337,801
DISBURSEMENTS			
Personal services	296,451	-	176,078
Materials and services	175,595	-	232,192
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	472,046	-	408,270
	<hr/>	<hr/>	<hr/>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(23,120)	139,272	(70,469)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	175,000
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	15,000	-	175,000
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(8,120)	139,272	104,531
FUND BALANCES (Deficit), Beginning of year	(72,140)	-	(173,642)
	<hr/>	<hr/>	<hr/>
FUND BALANCES (Deficit), End of year	\$ (80,260)	\$ 139,272	\$ (69,111)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<u>Adult Center</u>	<u>State Revenue Sharing</u>	<u>911 Emergency</u>	<u>Drug Investigation</u>	<u>Parks & Recreation</u>	<u>Park Capital</u>	<u>Park SDC</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	26,006
-	-	-	-	286,883	-	-
17,370	59,019	39,273	-	-	-	-
-	-	-	-	-	-	-
136,998	-	-	502	-	-	-
154,368	59,019	39,273	502	286,883	-	26,006
215,691	-	-	-	221,007	-	-
97,422	-	39,357	-	180,570	-	-
6,062	-	-	-	6,853	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
319,175	-	39,357	-	408,430	-	-
(164,807)	59,019	(84)	502	(121,547)	-	26,006
172,678	-	-	-	139,000	-	-
-	(49,000)	-	-	-	-	-
172,678	(49,000)	-	-	139,000	-	-
7,871	10,019	(84)	502	17,453	-	26,006
43,544	178	168	2,541	47,652	64,896	-
<u>\$ 51,415</u>	<u>\$ 10,197</u>	<u>\$ 84</u>	<u>\$ 3,043</u>	<u>\$ 65,105</u>	<u>\$ 64,896</u>	<u>\$ 26,006</u>

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, 2010

	<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	-	-	260,227
Miscellaneous	-	986	57,563
	<hr/>	<hr/>	<hr/>
<i>Total Receipts</i>	-	986	317,790
DISBURSEMENTS			
Personal services	-	-	-
Materials and services	-	1,600	309,564
Capital outlay	-	-	-
Debt service	-	-	-
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Disbursements</i>	-	1,600	309,564
RECEIPTS OVER (UNDER) DISBURSEMENTS			
	-	(614)	8,226
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total Other Financing Sources (Uses)</i>	-	-	-
NET CHANGE IN FUND BALANCES			
	-	(614)	8,226
FUND BALANCES (Deficit), Beginning of year			
	972	1,274	12,345
	<hr/>	<hr/>	<hr/>
FUND BALANCES (Deficit), End of year			
	\$ 972	\$ 660	\$ 20,571
	<hr/>	<hr/>	<hr/>

<u>Bonded Debt</u>	<u>Capital Improvement</u>	<u>Equipment</u>	<u>Emergency Vehicle</u>	<u>URA</u>	<u>Sally Foxx Park</u>	<u>Totals</u>
\$ 38,764	\$ -	\$ -	\$ -	\$ 44,629	\$ -	\$ 83,393
-	-	-	-	-	-	400,188
-	-	-	-	-	-	286,883
-	-	-	-	-	-	434,339
-	-	-	5,105	-	-	265,332
-	2,866	296	27	11	437	432,826
38,764	2,866	296	5,132	44,640	437	1,902,961
-	-	-	-	10,000	-	919,227
-	-	-	-	229	-	1,036,529
-	42,947	8,467	500	-	4,269	69,098
104,737	3,908	-	-	-	-	108,645
25,508	1,322	-	-	-	-	26,830
130,245	48,177	8,467	500	10,229	4,269	2,160,329
(91,481)	(45,311)	(8,171)	4,632	34,411	(3,832)	(257,368)
36,500	5,520	27,900	-	-	-	571,598
-	-	-	-	-	-	(49,000)
36,500	5,520	27,900	-	-	-	522,598
(54,981)	(39,791)	19,729	4,632	34,411	(3,832)	265,230
68,326	50,806	207,713	5,055	-	112,570	372,258
<u>\$ 13,345</u>	<u>\$ 11,015</u>	<u>\$ 227,442</u>	<u>\$ 9,687</u>	<u>\$ 34,411</u>	<u>\$ 108,738</u>	<u>\$ 637,488</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 95,000	\$ 95,000	\$ 91,251	\$ (3,749)
Intergovernmental	319,690	319,690	318,677	(1,013)
Miscellaneous	500	500	38,998	38,498
<i>Total Receipts</i>	415,190	415,190	448,926	33,736
DISBURSEMENTS				
Personal services	199,398	199,398	296,451	(97,053)
Materials and services	191,702	191,702	175,595	16,107
<i>Total Disbursements</i>	391,100	391,100	472,046	(80,946)
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	24,090	24,090	(23,120)	(47,210)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	15,000	(10,000)
NET CHANGE IN FUND BALANCE	49,090	49,090	(8,120)	(57,210)
FUND BALANCE (Deficit),				
Beginning of year	(49,090)	(49,090)	(72,140)	(23,050)
FUND BALANCE (Deficit), End of year	\$ -	\$ -	\$ (80,260)	\$ (80,260)

CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - STREET SDC FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 58,780	\$ 58,780	\$ 139,272	\$ 80,492
DISBURSEMENTS	-	-	-	-
NET CHANGE IN FUND BALANCE	58,780	58,780	139,272	80,492
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ 58,780	\$ 58,780	\$ 139,272	\$ 80,492

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - PLANNING FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 291,490	\$ 291,490	\$ 143,659	\$ (147,831)
Miscellaneous	68,265	68,265	194,142	125,877
<i>Total Receipts</i>	<u>359,755</u>	<u>359,755</u>	<u>337,801</u>	<u>(21,954)</u>
DISBURSEMENTS				
Personal services	141,047	141,047	176,078	(35,031)
Materials and services	210,931	210,931	232,192	(21,261)
Contingency	7,777	7,777	-	7,777
<i>Total Disbursements</i>	<u>359,755</u>	<u>359,755</u>	<u>408,270</u>	<u>(48,515)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	(70,469)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	175,000	175,000	175,000	-
NET CHANGE IN FUND BALANCE	<u>175,000</u>	<u>175,000</u>	<u>104,531</u>	<u>(70,469)</u>
FUND BALANCE (Deficit), Beginning of year	<u>(175,000)</u>	<u>(175,000)</u>	<u>(173,642)</u>	<u>1,358</u>
FUND BALANCE (Deficit), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,111)</u>	<u>\$ (69,111)</u>

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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 37,500	\$ 37,500	\$ 17,370	\$ (20,130)
Miscellaneous	125,900	125,900	136,998	11,098
<i>Total Receipts</i>	163,400	163,400	154,368	(9,032)
DISBURSEMENTS				
Personal services	210,124	210,124	215,691	(5,567)
Materials and services	111,450	111,450	97,422	14,028
Capital outlay	14,504	14,504	6,062	8,442
<i>Total Disbursements</i>	336,078	336,078	319,175	16,903
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(172,678)	(172,678)	(164,807)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	172,678	172,678	172,678	-
NET CHANGE IN FUND BALANCE	-	-	7,871	7,871
FUND BALANCE, Beginning of year	-	-	43,544	43,544
FUND BALANCE, End of year	\$ -	\$ -	\$ 51,415	\$ 51,415

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, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 59,019	\$ 24,019
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	35,000	35,000	59,019	24,019
OTHER FINANCING SOURCES (USES)				
Transfers out	(49,000)	(49,000)	(49,000)	-
NET CHANGE IN FUND BALANCE	(14,000)	(14,000)	10,019	24,019
FUND BALANCE, Beginning of year	14,000	14,000	178	(13,822)
FUND BALANCE, End of year	\$ -	\$ -	\$ 10,197	\$ 10,197

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Intergovernmental	\$ 32,057	\$ 32,057	\$ 39,273	\$ 7,216
DISBURSEMENTS				
Materials and services	32,057	32,057	39,357	(7,300)
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	-	-	(84)	(84)
FUND BALANCE,				
Beginning of year	-	-	168	168
FUND BALANCE, End of year	\$ -	\$ -	\$ 84	\$ 84

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, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 200	\$ 200	\$ 502	\$ 302
DISBURSEMENTS				
Materials and services	2,700	2,700	-	2,700
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,500)	(2,500)	502	3,002
FUND BALANCE, Beginning of year	2,500	2,500	2,541	41
FUND BALANCE, End of year	\$ -	\$ -	\$ 3,043	\$ 3,043

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - PARKS & RECREATION FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 236,560	\$ 236,560	\$ 286,883	\$ 50,323
DISBURSEMENTS				
Personal services	201,505	201,505	221,007	(19,502)
Materials and services	190,100	190,100	180,570	9,530
Capital outlay	15,000	15,000	6,853	8,147
<i>Total Disbursements</i>	<u>420,560</u>	<u>420,560</u>	<u>408,430</u>	<u>12,130</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(184,000)	(184,000)	(121,547)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	139,000	139,000	139,000	-
NET CHANGE IN FUND BALANCE	<u>(45,000)</u>	<u>(45,000)</u>	<u>17,453</u>	<u>62,453</u>
FUND BALANCE, Beginning of year	<u>45,000</u>	<u>45,000</u>	<u>47,652</u>	<u>2,652</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,105</u>	<u>\$ 65,105</u>

CITY OF MOLALLA, OREGON

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

BUDGET AND ACTUAL - PARK CAPITAL FUND

YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Capital outlay	20,000	20,000	-	20,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(20,000)	(20,000)	-	-
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	-	(20,000)
Transfers out	(55,000)	(55,000)	-	55,000
<i>Total Other Financing Sources (Uses)</i>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>35,000</u>
NET CHANGE IN FUND BALANCE	(55,000)	(55,000)	-	55,000
FUND BALANCE, Beginning of year	55,000	55,000	64,896	9,896
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 - PARK SDC FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 35,000	\$ 35,000	\$ 26,006	\$ (8,994)
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	35,000	35,000	26,006	(8,994)
OTHER FINANCING SOURCES (USES)				
Transfers in	55,000	55,000	-	(55,000)
Transfers out	(20,000)	(20,000)	-	20,000
<i>Total Other Financing Sources (Uses)</i>	<u>35,000</u>	<u>35,000</u>	<u>-</u>	<u>(35,000)</u>
NET CHANGE IN FUND BALANCE	70,000	70,000	26,006	(43,994)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	<u>\$ 70,000</u>	<u>\$ 70,000</u>	<u>\$ 26,006</u>	<u>\$ (43,994)</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, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 30	\$ 30	\$ -	\$ (30)
DISBURSEMENTS				
Capital outlay	1,010	1,010	-	1,010
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(980)	(980)	-	980
FUND BALANCE, Beginning of year				
	980	980	972	(8)
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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 535	\$ 535	\$ 986	\$ 451
DISBURSEMENTS				
Materials and services	2,235	2,235	1,600	635
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(1,700)	(1,700)	(614)	1,086
FUND BALANCE, Beginning of year	1,700	1,700	1,274	(426)
FUND BALANCE, End of year	\$ -	\$ -	\$ 660	\$ 660

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, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Fines and forfeitures	\$ 180,000	\$ 180,000	\$ 260,227	\$ 80,227
Miscellaneous	50,000	50,000	57,563	7,563
<i>Total Receipts</i>	230,000	230,000	317,790	87,790
DISBURSEMENTS				
Materials and services	265,000	265,000	309,564	(44,564)
NET CHANGE IN FUND BALANCE	(35,000)	(35,000)	8,226	43,226
FUND BALANCE, Beginning of year	35,000	35,000	12,345	(22,655)
FUND BALANCE, End of year	\$ -	\$ -	\$ 20,571	\$ 20,571

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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 29,890	\$ 29,890	\$ 38,764	\$ 8,874
DISBURSEMENTS				
Debt service	143,590	143,590	130,245	13,345
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(113,700)	(113,700)	(91,481)	22,219
OTHER FINANCING SOURCES (USES)				
Transfers in	36,500	36,500	36,500	-
NET CHANGE IN FUND BALANCE	(77,200)	(77,200)	(54,981)	22,219
FUND BALANCE, Beginning of year	77,200	77,200	68,326	(8,874)
FUND BALANCE, End of year	\$ -	\$ -	\$ 13,345	\$ 13,345

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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 3,500	\$ 3,500	\$ 2,866	\$ (634)
DISBURSEMENTS				
Capital outlay	53,500	53,500	42,947	10,553
Debt service	5,520	5,520	5,230	290
<i>Total Disbursements</i>	<u>59,020</u>	<u>59,020</u>	<u>48,177</u>	<u>10,843</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55,520)	(55,520)	(45,311)	10,209
OTHER FINANCING SOURCES (USES)				
Transfers in	5,520	5,520	5,520	-
NET CHANGE IN FUND BALANCE	<u>(50,000)</u>	<u>(50,000)</u>	<u>(39,791)</u>	<u>10,209</u>
FUND BALANCE, Beginning of year	<u>50,000</u>	<u>50,000</u>	<u>50,806</u>	<u>806</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,015</u>	<u>\$ 11,015</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 250	\$ 250	\$ 296	\$ 46
DISBURSEMENTS				
Capital outlay	184,650	184,650	8,467	176,183
RECEIPTS OVER (UNDER) DISBURSEMENTS	(184,400)	(184,400)	(8,171)	176,229
OTHER FINANCING SOURCES (USES)				
Transfers in	27,900	27,900	27,900	-
NET CHANGE IN FUND BALANCE	(156,500)	(156,500)	19,729	176,229
FUND BALANCE, Beginning of year	156,500	156,500	207,713	51,213
FUND BALANCE, End of year	\$ -	\$ -	\$ 227,442	\$ 227,442

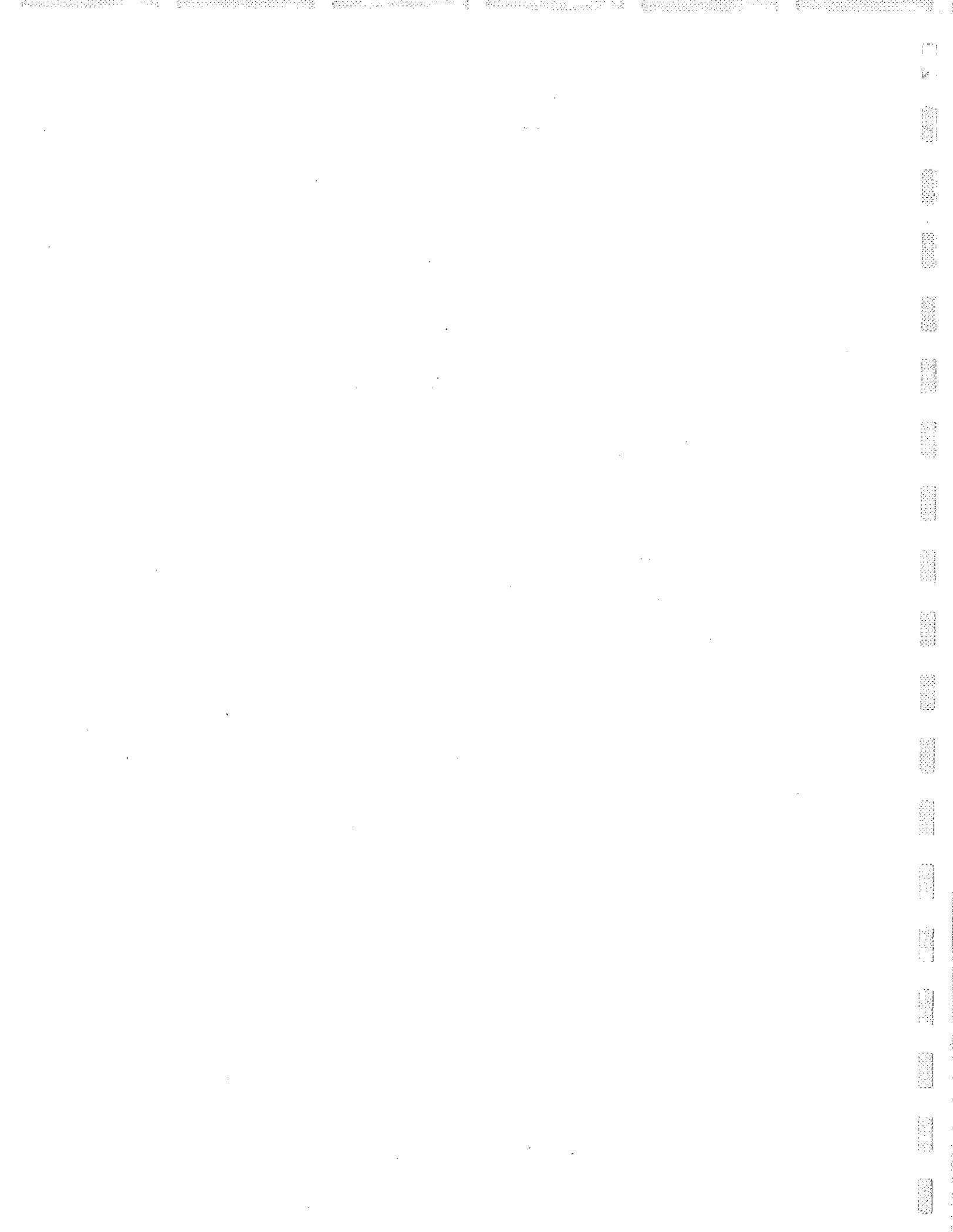
CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - EMERGENCY VEHICLE FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Fines and forfeitures	\$ 5,500	\$ 5,500	\$ 5,105	\$ (395)
Miscellaneous	25	25	27	2
<i>Total Receipts</i>	5,525	5,525	5,132	(393)
DISBURSEMENTS				
Capital outlay	9,625	9,625	500	9,125
NET CHANGE IN FUND BALANCE	(4,100)	(4,100)	4,632	8,732
FUND BALANCE, Beginning of year	4,100	4,100	5,055	955
FUND BALANCE, End of year	\$ -	\$ -	\$ 9,687	\$ 9,687

CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL - URA FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Taxes and assessments	\$ 48,964	\$ 48,964	\$ 44,629	\$ (4,335)
Miscellaneous	490	490	11	(479)
<i>Total Receipts</i>	49,454	49,454	44,640	(4,814)
DISBURSEMENTS				
Personal services	10,000	10,000	10,000	-
Materials and services	5,000	5,000	229	4,771
Capital outlay	10,000	10,000		10,000
<i>Total Disbursements</i>	25,000	25,000	10,229	14,771
NET CHANGE IN FUND BALANCE	24,454	24,454	34,411	9,957
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ 24,454	\$ 24,454	\$ 34,411	\$ 9,957



CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE (CASH BASIS) -
BUDGET AND ACTUAL – SALLY FOXX PARK FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 3,200	\$ 3,200	\$ 437	\$ (2,763)
DISBURSEMENTS				
Capital outlay	28,200	28,200	4,269	23,931
Debt service	90,000	90,000	-	90,000
<i>Total Disbursements</i>	<u>118,200</u>	<u>118,200</u>	<u>4,269</u>	<u>113,931</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(115,000)	(115,000)	(3,832)	111,168
FUND BALANCE, Beginning of year	<u>115,000</u>	<u>115,000</u>	<u>112,570</u>	<u>(2,430)</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,738</u>	<u>\$ 108,738</u>

CITY OF MOLALLA, OREGON

COMBINING STATEMENT OF NET ASSETS (MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Storm Water SDC</u>
ASSETS			
Cash and investments	\$ 116,882	\$ 141,206	\$ 13,675
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
NET ASSETS			
Restricted for construction	-	141,206	13,675
Unrestricted	116,882	-	-
Total Net Assets	<u>\$ 116,882</u>	<u>\$ 141,206</u>	<u>\$ 13,675</u>

<i>Water SDC</i>	<i>Sewer SDC</i>	<i>Totals</i>
\$ 69,441	\$ -	\$ 341,204
	\$ 55,357	\$ 55,357
69,441	-	224,322
-	(55,357)	61,525
\$ 69,441	\$ (55,357)	\$ 285,847

CITY OF MOLALLA, OREGON**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND NET ASSETS
(MODIFIED CASH BASIS) - NONMAJOR ENTERPRISE FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Storm Water</u>	<u>Storm Water Capital Improvement</u>	<u>Storm Water SDC</u>
OPERATING RECEIPTS			
Charges for services	\$ 93,282	\$ -	\$ -
Miscellaneous	642	-	-
<i>Total Operating Receipts</i>	<u>93,924</u>	<u>-</u>	<u>-</u>
OPERATING DISBURSEMENTS			
Personal services	93,470	-	-
Materials and services	31,490	-	-
<i>Total Operating Disbursements</i>	<u>124,960</u>	<u>-</u>	<u>-</u>
OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(31,036)	-	-
NONOPERATING RECEIPTS (DISBURSEMENTS)			
Interest earnings	1,060	628	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total Nonoperating Receipts (Disbursements)</i>	<u>1,060</u>	<u>628</u>	<u>-</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(29,976)	628	-
Capital contributions	-	-	13,675
Transfers in	-	-	-
Transfers out	-	-	-
CHANGE IN RESTRICTED AND UNRESTRICTED NET ASSETS	(29,976)	628	13,675
NET ASSETS, Beginning of year	<u>146,858</u>	<u>140,578</u>	<u>-</u>
NET ASSETS (Deficit), End of year	<u>\$ 116,882</u>	<u>\$ 141,206</u>	<u>\$ 13,675</u>

<i>Water SDC</i>	<i>Sewer SDC</i>	<i>CWSFR Debt Retirement</i>	<i>Totals</i>
\$ -	\$ -	\$ -	\$ 93,282
-	-	-	642
-	-	-	93,924
-	-	-	93,470
-	-	12,827	44,317
-	-	12,827	137,787
-	-	(12,827)	(43,863)
-	-	-	1,688
-	-	(106,048)	(106,048)
-	-	(72,566)	(72,566)
-	-	(178,614)	(176,926)
-	-	(191,441)	(220,789)
69,441	136,084	-	219,200
-	-	191,441	191,441
-	(191,441)	-	(191,441)
69,441	(55,357)	-	(1,589)
-	-	-	287,436
\$ 69,441	\$ (55,357)	\$ -	\$ 285,847

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,253,580	\$ 1,253,580	\$ 1,248,931	\$ (4,649)
Miscellaneous	6,100	6,100	11,167	5,067
<i>Total Receipts</i>	1,259,680	1,259,680	1,260,098	418
DISBURSEMENTS				
Personal services	518,449	518,449	519,532	(1,083)
Materials and services	267,472	267,472	274,338	(6,866)
<i>Total Disbursements</i>	1,099,073	1,099,073	793,870	305,203
RECEIPTS OVER (UNDER) DISBURSEMENTS	160,607	160,607	466,228	-
OTHER FINANCING SOURCES (USES)				
Transfers out	(560,607)	(560,607)	(554,576)	6,031
CHANGE IN FUND BALANCE	(400,000)	(400,000)	(88,348)	311,652
FUND BALANCE, Beginning of year	400,000	400,000	417,760	17,760
FUND BALANCE, End of year	\$ -	\$ -	\$ 329,412	\$ 329,412

CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER DEBT RETIREMENT FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Miscellaneous	\$ 20,000	\$ 20,000	\$ 9,537	\$ (10,463)
DISBURSEMENTS				
Capital outlay	472,392	472,392	-	472,392
Debt service	801,408	801,408	529,448	271,960
<i>Total Disbursements</i>	<u>1,273,800</u>	<u>1,273,800</u>	<u>529,448</u>	<u>744,352</u>
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(1,253,800)	(1,253,800)	(519,911)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	425,000	425,000	425,000	-
Proceeds from issuance of debt	-	-	2,975,000	2,975,000
Premium on debt issued	-	-	83,421	83,421
Refunded bond principal paid	-	-	(3,086,470)	(3,086,470)
<i>Total Other Financing Sources (Uses)</i>	<u>425,000</u>	<u>425,000</u>	<u>396,951</u>	<u>(28,049)</u>
CHANGE IN FUND BALANCE	(828,800)	(828,800)	(122,960)	705,840
FUND BALANCE, Beginning of year	<u>828,800</u>	<u>828,800</u>	<u>860,323</u>	<u>31,523</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 737,363</u>	<u>\$ 737,363</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, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 12,000	\$ 12,000	\$ 7,641	\$ (4,359)
DISBURSEMENTS				
Materials and services	2,500	2,500	-	2,500
Capital outlay	100,000	100,000	8,472	91,528
<i>Total Disbursements</i>	<u>102,500</u>	<u>102,500</u>	<u>8,472</u>	<u>94,028</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(90,500)	(90,500)	(831)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	82,600	82,600	82,600	-
Transfers out	(357,396)	(357,396)	(357,396)	-
<i>Total Other Financing Sources (Uses)</i>	<u>(274,796)</u>	<u>(274,796)</u>	<u>(274,796)</u>	<u>-</u>
CHANGE IN FUND BALANCE	(365,296)	(365,296)	(275,627)	89,669
FUND BALANCE, Beginning of year	<u>1,408,743</u>	<u>1,408,743</u>	<u>1,415,912</u>	<u>7,169</u>
FUND BALANCE, End of year	<u>\$ 1,043,447</u>	<u>\$ 1,043,447</u>	<u>\$ 1,140,285</u>	<u>\$ 96,838</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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Charges for services	\$ 1,485,432	\$ 1,485,432	\$ 1,546,155	\$ 60,723
Miscellaneous	2,500	2,500	4,077	1,577
<i>Total Receipts</i>	1,487,932	1,487,932	1,550,232	62,300
DISBURSEMENTS				
Personal services	458,870	458,870	308,510	150,360
Materials and services	566,332	566,332	466,021	100,311
<i>Total Disbursements</i>	1,032,474	1,032,474	774,531	257,943
RECEIPTS OVER (UNDER) DISBURSEMENTS	455,458	455,458	775,701	320,243
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,156,072)	(1,156,072)	(1,159,367)	(3,295)
CHANGE IN FUND BALANCE	(700,614)	(700,614)	(383,666)	316,948
FUND BALANCE, Beginning of year	700,614	700,614	841,809	141,195
FUND BALANCE, End of year	\$ -	\$ -	\$ 458,143	\$ 458,143

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER DEBT RETIREMENT FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 30	\$ 30	\$ 60	\$ 30
DISBURSEMENTS				
Debt service	712,426	712,426	478,489	233,937
RECEIPTS OVER (UNDER) DISBURSEMENTS				
	(712,396)	(712,396)	(478,429)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	1,041,896	1,041,896	1,041,896	-
Proceeds from issuance of debt	-	-	3,545,000	3,545,000
Premium on debt issued	-	-	68,768	68,768
Refunded bond principal paid	-	-	(3,514,548)	(3,514,548)
<i>Total Other Financing Sources (Uses)</i>	<u>1,041,896</u>	<u>1,041,896</u>	<u>1,141,116</u>	<u>99,220</u>
CHANGE IN FUND BALANCE	329,500	329,500	662,687	333,187
FUND BALANCE (Deficit), Beginning of year	(329,500)	(329,500)	(326,613)	2,887
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 336,074</u>	<u>\$ 336,074</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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Capital outlay	487,885	487,885	2,284	485,601
RECEIPTS OVER (UNDER) DISBURSEMENTS	(487,885)	(487,885)	(2,284)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	195,000	195,000	195,000	-
Transfers out	(105,821)	(105,821)	-	105,821
<i>Total Other Financing Sources (Uses)</i>	<u>89,179</u>	<u>89,179</u>	<u>195,000</u>	<u>105,821</u>
CHANGE IN FUND BALANCE	(398,706)	(398,706)	192,716	591,422
FUND BALANCE, Beginning of year	<u>398,706</u>	<u>398,706</u>	<u>499,158</u>	<u>100,452</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 691,874</u>	<u>\$ 691,874</u>

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, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Charges for services	\$ 90,190	\$ 90,190	\$ 93,282	\$ 3,092
Miscellaneous	5,100	5,100	1,702	(3,398)
<i>Total Receipts</i>	<u>95,290</u>	<u>95,290</u>	<u>94,984</u>	<u>(306)</u>
DISBURSEMENTS				
Personal services	106,348	106,348	93,470	12,878
Materials and services	46,898	46,898	31,490	15,408
Capital outlay	5,000	5,000	-	5,000
<i>Total Disbursements</i>	<u>161,340</u>	<u>161,340</u>	<u>124,960</u>	<u>36,380</u>
CHANGE IN FUND BALANCE	(66,050)	(66,050)	(29,976)	36,074
FUND BALANCE, Beginning of year	<u>66,050</u>	<u>66,050</u>	<u>146,858</u>	<u>80,808</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,882</u>	<u>\$ 116,882</u>

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, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 628	\$ (872)
DISBURSEMENTS				
Capital outlay	30,000	30,000	-	30,000
RECEIPTS OVER (UNDER)				
DISBURSEMENTS	(28,500)	(28,500)	628	-
OTHER FINANCING SOURCES (USES)				
Transfers in	30,000	30,000	-	(30,000)
Transfers out	(120,254)	(120,254)	-	120,254
<i>Total Other Financing Sources (Uses)</i>	<u>(90,254)</u>	<u>(90,254)</u>	<u>-</u>	<u>90,254</u>
CHANGE IN FUND BALANCE	(118,754)	(118,754)	628	119,382
FUND BALANCE, Beginning of year	<u>118,754</u>	<u>118,754</u>	<u>140,578</u>	<u>21,824</u>
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,206</u>	<u>\$ 141,206</u>

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - STORM WATER SDC FUND
YEAR ENDED JUNE 30, 2010**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 5,780	\$ 5,780	\$ 13,675	\$ 7,895
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,780	5,780	13,675	7,895
OTHER FINANCING SOURCES (USES)				
Transfers in	120,254	120,254	-	(120,254)
Transfers out	(30,000)	(30,000)	-	30,000
<i>Total Other Financing Sources (Uses)</i>	90,254	90,254	-	(90,254)
CHANGE IN FUND BALANCE	96,034	96,034	13,675	(82,359)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	\$ 96,034	\$ 96,034	\$ 13,675	\$ (82,359)

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - WATER SDC FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Licenses and permits	\$ 42,260	\$ 42,260	\$ 69,441	\$ 27,181
DISBURSEMENTS	-	-	-	-
CHANGE IN FUND BALANCE	42,260	42,260	69,441	27,181
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	<u>\$ 42,260</u>	<u>\$ 42,260</u>	<u>\$ 69,441</u>	<u>\$ 27,181</u>

CITY OF MOLALLA, OREGON

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - SEWER SDC FUND
YEAR ENDED JUNE 30, 2010**

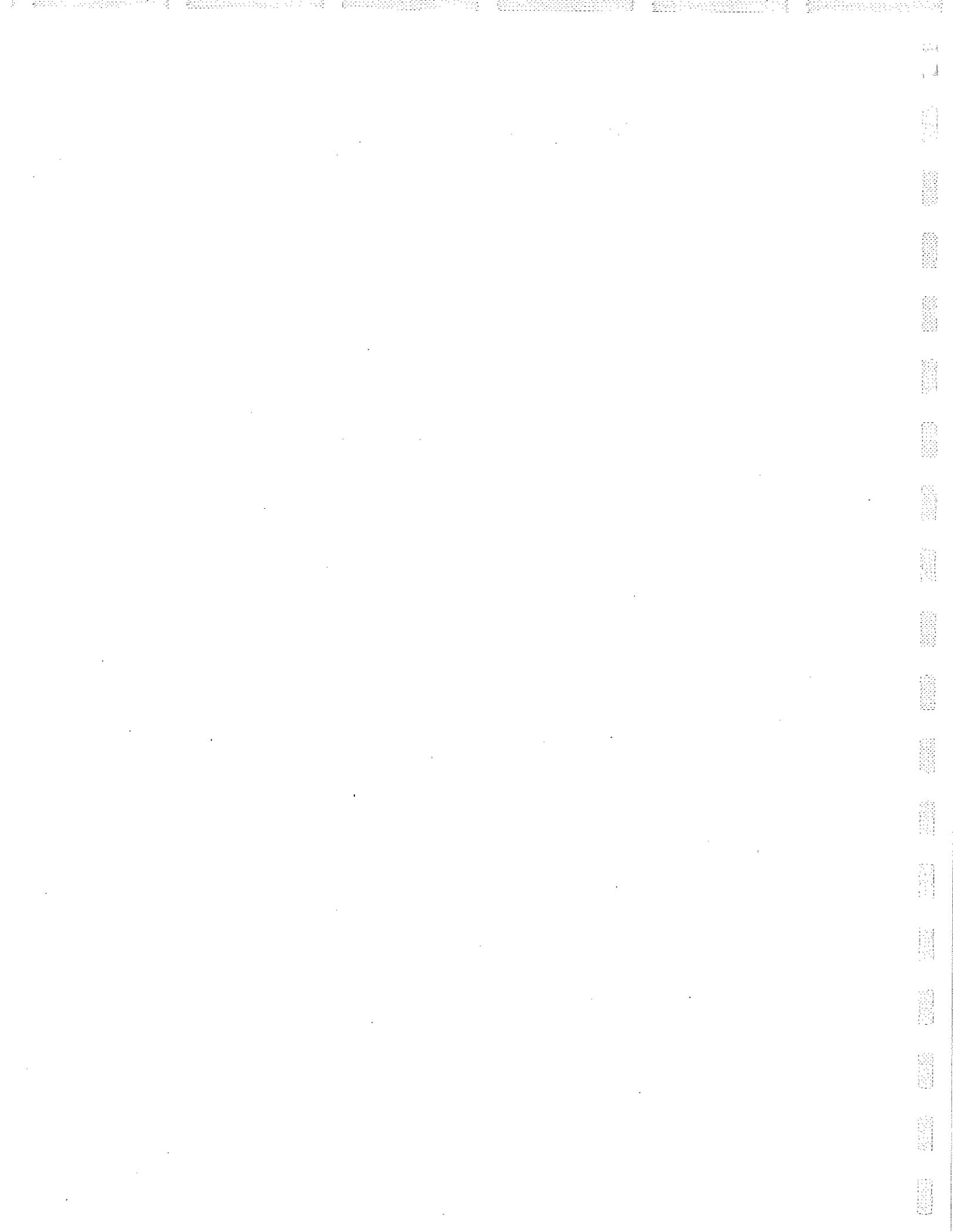
	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS				
Licenses and permits	\$ 85,620	\$ 85,620	\$ 136,084	\$ 50,464
DISBURSEMENTS	-	-	-	-
RECEIPTS OVER (UNDER) DISBURSEMENTS	85,620	85,620	136,084	50,464
OTHER FINANCING SOURCES (USES)				
Transfers in	105,821	105,821	-	(105,821)
Transfers out	(191,441)	(191,441)	(191,441)	-
CHANGE IN FUND BALANCE	-	-	(55,357)	(55,357)
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE (Deficit), End of year	\$ -	\$ -	\$ (55,357)	\$ (55,357)

CITY OF MOLALLA, OREGON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES (CASH BASIS) -
BUDGET AND ACTUAL - CWSFR DEBT RETIREMENT FUND
YEAR ENDED JUNE 30, 2010

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
RECEIPTS	\$ -	\$ -	\$ -	\$ -
DISBURSEMENTS				
Materials and services	12,827	12,827	12,827	-
Debt service	178,614	178,614	178,614	-
<i>Total Disbursements</i>	<u>191,441</u>	<u>191,441</u>	<u>191,441</u>	<u>-</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(191,441)	(191,441)	(191,441)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	191,441	191,441	191,441	-
CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, Beginning of year	-	-	-	-
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



OTHER SCHEDULES



CITY OF MOLALLA, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2010

	<i>Balances</i> <i>July 1,</i> <i>2009</i>	<i>2009-2010</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>2010</i>
<i>General Fund</i>					
2009-10	\$ -	\$ 2,420,226	\$ (63,654)	\$ (2,266,694)	\$ 89,878
2008-09	96,640	-	(1,641)	(56,539)	38,460
2007-08	27,395	-	(486)	(12,634)	14,275
2006-07	9,841	-	(341)	(4,963)	4,537
2005-06	2,958	-	(337)	(1,687)	934
2004-05	882	-	(235)	(37)	610
2003-04	588	-	(101)	(20)	467
Prior	1,780	-	(74)	(128)	1,578
	<u>\$ 140,084</u>	<u>\$ 2,420,226</u>	<u>\$ (66,869)</u>	<u>\$ (2,342,702)</u>	150,739
Cash with County					<u>16,771</u>
Total property tax receivable					<u>\$ 167,510</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF LONG-TERM DEBT TRANSACTIONS
YEAR ENDED JUNE 30, 2010

PRINCIPAL TRANSACTIONS	Interest Rates	Date of Issue	Fiscal Year of Maturity
1993 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
2007 State Revolving Loan	2.80%	2007	2028
2007 Vehicle Lease	5.0%	2007	2010
2010 Water Revenue Refunding Bonds	3.0%	2010	2017
2010 Sewer Revenue Refunding Bonds	3%-4%	2010	2025
2010 GO Water Refunding Bonds	2% - 3.5%	2010	2018

INTEREST TRANSACTIONS	Interest Rates	Date of Issue	Unmatured Interest July 1, 2009
1993 EDD Loan	6.0%	1993	\$ 5,663
1977 GO Bonds	5.0%	1977	30,665
1978 GO Bonds	5.0%	1978	104,765
1992 Water Revenue Bonds	3.0%-6.25%	1992	5,815
1997 Water Revenue Bonds	3.8%-5.2%	1997	699,368
2000 Sewer Revenue Bonds	4.45%-5.95%	2000	2,012,902
2007 State Revolving Loan	2.80%	2007	775,703
2007 Vehicle Lease	5.0%	2007	1,183
2010 Water Revenue Refunding Bonds	3.0%	2010	-
2010 Sewer Revenue Refunding Bonds	3%-4%	2010	-
2010 GO Water Refunding Bonds	2% - 3.5%	2010	-
			\$ 3,636,064

<i>Outstanding July 1, 2009</i>	<i>New Issues</i>	<i>Principal Paid</i>	<i>Refinanced During Year</i>	<i>Outstanding June 30, 2010</i>
\$ 22,035	\$ -	\$ (3,909)	\$ -	\$ 18,126
130,558	-	(11,780)	(118,778)	-
400,650	-	(27,956)	(372,694)	-
95,000	-	(25,000)	(70,000)	-
2,775,000	-	(250,000)	(2,525,000)	-
3,664,548	-	(150,000)	(3,514,548)	-
2,617,972	-	(106,048)	-	2,511,924
23,660	-	(23,660)	-	-
-	2,475,000	-	-	2,475,000
-	3,545,000	-	-	3,545,000
-	505,000	(65,000)	-	440,000
<u>\$ 9,729,423</u>	<u>\$ 6,525,000</u>	<u>\$ (663,353)</u>	<u>\$ (6,601,020)</u>	<u>\$ 8,990,050</u>

<i>New Issues</i>	<i>Interest Paid</i>	<i>Refinanced During Year</i>	<i>Unmatured Interest June 30, 2010</i>
\$ -	\$ (1,322)	\$ -	\$ 4,341
-	(6,212)	(24,453)	-
-	(16,415)	(88,350)	-
-	(6,094)	279	-
-	(136,173)	(563,195)	-
-	(206,663)	(1,806,239)	-
-	(72,566)	-	703,137
-	(1,183)	-	-
293,738	-	-	293,738
1,139,688	-	-	1,139,688
61,830	(2,880)	-	58,950
<u>\$ 1,495,256</u>	<u>\$ (449,508)</u>	<u>\$ (2,481,958)</u>	<u>\$ 2,199,854</u>

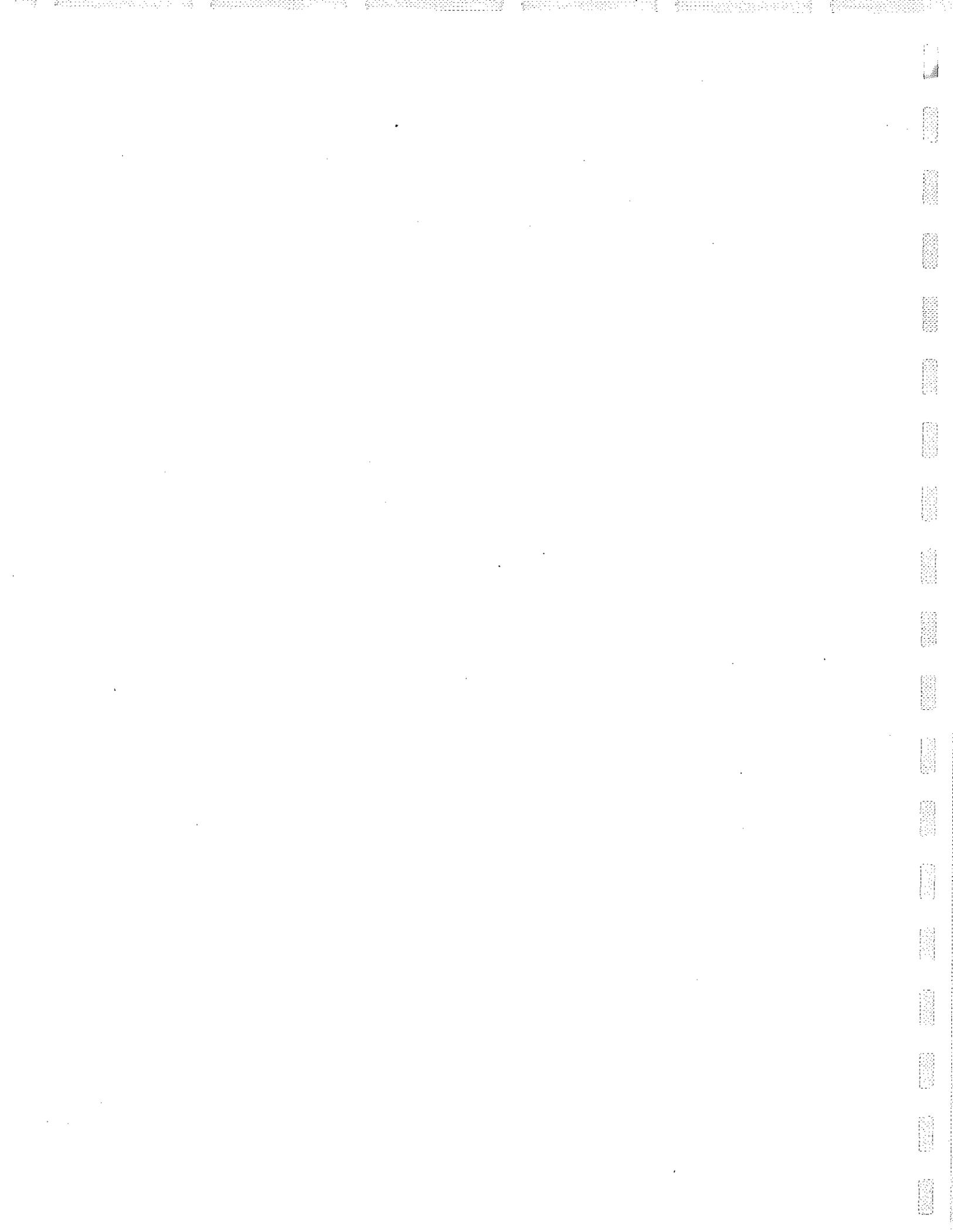
CITY OF MOLALLA, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
JUNE 30, 2010

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>1993 EDD Loan</i>			<i>2007 Clean Water State Revolving Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 4,144	\$ 1,087	\$ 5,231	\$ 109,038	\$ 69,576	\$ 178,614
2012	4,392	839	5,231	112,113	66,501	178,614
2013	4,656	575	5,231	115,273	63,341	178,614
2014	4,934	1,840	6,774	118,524	60,090	178,614
2015	-	-	-	121,865	56,749	178,614
2016	-	-	-	125,301	53,313	178,614
2017	-	-	-	128,835	49,779	178,614
2018	-	-	-	132,467	46,147	178,614
2019	-	-	-	136,203	42,411	178,614
2020	-	-	-	140,043	38,571	178,614
2021	-	-	-	143,991	34,623	178,614
2022	-	-	-	148,051	30,563	178,614
2023	-	-	-	152,226	26,388	178,614
2024	-	-	-	156,518	22,096	178,614
2025	-	-	-	160,931	17,683	178,614
2026	-	-	-	165,469	13,145	178,614
2027	-	-	-	170,135	8,479	178,614
2028	-	-	-	174,941	3,682	178,623
	<u>\$ 18,126</u>	<u>\$ 4,341</u>	<u>\$ 22,467</u>	<u>\$ 2,511,924</u>	<u>\$ 703,137</u>	<u>\$ 3,215,061</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE (Continued)
JUNE 30, 2010

<i>Fiscal Year</i> <i>Ending</i> <i>June 30,</i>	<i>2010 Sewer Revenue Refunding Bonds</i>			<i>Totals</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2011	\$ 170,000	\$ 97,788	\$ 267,788	\$ 638,182	\$ 241,594	\$ 879,776
2012	200,000	122,450	322,450	671,505	262,603	934,108
2013	200,000	116,450	316,450	684,929	242,379	927,308
2014	200,000	110,450	310,450	673,458	218,743	892,201
2015	210,000	104,450	314,450	691,865	202,612	894,477
2016	220,000	98,150	318,150	715,301	182,526	897,827
2017	225,000	91,550	316,550	743,835	159,567	903,402
2018	230,000	84,800	314,800	732,467	137,097	869,564
2019	240,000	75,600	315,600	376,203	118,011	494,214
2020	250,000	66,000	316,000	390,043	104,571	494,614
2021	260,000	56,000	316,000	403,991	90,623	494,614
2022	270,000	45,600	315,600	418,051	76,163	494,214
2023	280,000	34,800	314,800	432,226	61,188	493,414
2024	290,000	23,600	313,600	446,518	45,696	492,214
2025	300,000	12,000	312,000	460,931	29,683	490,614
2026	-	-	-	165,469	13,145	178,614
2027	-	-	-	170,135	8,479	178,614
2028	-	-	-	174,941	3,682	178,623
	<u>\$ 3,545,000</u>	<u>\$ 1,139,688</u>	<u>\$ 4,684,688</u>	<u>\$ 8,990,050</u>	<u>\$ 2,198,362</u>	<u>\$ 11,188,412</u>

REGULATORY 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 REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
City of Molalla, Oregon
Molalla, Oregon

We have audited the basic financial statements of the City of Molalla, Oregon as of and for the year ended June 30, 2010, and have issued our report thereon dated February 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City of Molalla, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials.**

In connection with our testing nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

1. The City's records were not adequate for audit.
2. Overexpenditures as disclosed in the notes to the basic financial statements.
3. Excess of actual revenues over actual expenditures in second preceding year did not equal the beginning balance in first preceding year.
4. Certain information on the City's LB-1 forms did not agree to comparable information on the LB-3 forms.

OAR 162-10-0230 Internal Control

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We issued a separate letter dated February 16, 2011 on control deficiencies that we consider to be significant deficiencies, some of which are material weaknesses.

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

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

By: 

Charles A. Swank, A Shareholder
February 16, 2011