

CITY OF MOLALLA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015
WITH
INDEPENDENT AUDITOR'S REPORT



CITY OF MOLALLA, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 2015

Prepared by
City of Molalla, Finance Department

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INTRODUCTORY SECTION



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December 7, 2015

Citizens of Molalla
Honorable Mayor
Members of the City Council

It is our pleasure to submit to you the Comprehensive Financial Report of the City of Molalla, Oregon, for the fiscal year ending June 30, 2015.

Oregon Revised Statutes (ORS) 297.425 requires that every municipal corporation publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the city. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the city has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the city's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the city's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The city's financial statements were audited by Merina & Company, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the city for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by the management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the city's

basic financial statements for the fiscal year ended June 30, 2015, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is included in the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The city's MD&A can be found immediately following the report of the independent auditors.

City Overview

The City of Molalla is a community where citizens, business and city government work together to ensure that the community retains its hometown identity, livability and its natural beauty. The estimated population is 8,450. Molalla's rich past is still reflected today in our commitment to our rural lifestyle and quality of life.



Location

Molalla is located in the foothills of the Cascade Range, near the Mount Hood National Forest, 15 miles south of Oregon City and 13 miles from Interstate 5. Molalla is surrounded by farms and rural residential development.

City of Molalla Government

The City of Molalla is a full-service municipality that operates under a council/manager form of government. The elected city council sets policies for city government, enacts ordinances and hires, directs and evaluates the city manager. In turn, the city manager is responsible for overall management and administration.

The Molalla City Council meets the second and fourth Wednesday of each month at the Molalla Adult Center. The City Council consists of the Mayor and six councilors who act as a board of directors of the City of Molalla municipal corporation. Municipal services are provided by a staff of 34 full-time employees headed by the city manager. The city operates its own police department, a municipal court, and water, wastewater and storm water utilities, street operations, planning and engineering services, library, and an aquatic center.

History

Long before the first settlers began arriving; this area was populated by the Molalla Indian tribe. As settlers arrived, the community grew around the crossing of two Indian trails. Descendants of the Molalla tribe now live on the Grande Ronde Reservation in western Oregon. The last known full-blooded Molalla Indian died in 1913.

Seeking fertile soils, ample water and rich grasses, the pioneers were attracted to the Willamette Valley. William Russell filed the first land claim in the area in 1840. In 1850 a post office was opened and the community started to grow. By 1856, the first schools were operating and the town had become a thriving agricultural and trade center. The year 1857 brought the first general store. The year 1913 was a year of “firsts” for Molalla. It welcomed the first steam train, the first Molalla Buckeroo Rodeo, the first bank, the first locally published weekly newspaper and the incorporation of the City. Over the years, lumber production became the community’s biggest commodity. At one point five saw mills were in operation in Molalla. Timber remained the mainstay of the community’s economy until the 1980s.

Now in the new century, Molalla has transitioned from a lumber town into a bedroom/commuter community that is positioned 15 miles from everywhere and residents can enjoy the quiet country life while maintaining their mainstream metro employment.

Financial Analysis

Fiscal year 2014/2015 was a positive year for the City we turned a corner and remained in the black through fiscally conservative decision making. This philosophy has allowed the City to refocus and begin projects on core issues such as infrastructure (streets, water, sewer, parks and storm water), police and basic administrative services in the midst of our challenging economic environment.

In response to our challenge, discretionary spending has been reduced and continues with the budget for the 2015/2016 fiscal year. With this healthy yet conservative budget you will find changes that begin to bring back service levels that are sorely needed for the community. We have adopted a philosophy of doing as much as we can with the level of resources available.

As part of our conservative approach the City completed an update and review of our System Development Charges and capital improvement programs. The Park Master Plan has been updated and the Comprehensive Plan is nearing update completion. Staffing levels and expectations, auditing procedures, and checks and balances have been dutifully implemented throughout the current year. Partnerships have been identified and connected or reconnected.

There is a commitment to a level of Staff professionalism, training and competence that will lead to excellence in provision of our level of service. Our currently stable conditions project through this fiscal year but we are cautiously approaching this budget year in order to ensure that any increases in service levels are sustainable into the immediate future.

Staff has begun a process toward a 5-year plan for each department that will feature capital, equipment, facility and staffing projections within each budget year. This process will involve one more fiscal cycle in order to complete certain changes in process and function. In other words we still have work to do in our internal growing up for the City of Molalla.

Infrastructure and Capital Improvement planning and projects are necessary to address core needs for the City of Molalla. Pro-active changes that you will find include but are not limited to the following:

- Identifying needs for annual maintenance funding in both water and waste water treatment
- Street repair line items
- Distribution and collection system maintenance funding
- Facility planning
- ODOT Fund Exchange

There are two areas of concern including Wastewater and the Aquatic Center. The Wastewater fund has been burdened with debt payment as well as a lack of creative funding for needed maintenance. The 2014-15 budget begins to address needed cost allocations for plant maintenance, inflow and infiltration duties and our new NPDES Permitting. We will need to be diligent in monitoring this fund. The Aquatic Center has created a problem for the City in that the subsidy to keep the pool open has grown to a level that creates a gross inequity for city residents. Staff is proposing a six-month budget in the event an alternative for funding the pool can be identified. At that point a supplemental budget will be required to move forward with an alternative.

Staff and Council will be pursuing island annexations that will begin to close the gap regarding equity of service between city residents and those properties surrounded by city limits. Each of these properties will be on the tax roll for 2015 but actual tax revenues may not be realized for all properties until 2017.

We have a tremendous need to focus on streets, water, sewer, parks and all of our city facilities. A Council goal for the 2013/2014 fiscal year was to update Capital Improvement Plans with audited and current methodologies. This task was finalized on April 26, 2014 and provides the City with a stable and up to date framework to work with. The 2014-15 fiscal year

also marks the beginning of a 5-year financial forecast and individual Department and fund capital improvement planning. We will also continue to proceed cautiously from a financial standpoint and strive to continue the process of healthy reserves and contingencies.

Financial Goals

The City of Molalla's financial goals seek to:

- Ensure the financial integrity of the City
- Improve financial information for decision makers at all levels:
- Assist policy makers as they contemplate decisions that affect the City on a long-term basis, a manager as they implement policy on a day-to-day basis.

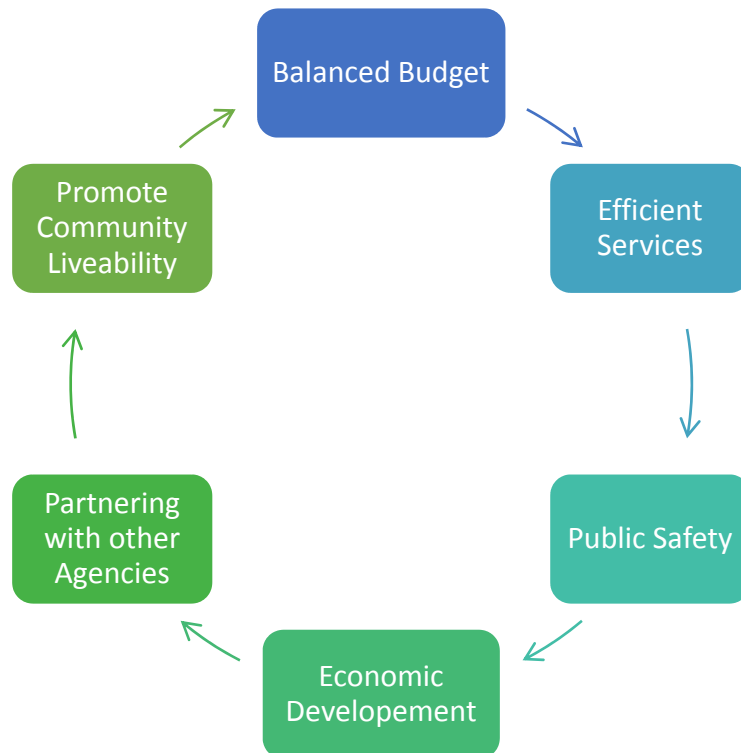
Financial Objectives

The City of Molalla's fiscal policies address the following major areas:

1. Revenue policy - Addresses property taxes, user charges and other sources to adequately fund desired services
2. Operating budget policy - Relating to budgeting guidelines
3. Accounting policy - Relating to reporting financial transactions and preparing financial reports
4. Debt Policy - Dealing with long-term financing of the City's capital needs and its bond rating
5. Reserve policy - For establishing reserves and contingency funding as needed for the various activities of the City
6. Management of fiscal policy - Dealing with approval, recommendation, review and implementation of policies including monitoring compliance

Major Initiatives

The Molalla City Council meets at the beginning of each year to establish goals. Council goals comprise high priority tasks or programs that the City Council intends to complete or initiate during the year, through attainment of these goals may take several years. The goals are based on the city's vision, departmental needs, and City Council priorities. The six main goals are as follows:



Goal 1 – Maintain a Healthy and Balanced Budget

- Participate openly in the Annual Audit process
- Ensure fair City tax rates and fees
- Maintain a financial model that balances short and long term needs
- Continue multiple year budget planning
- Implement strategies using the Budget as the fiscal Master Plan for the City
- Update salary and benefit survey
- Prepare 1st City of Molalla CAFR (Comprehensive Annual Financial Report)
- Alternate funding source for the Aquatic Center
- Implement a Council Policy process

Goal 2 - Provide Effective and Efficient Services

- Expect professionalism in all phases of City services
- Promote employee development in a quality work environment
- Continue centralization of contracts and permanent retention of records
- Initiate a sidewalk replacement program
- Implement a water mainline replacement program
- Establish an annual funding source for I & I (Inflow & Infiltration)
- Establish a funding source for annual street maintenance
- Create a north/south connection from Toliver Road to Highway 211
- Construct a bike/pedestrian trail on the old rail line
- Pursue additional land options for recycled water and bio solid placement

Goal 3 - Promote excellence in public safety

- Establish a police vehicle replacement sustainability program
- Police Department policy manual update
- Examine personnel needs and develop a partnership with School District to establish a School Resource Officer
- Increase public awareness of community safety needs
- Improve community policing efforts (More of a presence)

Goal 4 - Manage growth and economic development

- Implement new SDC Methodology and fees (By December 31, 2014)
- Complete the Comprehensive Plan update process
- Update and streamline the Development Code
- Partnering with Clackamas County Business and Economic Development, develop an economic development plan for Molalla.
- Begin process to examine public facilities including current and future needs
- Complete Island annexation process
- Complete Highway 211 improvements
- Update the Transportation System Plan

Goal 5 - Effective relationships with local, regional and state agencies and partners

- Continue improving regional relationships with local, state and regional partners
- Be visible at Regional and State events
- City Council participation in Regional organizations such as Economic Development, C-4, League of Oregon Cities, etc.
- Develop funding partnerships with Clackamas County and ODOT

Goal 6 – Promote a livable community with a sense of pride and place

- Use the new website to promote community awareness and information provision
- Promote a Downtown Development/Main Street program
- Work with local events as partners through participation
- Promote green space and park improvements
- Continue to work toward meeting Oregon Library Association Standards
- Update the library strategic plan
- Continue to research and assess building needs for future remodeling and expansion or the replacement of the library
- Review and update library policies
- Plan for public building upgrades and replacement
 1. City Hall
 2. Police Station
 3. PAL Building
 4. Skate Park
- Promote Downtown improvements and events

Acknowledgement

We appreciate the professionalism, commitment and effort of Merina & Company. LLC during their review and audit of the City of Molalla's financial information. We also want to thank all city departments, boards, and commissions for their continued diligence in handling the city's financial operations in a professionally responsible manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Dan Huff', with a stylized, cursive script.

Dan Huff
City Manager

MAYOR AND CITY COUNCIL

NAME

TERM EXPIRES

Mayor

Debbie Rogge

December 2016

Councilors:

George Pottle
Jason Griswold
Jennifer Satter
Jimmy Thompson
Russell Riggs
Stephen Clark

December 2018
December 2016
December 2018
December 2016
December 2018
December 2018

CITY STAFF

City Manager

Dan Huff

Finance Director

Heather Penni

MAILING ADDRESS

PO Box 248
Molalla, Oregon 97038

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Molalla, Oregon
Molalla, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Molalla, Oregon, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions, 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.

The budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 7, 2015, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Merina & Company

Merina & Company, LLP
West Linn, Oregon
December 7, 2015

CITY OF MOLALLA, OREGON
Management's Discussion and Analysis
JUNE 30, 2015

The management of the City of Molalla, Oregon offers readers of the Comprehensive Annual Financial Report, this narrative overview and analysis of the financial activities of the City of Cornelius for the fiscal year ended June 30, 2015. This analysis focuses on significant financial issues, major financial activities, and resulting changes in financial position, budget variances and specific issues related to funds and the economic factors affecting the City. Readers are encouraged to consider the information here in conjunction with additional information provided in the transmittal letter.

Financial Highlights

Assets totaled \$38,839,688 at June 30, 2015 and consisted of \$11,657,257 in cash and cash equivalents; \$1,089,493 in accounts receivable and other assets; and \$26,092,938 in capital assets.

Net position was \$29,333,798 at June 30, 2015 compared to \$28,938,734 at June 30, 2014 year end.

As of June 30, 2015 the City had \$8,814,017 in outstanding bonds, notes payable and accrued compensated absences.

The City's net position increased by \$399,044 from June 2014, primarily due to capital asset additions, utility rate increases, increased collection on receivables and early payoff of bonds. Governmental capital assets in Fiscal Year 2015 totaled \$26,092,938 net of depreciation, which includes current year assets as well as other major capital construction projects.

Overview of the Financial Statements

The Management Discussion and Analysis (MD&A) is intended to serve as an introduction to the City of Molalla basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-Wide Financial Statements

These two statements present an overview of the City's finances, in a manner similar to the private sector. Each statement presents highly condensed, entity-wide information and uses the full accrual basis of accounting.

The Statement of Net Position presents information on the City's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City as of the date on the statement. Net position is the difference between assets, deferred outflows of resources,

liabilities, and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how net position of the City changed over the most recent fiscal year by tracking receipts, disbursements and other transactions that increase or reduce net position. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In government-wide financial statements, the City's activities are shown as governmental activities. Governmental activities of the City of Molalla include general government, city hall, legal, parks, library, streets, and police. These activities are primarily finance through property taxes and other intergovernmental activities. Business-type activities consist of water, sewer, and storm. These activities are services to the public for a fee.

2. Fund Financial Statements

A fund is a group 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 other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Molalla can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

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 financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Molalla maintains ten individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Library Fund, Street Fund, Urban Renewal Agency Fund, and Park SDC Fund. All of these funds are considered to be major funds. Data from the other five non-major governmental funds are combined into a

single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining schedules in the other supplementary information described below.

Proprietary Funds. Proprietary funds represent three segments of business-type operations, water, sewer and storm, used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent is that the costs of providing these services to the general public on a continuing basis be financed primarily through user charges. The City has a Public Works Personnel Fund that is an internal service fund. All personnel charges for the public works funds are expensed out of this fund and then this fund is reimbursed for those charges.

3. Notes to the Basic Financial Statements

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

Required Supplementary Information. Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered part of basic financial statements. A budgetary comparison schedule for the General Fund and major special revenue funds, schedule of the proportionate share of the net pension liability, and schedule of contributions are presented immediately following the notes to the basic financial statements.

Other Supplementary Information. The schedules for any major capital project funds and non-major governmental funds and budgetary comparison schedules for both the non-major governmental funds and the proprietary funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$29,333,798 at the close of the most recent fiscal year.

The following table reflects a Summary of Net Position for these fiscal years:

	2015			2014		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Assets						
Current assets	\$ 7,996,124	\$ 4,411,749	\$12,407,873	\$ 4,221,215	\$ 5,133,104	\$ 9,354,319
Net pension assets	254,498	84,379	338,877	-	-	-
Capital assets	<u>12,939,431</u>	<u>13,153,507</u>	<u>26,092,938</u>	<u>12,994,500</u>	<u>13,116,956</u>	<u>26,111,456</u>
Total assets	<u>21,190,053</u>	<u>17,649,635</u>	<u>38,839,688</u>	<u>17,215,715</u>	<u>18,250,060</u>	<u>35,465,775</u>
Deferred outflows of resources	139,294	46,185	185,479	-	-	-
Liabilities						
Current liabilities	330,261	830,112	1,160,373	81,884	668,678	750,562
Long-term liabilities	<u>3,047,147</u>	<u>4,829,953</u>	<u>7,877,100</u>	<u>236,899</u>	<u>5,539,580</u>	<u>5,776,479</u>
Total liabilities	<u>3,377,408</u>	<u>5,660,065</u>	<u>9,037,473</u>	<u>318,783</u>	<u>6,208,258</u>	<u>6,527,041</u>
Deferred inflows of resources	491,076	162,820	653,896	-	-	-
Net position						
Net investment in capital assets	12,696,338	7,678,396	20,374,734	12,779,500	7,009,980	19,789,480
Restricted	2,976,327	1,990,122	4,966,449	2,071,278	2,980,333	5,051,611
Unassigned	<u>1,788,198</u>	<u>2,204,417</u>	<u>3,992,615</u>	<u>2,046,154</u>	<u>2,051,489</u>	<u>4,097,643</u>
Total net position	<u>\$17,460,863</u>	<u>\$11,872,935</u>	<u>\$29,333,798</u>	<u>\$16,896,932</u>	<u>\$12,041,802</u>	<u>\$28,938,734</u>

By far the largest portion of the City of Molalla's net position reflect its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets do not have financial liquidity easily available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to pay these liabilities. The balance of \$4,966,449 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,147,615 is unrestricted net position and may be used to meet the City's ongoing obligations to citizens and creditors.

The following table summarizes revenues and expenses for these fiscal years:

	2015			2014		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
<u>Revenues</u>						
Program Revenues						
Charges for services	\$ 1,065,981	\$ 3,422,466	\$ 4,488,447	\$ 1,442,580	\$ 2,976,353	\$ 4,418,933
Operating grants	23,877	-	23,877	11,654	-	11,654
Capital grants	-	-	-	76,135	285,310	361,445
General Revenues						
Property taxes	2,954,828	-	2,954,828	2,775,997	-	2,775,997
Other taxes	2,283,739	-	2,283,739	1,495,926	-	1,495,926
Other revenues	169,655	10,601	180,256	140,894	4,150	145,044
Total Revenues	6,498,080	3,433,067	9,931,147	5,943,186	3,265,813	9,208,999
<u>Expenses</u>						
Governmental						
General government	\$ 825,410	\$ -	\$ 825,410	\$ 1,681,897	\$ -	\$ 1,681,897
Public safety	2,097,686	-	2,097,686	2,074,492	-	2,074,492
Highways and streets	1,457,004	-	1,457,004	593,752	-	593,752
Culture and recreation	643,646	-	643,646	603,233	-	603,233
Community development	244,004	-	244,004	597,644	-	597,644
Interest long-term debt	37,579	-	37,579	8,308	-	8,308
Business-Type						
Water	-	1,223,534	1,223,534	-	1,163,666	1,163,666
Sewer	-	2,457,600	2,457,600	-	1,404,365	1,404,365
Storm water	-	102,813	102,813	-	189,513	189,513
Interest long-term debt	-	-	-	-	-	-
Total expenses	5,305,329	3,783,947	9,089,316	5,559,326	2,757,544	8,316,870
Transfers	(400,000)	400,000	-	-	-	-
Change in Net Position	792,751	49,120	841,871	383,860	508,269	892,129
Net Position July, 1	16,896,932	12,037,822	28,934,754	16,513,072	11,533,533	28,046,605
Restatements	(228,820)	(214,007)	(442,827)	-	-	-
Net Position--as restated	16,668,112	11,823,815	28,491,927	16,513,072	11,533,533	28,046,605
Net Position--June 30	17,460,863	11,872,935	29,333,798	16,896,932	12,041,802	28,938,734

Governmental Activities. Governmental activities increased the City of Molalla's net position by \$792,751. The increase is primarily due to an increase in property taxes and a decrease in overall expenses.

Business-type Activities. Business-type activities increased the City of Molalla’s net position by \$49,120. The increase is primarily due to transfers from other funds.

Financial Analysis of the City’s Funds

Governmental Funds. The focus of the City of Molalla’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Molalla’s financial requirements. In particular, unassigned fund balance may serve as useful measure of a government’s net resources available for spending at the end of the fiscal year as they have not been limited to use for a particular purpose.

At the end of the fiscal year, the City of Molalla’s governmental funds reported combined ending fund balances of \$7,656,487.

Proprietary Funds. The City’s proprietary funds are enterprise funds and internal service fund. An enterprise fund is used to account for activities for which a fee is charged to external users for services. These funds provide the same type of information found in the government-wide financial statements, but in more detail. Internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

General Fund Budgetary Highlights

The General Fund received \$200,607 more than what was budgeted mostly due to higher property taxes than expected.

The General Fund spent \$441,551 less than what was budgeted due to the city trying to improve the General Fund ending balance and conservative spending.

Capital Assets and Debt Administration

The following table compares capital assets for these fiscal years:

	Governmental Activities		Business-Type Activities		Total		Change
	2015	2014	2015	2014	2015	2014	+ (-)
Land	\$ 1,489,291	\$ 1,489,291	\$ 727,511	\$ 727,511	\$ 2,216,802	\$ 2,216,802	\$ -
Construction in Progress	243,093	-	-	-	243,093	-	243,093
Land improvement	245,809	265,876	11,139	11,139	256,948	277,015	(20,067)
Buildings	2,076,019	2,141,254	1,878,135	1,878,135	3,954,154	4,019,389	(65,235)
Infrastructure	8,670,520	8,843,278	9,826,830	9,826,830	18,497,350	18,670,111	(172,761)
Machinery and Equipment	137,141	151,293	695,909	695,909	833,050	847,202	(14,152)
Vehicles	77,558	103,508	13,983	13,983	91,541	117,491	(25,950)
Total	\$12,939,431	\$12,994,500	\$13,153,507	\$13,153,510	\$26,092,938	\$26,148,010	\$ (55,072)

For more detailed information regarding capital assets please refer to Note 3 in the “notes to the Basic Financial Statements”.

Long-term Debt. At June 30, 2015, the City had bonded debt outstanding of \$6,740,026 compared to \$4,265,000 at June 30, 2014. There was an increase in debt due to the issuance of general obligation bonds in the amount of \$3,055,656.

	Government Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ 2,845,000	\$ 215,000	\$ 3,540,000	\$ 4,050,000	\$ 6,385,000	\$ 4,265,000
Bond premium	355,026	-	-	-	355,026	-
Notes payable	-	-	1,935,111	2,056,976	1,935,111	2,056,976
Compensated absences	88,162	81,899	50,718	64,469	138,880	146,368
Total	<u>\$ 3,288,188</u>	<u>\$ 296,899</u>	<u>\$ 5,525,829</u>	<u>\$ 6,171,445</u>	<u>\$ 8,814,017</u>	<u>\$ 6,468,344</u>

Economic Factors and Next Year’s Budget

Fiscal year 2014/2015 is a continued year of calming the water, performing core operational functions, and not repeating past practices. The primary change is the gauging how to move forward. The City is preparing to begin some capital projects in the near future. We are doing our due diligence to ensure that the fiscal impact of the improvements do not change the course of the river back to what it was before. We will continue forward to ensure the conservative approaches to all spending remain in play and that the correct staffing are functioning as needed to maximize the benefits to the residents of Molalla. The City of Molalla will continue the practice of utilizing a cost allocation plan for administrative costs that are indirect and unassignable to a specific cost objective. The method in use is based on budget percentage of the entire city-wide budget but imposed only on actual expenditures.

The City of Molalla will remove the spending moratorium of system development charges as the methodology updates have been successfully completed for all five types. Capital system improvement project development is currently underway.

The City of Molalla budget committee considered all the following factors while preparing the City budget for the 2015/2016 fiscal year.

- Prior history of revenue and expenditures
- Capital projects slated in the next fiscal year as directed from the Capital Improvement Plan
- 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. The City of Molalla Urban Renewal Agency has issued a separate report; which is available to those who are interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Heather Penni, Finance Director
City of Molalla
PO Box 248
Molalla, Oregon 97038

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

The basic financial statements include interrelated sets of financial statements as required by the GASB. The sets of statements include:

- Government-Wide Financial Statements
- Fund Financial Statements
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the basic financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF MOLALLA, OREGON
STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 7,594,675	\$ 4,062,582	\$ 11,657,257
Accounts receivable, net	219,860	349,167	569,027
Property taxes receivable	170,383	-	170,383
Due from other governments	11,206	-	11,206
Net pension assets	254,498	84,379	338,877
Capital Assets:			
Non-depreciable	1,732,384	727,511	2,459,895
Depreciable	11,207,047	12,425,996	23,633,043
 Total assets	 <u>21,190,053</u>	 <u>17,649,635</u>	 <u>38,839,688</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	139,294	46,185	185,479
 Total deferred outflows of resources	 <u>139,294</u>	 <u>46,185</u>	 <u>185,479</u>
 Total asset & deferred outflows of resources	 <u>\$ 21,329,347</u>	 <u>\$ 17,695,820</u>	 <u>\$ 39,025,167</u>
LIABILITIES:			
Accounts payable	\$ 47,849	\$ 86,043	\$ 133,892
Deposits	-	1,036	1,036
Accrued interest payable	41,371	47,157	88,528
Current portion of long-term debt	241,041	695,876	936,917
Non-current portion of long-term debt	3,047,147	4,829,953	7,877,100
 Total liabilities	 <u>3,377,408</u>	 <u>5,660,065</u>	 <u>9,037,473</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	491,076	162,820	653,896
 Total deferred inflows of resources	 <u>491,076</u>	 <u>162,820</u>	 <u>653,896</u>
NET POSITION:			
Net Investment in capital assets	12,541,338	7,678,396	20,219,734
Restricted for:			
Debt service	66,526	46,607	113,133
System development	1,271,112	1,943,515	3,214,627
Urban renewal projects	1,321,298	-	1,321,298
Highways and streets	283,526	-	283,526
Police department	33,865	-	33,865
Unassigned	1,943,198	2,204,417	4,147,615
 Total net position	 <u>17,460,863</u>	 <u>11,872,935</u>	 <u>29,333,798</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 21,329,347</u>	 <u>\$ 17,695,820</u>	 <u>\$ 39,025,167</u>

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

CITY OF MOLALLA, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:							
General government	\$ 825,410	\$ 769,780	\$ -	\$ -	\$ (55,630)	\$ -	\$ (55,630)
Public safety	2,097,686	208,997	-	-	(1,888,689)	-	(1,888,689)
Highways and streets	1,457,004	-	-	-	(1,457,004)	-	(1,457,004)
Culture and recreation	643,646	87,204	3,877	-	(552,565)	-	(552,565)
Community Development	244,004	-	20,000	-	(224,004)	-	(224,004)
Interest on long-term debt	37,579	-	-	-	(37,579)	-	(37,579)
Total governmental activities	5,305,329	1,065,981	23,877	-	(4,215,471)	-	(4,215,471)
Business type activities:							
Water Operations	1,223,534	1,523,794	-	-	-	300,260	300,260
Sewer Operations	2,457,600	1,775,320	-	-	-	(682,280)	(682,280)
Storm Water Operations	102,813	123,352	-	-	-	20,539	20,539
Total business type activities	3,783,947	3,422,466	-	-	-	(361,481)	(361,481)
Total government	\$ 9,089,276	\$ 4,488,447	\$ 23,877	\$ -	(4,215,471)	(361,481)	(4,576,952)
General revenues:							
Taxes:							
Property taxes					2,954,828	-	2,954,828
Public Service taxes and state revenue sharing					1,919,016	-	1,919,016
Franchise taxes					364,723	-	364,723
Interest and investment earnings					54,350	-	54,350
Miscellaneous revenues					115,305	10,601	125,906
Transfers in (out)					(400,000)	400,000	-
Total general revenues and transfers					5,008,222	410,601	5,418,823
Change in net position					792,751	49,120	841,871
Net position - beginning					16,896,932	12,037,822	28,934,754
Cumulative effect of change in accounting principle					(417,639)	(178,988)	(596,627)
Prior period adjustment					188,819	(35,019)	153,800
Net position - ending					\$ 17,460,863	\$ 11,872,935	\$ 29,333,798

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

FUND FINANCIAL STATEMENTS
Major Governmental Funds

General Fund

The General Fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

Library Fund

The Library Fund is a special revenue fund used to account for financial activities related to the city's library. The major source of revenue for the Library Fund comes from intergovernmental revenue from Clackamas County.

Street Fund

The Street Fund is a special revenue fund used to account for maintenance of the city's streets and street lighting. The major sources of revenue for the Street Fund come from the state of Oregon with tax on motor vehicle fuel and the Surface Transportation Program funds.

Urban Renewal Agency Fund

The Urban Renewal Agency Fund is used to account for the discretely presented Molalla Urban Renewal Agency. The major source of revenue is property taxes assessed for the Urban Renewal Agency.

Park SDC Fund

The Park SDC Fund is used to account for the collection and spending of Park System Development Charges.

CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2015

	General Fund	Library Fund	Street Fund	Urban Renewal Agency Fund	Park SDC Fund	Total Nonmajor Funds	Total Governmental
ASSETS:							
Cash and cash equivalents	\$ 951,559	\$ 1,274,843	\$ 218,184	\$ 3,766,420	\$ 947,630	\$ 436,039	\$ 7,594,675
Accounts receivable, net	152,819	-	67,041	-	-	-	219,860
Property taxes receivable	155,542	-	-	14,841	-	-	170,383
Due from other governments	10,482	-	-	724	-	-	11,206
Total assets	<u>\$ 1,270,402</u>	<u>\$ 1,274,843</u>	<u>\$ 285,225</u>	<u>\$ 3,781,985</u>	<u>\$ 947,630</u>	<u>\$ 436,039</u>	<u>\$ 7,996,124</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	\$ 39,798	\$ 6,352	\$ 1,699	\$ -	\$ -	\$ -	\$ 47,849
Total liabilities	39,798	6,352	1,699	-	-	-	47,849
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - franchise fees	58,875	-	-	-	-	-	58,875
Unavailable revenue - property taxes	146,539	-	-	13,780	-	-	160,319
Unavailable revenue - municipal court	72,594	-	-	-	-	-	72,594
Total deferred inflows of resources	278,008	-	-	13,780	-	-	291,788
FUND BALANCES:							
Restricted for:							
Debt service	-	-	-	-	-	66,526	66,526
System development	-	-	-	-	947,630	323,482	1,271,112
Urban renewal projects	-	-	-	3,768,205	-	-	3,768,205
Highways and streets	-	-	283,526	-	-	-	283,526
Police department	-	-	-	-	-	33,865	33,865
Assigned to:							
Library	-	1,268,491	-	-	-	-	1,268,491
Aquatic center	-	-	-	-	-	12,166	12,166
Unassigned	952,596	-	-	-	-	-	952,596
Total fund balances	952,596	1,268,491	283,526	3,768,205	947,630	436,039	7,656,487
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,270,402</u>	<u>\$ 1,274,843</u>	<u>\$ 285,225</u>	<u>\$ 3,781,985</u>	<u>\$ 947,630</u>	<u>\$ 436,039</u>	

Amounts reported in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,939,431
Pension related changes	(90,678)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	291,788
Internal service funds are used by management to charge the costs of the administrative services department to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(16,995)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Long-term debt	(3,277,799)
Interest payable	(41,371)
Net position of governmental activities	<u>\$ 17,460,863</u>

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

CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015

	General Fund	Library Fund	Street Fund	Urban Renewal Agency Fund	Park SDC Fund	Total Nonmajor Funds	Total Governmental
REVENUES:							
Property taxes	\$ 2,592,570	\$ -	\$ -	\$ 290,770	\$ -	\$ 63,739	\$ 2,947,079
Franchise fees	143,048	-	218,800	-	-	-	361,848
Licenses, permits and fees	53,053	-	-	-	-	-	53,053
Intergovernmental	154,495	789,050	975,471	-	-	-	1,919,016
Grants	-	3,877	-	-	-	20,000	23,877
Fines and forfeitures	-	19,218	-	-	-	-	19,218
Charges for services	588,919	2,526	-	-	-	65,460	656,905
Interest revenue	53,721	-	-	629	-	-	54,350
Miscellaneous revenue	66,271	953	28,968	-	-	16,960	113,152
Contributions and donations	-	1,118	-	-	-	1,035	2,153
System development charges	-	-	-	-	393,456	108,525	501,981
Total revenues	3,652,077	816,742	1,223,239	291,399	393,456	275,719	6,652,632
EXPENDITURES:							
Current:							
General government	794,142	-	-	-	-	22,000	816,142
Public safety	2,175,759	-	-	-	-	-	2,175,759
Highways and streets	-	-	536,001	-	-	-	536,001
Culture and recreation	-	577,784	-	-	-	178,673	756,457
Community development	-	-	-	169,730	-	-	169,730
Capital outlay	65,578	93,073	716,052	243,093	40,643	96,902	1,255,341
Debt service:							
Principal	-	-	-	-	-	60,000	60,000
Interest	-	-	-	-	-	6,838	6,838
Total expenditures	3,035,479	670,857	1,252,053	412,823	40,643	364,413	5,776,268
Revenues over (under) expenditures	616,598	145,885	(28,814)	(121,424)	352,813	(88,694)	876,364
OTHER FINANCING SOURCES (USES):							
Issuance of debt	-	-	-	3,055,656	-	-	3,055,656
Transfers in	-	-	-	-	-	87,500	87,500
Transfers out	(487,500)	-	-	-	-	-	(487,500)
Total other financing sources (uses)	(487,500)	-	-	3,055,656	-	87,500	2,655,656
Net changes in fund balances	129,098	145,885	(28,814)	2,934,232	352,813	(1,194)	3,532,020
FUND BALANCES, BEGINNING	814,998	1,122,606	248,340	833,973	594,817	432,027	4,046,761
PRIOR PERIOD ADJUSTMENT	8,500	-	64,000	-	-	5,206	77,706
FUND BALANCES, ENDING	\$ 952,596	\$ 1,268,491	\$ 283,526	\$ 3,768,205	\$ 947,630	\$ 436,039	\$ 7,656,487

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

CITY OF MOLALLA, OREGON
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

Amounts reported in the statement of activities are different because:

Net change in fund balances \$ 3,532,020

Governmental funds report pension contributions as expenditures. However, in the statements of activities, the cost of pension benefits earned net of employee contributions is reports as pension expense. 326,961

The statement of revenues, expenditures, and changes in fund balances report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Current year depreciation	(990,772)	
Loss on disposal of asset	(9,860)	
Capital asset additions	945,563	(55,069)

Some revenue reported in the statement of activities do not provide current financial resources in the governmental funds. (3,042,438)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which proceeds exceeded repayments.

Debt service principal payments	74,756	
Accrued interest expense	(41,371)	33,385

Internal service funds are used by management to charge the costs of the administrative services department to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (2,108)

Change in net position of governmental activities \$ 792,751

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

FUND FINANCIAL STATEMENTS

Proprietary Funds

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. These funds represent three segments of operations – Water, Sewer, and Storm Water. Included in these segments are:

Water Operations

Water Fund

The Water Fund accounts for water services for residents of the City. The principal revenues source is from user fees. The primary expenditure is for system operations.

Water SDC Fund

The Water Capital Asset Fund is used to implement the Water System Master Plan, provided sufficient revenue is generated from the water rate.

Water Debt Retirement

The Water Debt Retirement Fund is an enterprise debt service fund used to account for the debt incurred during the construction of major water utility projects.

Sewer Operations

Sewer Fund

The Sewer Fund accounts for sewer services for residents of the City. The principal revenue source is from user fees. The primary expenditure is for system operations.

Sewer SDC Fund

The Sewer Capital Asset Fund accounts for expenditures on major construction projects or equipment acquisition. The principal resources are system development charges and transfers from the Sewer Fund.

Sewer Debt Retirement

The Sewer Debt Retirement Fund is an enterprise debt service fund used to account for the debt incurred during the construction of major sewer utility projects.

CWSRF Fund

The CWSRF Debt Retirement Fund accounts for the debt service payments for the Clean Water State Revolving Loan.

Storm Water Operations

Storm Water Fund

The Storm Drain Fund accounts for storm drain services for residents of the City. The principal revenue source is from user fees. The primary expenditure is for system operations.

Storm Water SDC Fund

The Storm Drain Capital Asset Fund is used to implement the Storm Sewer System Master Plan provided there are sufficient revenues from operating rates and system development charges.

For Generally Accepted Accounting Principles purposes, these aforementioned funds are consolidated and included as three separate Enterprise funds.

Internal Service Fund

This fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Public Works Personnel Service Fund

This fund accounts for services provided to other departments or agencies within the city on a cost reimbursement basis.

CITY OF MOLALLA, OREGON
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Water Operations	Sewer Operations	Storm Water Operations	Total	Internal Service Fund
ASSETS:					
Current assets:					
Cash and cash equivalents	\$ 2,658,050	\$ 1,147,448	\$ 257,084	\$ 4,062,582	\$ -
Accounts receivable, net	173,399	166,041	9,727	349,167	-
Total current assets	2,831,449	1,313,489	266,811	4,411,749	-
Noncurrent assets:					
Net pension assets	-	-	-	-	101,663
Capital assets, net	5,468,990	7,141,909	542,608	13,153,507	-
Total non current assets	5,468,990	7,141,909	542,608	13,153,507	101,663
Total assets	8,300,439	8,455,398	809,419	17,565,256	101,663
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred amounts related to pensions	-	-	-	-	55,644
Total deferred outflows of resources	-	-	-	-	55,644
Total asset & deferred outflows of resources	\$ 8,300,439	\$ 8,455,398	\$ 809,419	\$ 17,565,256	\$ 157,307
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 6,056	\$ 79,987	\$ -	\$ 86,043	\$ -
Accrued interest payable	10,250	36,907	-	47,157	-
Deposits	1,036	-	-	1,036	-
Current portion of long-term debt	310,000	345,301	-	655,301	48,886
Total current liabilities	327,342	462,195	-	789,537	48,886
Noncurrent portion of long-term debt	665,000	4,154,810	-	4,819,810	12,221
Total liabilities	992,342	4,617,005	-	5,609,347	61,107
DEFERRED INFLOWS OF RESOURCES:					
Deferred amounts related to pensions	-	-	-	-	196,169
NET POSITION:					
Net investment in capital assets	4,493,990	2,641,798	542,608	7,678,396	-
Restricted for:					
System development	1,501,547	238,034	203,934	1,943,515	-
Debt service	-	46,607	-	46,607	-
Unrestricted	1,312,560	911,954	62,877	2,287,391	(99,969)
Total net position	7,308,097	3,838,393	809,419	11,955,909	(99,969)
Total liabilities, deferred inflows and net position	\$ 8,300,439	\$ 8,455,398	\$ 809,419	17,565,256	\$ 157,307
Internal balances result from transactions between the governmental activities, business-type activities and internal service funds				130,564	
Total liabilities and net position of business-type activities				\$ 17,695,820	

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

CITY OF MOLALLA, OREGON
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Water Operations	Sewer Operations	Storm Water Operations	Total	Internal Service Fund
OPERATING REVENUES:					
Charges for services	\$ 1,388,894	\$ 1,594,920	\$ 95,787	\$ 3,079,601	\$ 1,238,835
System development charges	134,900	180,400	27,565	342,865	-
Miscellaneous income	2,676	4,882	3,043	10,601	-
Total operating revenues	1,526,470	1,780,202	126,395	3,433,067	1,238,835
OPERATING EXPENSES:					
Operating and maintenance expenses	1,013,018	2,089,469	88,208	3,190,695	-
Personnel services	-	-	-	-	1,251,234
Depreciation	171,723	192,483	14,242	378,448	-
Total operating expenses	1,184,741	2,281,952	102,450	3,569,143	1,251,234
Operating income (loss)	341,729	(501,750)	23,945	(136,076)	(12,399)
NON-OPERATING REVENUES (EXPENSES):					
Interest expense	(33,775)	(170,738)	-	(204,513)	-
Total non-operating revenues (expenses)	(33,775)	(170,738)	-	(204,513)	-
Net income (loss) before transfers	307,954	(672,488)	23,945	(340,589)	(12,399)
TRANSFERS:					
Transfers in (out)	-	400,000	-	400,000	-
Change in net position	307,954	(272,488)	23,945	59,411	(12,399)
NET POSITION, BEGINNING	6,951,757	4,155,481	774,697	11,881,935	155,887
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	-	-	-	-	(178,988)
PRIOR PERIOD ADJUSTMENT	48,386	(44,600)	10,777	14,563	(64,469)
NET POSITION, ENDING	<u>\$ 7,308,097</u>	<u>\$ 3,838,393</u>	<u>\$ 809,419</u>	11,955,909	<u>\$ (99,969)</u>

Some amounts reported for business-type activities in the statement of activities are different because:

A portion of the net revenue (expenses) of internal service funds is allocated to business-type activities	(82,974)
	<u>\$ 11,872,935</u>

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

CITY OF MOLALLA, OREGON
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Water Operations	Sewer Operations	Storm Water Operations	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 1,519,377	\$ 1,809,996	\$ 127,445	\$ 3,456,818	\$ 1,238,835
Cash paid to employees and others for salaries and benefits	-	-	-	-	(1,394,722)
Cash paid to suppliers and others	(1,006,962)	(2,046,295)	(88,208)	(3,141,465)	-
Net cash provided by (used for) operating activities	512,415	(236,299)	39,237	315,353	(155,887)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers in (out)	-	400,000	-	400,000	-
Net cash provided by (used for) non-capital financing activities	-	400,000	-	400,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of capital assets	(414,999)	-	-	(414,999)	-
Debt principal payments	(300,000)	(331,865)	-	(631,865)	-
Interest paid	(34,125)	(171,931)	-	(206,056)	-
Net cash provided by (used for) capital and related financing activities	(749,124)	(503,796)	-	(1,252,920)	-
Net increase (decrease) in cash and cash equivalents	(236,709)	(340,095)	39,237	(537,567)	(155,887)
CASH AND CASH EQUIVALENTS, BEGINNING	2,894,759	1,487,543	217,847	4,600,149	155,887
CASH AND CASH EQUIVALENTS, ENDING	\$ 2,658,050	\$ 1,147,448	\$ 257,084	\$ 4,062,582	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating Income	\$ 341,729	\$ (501,750)	\$ 23,945	\$ (136,076)	\$ (12,399)
Adjustments					
Depreciation and amortization	171,723	192,483	14,242	378,448	-
Decrease (increase) in:					
Accounts receivable and due from other funds	(8,129)	29,794	1,050	22,715	-
Net pension asset	-	-	-	-	(330,541)
Dererred outflows related to pensions	-	-	-	-	(5,754)
Increase (decrease) in:					
Accounts payable and accrued expense	6,056	43,174	-	49,230	-
Deposits	1,036	-	-	1,036	-
Deferred inflows related to pension	-	-	-	-	196,169
Accrued compensated absences	-	-	-	-	(3,362)
Net cash provided by (used for) operating activities	\$ 512,415	\$ (236,299)	\$ 39,237	\$ 315,353	\$ (155,887)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Molalla, Oregon (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The Financial Reporting Entity

The City of Molalla, Oregon is governed by an elected mayor and 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, 2015.

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.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City of Molalla's financial statements include the Molalla Urban Renewal Agency as a blended component unit. The City Council and Board of Directors of the Molalla Urban Renewal Agency are composed of the same individuals.

Basic Financial Statements

The government-wide financial statements report information on all activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees, fines, and charges for services.

The Statement of Activities demonstrates the degree to which the direct and allocated indirect expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all City functions and enable direct services to be provided. Program revenues include (1) fees, fines, and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Basis of Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide and proprietary fund financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The City's government-wide and proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements.

Interfund activity consists of transfers, services provided and/or used, reimbursements, advances, and loans. As a general rule, the effect of interfund activity has been eliminated from the governmental-wide financial statements. Exceptions to this general rule include interfund services provided and/or used. Interfund services provided and/or used are accounted for as revenues and expenses since the elimination of such revenues and expenses would distort the direct costs and program revenues reported for the various functions.

Operating revenues and operating expenses are intermediate components within the proprietary fund Statement of Revenues, Expenses and Changes in Net Position, and include only those transactions that constitute their principal, ongoing activities exclusive of investing or financing transactions. Significant operating revenues include charges for services and system development fees. Significant operating expenses include personnel, maintenance expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded only when susceptible to accrual (both measurable and available). "Measurable" means that the amount of the transaction can be determined. "Available" is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to liquidate liabilities of the current period. Expenditures other than interest on noncurrent obligations, are recorded when the fund liability is incurred.

Intergovernmental revenues are recognized as revenues when all eligibility requirements are met. There are, however, essentially two types of intergovernmental revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, all eligibility requirements are determined to be met when the underlying expenditures are recorded. In the other, monies are virtually unrestricted as to the purpose of the expenditure

and are usually revocable only for failure to comply with prescribed requirements; therefore, all eligibility requirements are determined to be met at the time of receipt or earlier if the susceptible to accrual criteria are met.

Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Rental income is typically received in advance and is deferred when appropriate.

The GASB 34 reporting model sets 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:

The *General Fund* is the City's primary operation fund. It is used to account for all financial resources except those required to be accounted for in a different fund.

The *Library Fund* is a special revenue fund used to account for the financial activities related to the city's library. The major source of revenue for the Library Fund comes from intergovernmental revenue from Clackamas County.

The *Street Fund* is a special revenue fund used to account for maintenance of the city's streets and street lighting. The major sources of revenue for the Street Fund come from the state of Oregon with tax on motor vehicle fuel and the Surface Transportation Program funds.

The *Urban Renewal Agency Fund* is used to account for the discretely presented Molalla Urban Renewal Agency. The major source of revenue is property taxes assessed for the Urban Renewal Agency.

The *Park SDC Fund* is used to account for the collection and spending of Park System Development Charges.

The City reports each of its proprietary funds as major funds. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. The City reports the following proprietary funds:

- Water Operations
- Sewer Operations
- Storm Water Operations

Internal Service Fund accounts for administration services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2015. Actual results may differ from such estimates.

Cash and Cash Equivalents

Investments, included in cash and investments, are carried at cost which approximates fair value. For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include the cash and investment common pool. These amounts have the general characteristics of demand deposit accounts in that the proprietary funds may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. Investments are reported at fair value.

Receivables and Property Tax Calendar

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned. Receivables of the enterprise funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within thirty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by unavailable revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Clackamas County, Oregon.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has one item that qualifies for reporting in this category. It is the deferred amounts relating to pensions. This amount is deferred and recognized as an outflow of resources in the period when the City's recognizes pension expense/expenditures. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items that qualify for reporting in this

category. Unavailable revenue from property taxes, franchise fees, and municipal court revenue is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions. This amount is deferred and recognized as an inflow of resources in the period when the City's recognizes pension income.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, street lights, etc.) are reported in the applicable governmental or business-type activities column in the governmental-wide financial statements. Capital assets are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost, or estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair market value at the time received.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and having useful lives extending beyond a single reporting period. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	20 years
Buildings	25-50 years
Infrastructure	20-65 years
Machinery and equipment	10-30 years
Vehicles	8 years

Annual depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Position.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for non-vested unpaid accumulated sick pay benefits. All vacation pay and vested sick pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for vacation pay is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Benefit amounts are paid from the same fund as the employee's payroll, primarily the General Fund.

Pensions

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

Restricted Net Position

Net revenues received by the City which are restricted by donors or legislation are reported as restricted net position. Such net revenues include system development charges (SDC's), state gas tax, and designated donations or grants.

Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

Committed – Includes amounts that have been committed by resolution by the City Council which is the City's "highest level of decision-making authority." Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by Council action or their designee.

Unassigned – This is the residual classification used for those balances not assigned to another category.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use it is the City's policy to use committed resources first, then assigned, and then unassigned as they are needed.

2. CASH AND CASH EQUIVALENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed on the Statement of Net Position as part of "cash and investments."

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

At June 30, 2015 investments included in cash and cash equivalents consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Investments in the State Treasurer's Local Government Investment Pool	0.00	\$ 7,755,251
Total cash equivalents	0.00	\$ 7,755,251

Following is a summary of the City's deposit and investment balances at June 30, 2015:

	2015
Cash deposits:	
Cash on hand	\$ 300
Demand deposits	3,901,706
	<u>3,902,006</u>
Pooled cash and investments:	
State of Oregon - LGIP	<u>7,755,251</u>
Total	<u>\$ 11,657,257</u>

Interest Rate Risk

The City of Molalla does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the City of Molalla to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, and the State Treasurer's Oregon Local Government Investment Pool, among others. The City has no investment policy that would further limit its investment choices. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations, but is not regulated by other laws, organizations or regulations. The reported value of the Pool is the same as the fair value of Pool shares. Investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Treasurer's Oregon Local Government Investment Pool is not registered with the SEC as an investment company and is unrated.

The City's investment in the Local Government Investment Pool is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

The City of Molalla does not currently have an investment policy for concentration of credit risk.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2015, the book value of the City's deposits was \$3,901,706 and the bank balance was \$4,347,033. The City's bank balances of 4,097,033 were exposed to custodial credit risk as they were collateralized under PFCP.

3. CAPITAL ASSETS

The changes in capital assets for the governmental activities for the year ended June 30, 2015 is as follows:

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Primary Government	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,489,291	\$ -	\$ -	\$ 1,489,291
Construction in progress	-	243,093	-	243,093
Total capital assets, not being depreciated	1,489,291	243,093	-	1,732,384
<i>Capital assets, being depreciated:</i>				
Land Improvements	748,442	-	-	748,442
Buildings	3,265,658	-	-	3,265,658
Infrastructure	20,050,603	693,473	-	20,744,076
Machinery and equipment	469,478	8,997	-	478,475
Vehicles	634,337	-	-	634,337
Total capital assets, being depreciated	25,168,518	702,470	-	25,870,988
<i>Less accumulated depreciation for:</i>				
Land Improvements	(482,566)	(20,067)	-	(502,633)
Buildings	(1,124,404)	(65,235)	-	(1,189,639)
Infrastructure	(11,207,325)	(866,231)	-	(12,073,556)
Machinery and equipment	(318,185)	(23,149)	-	(341,334)
Vehicles	(530,829)	(25,950)	-	(556,779)
Total accumulated depreciation	(13,663,309)	(1,000,632)	-	(14,663,941)
Total capital assets, being depreciated, net	11,505,209	(298,162)	-	11,207,047
Governmental activities capital assets, net	\$ 12,994,500	\$ (55,069)	\$ -	\$ 12,939,431

All depreciation on governmental capital assets is allocated to governmental functions on the statement of activities as follows:

Governmental activities:	Depreciation
General government	\$ 15,014
Public safety	20,273
Public works	891,071
Community development	74,274
Total depreciation expense - governmental activities	<u>\$ 1,000,632</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

The changes in capital assets for business-type activities for the year ended June 30, 2015 is as follows:

Business-type activities:	Beginning Balance	Additions	Deletions	Ending Balance
<i>Capital assets, not being depreciated:</i>				
Land	\$ 727,511	\$ -	\$ -	\$ 727,511
Total capital assets , not being depreciated	<u>727,511</u>	<u>-</u>	<u>-</u>	<u>727,511</u>
<i>Capital assets, being depreciated:</i>				
Land Improvements	159,202	-	-	159,202
Buildings	3,651,204	-	-	3,651,204
Infrastructure	14,611,099	408,449	-	15,019,548
Machinery and equipment	1,881,550	6,550	-	1,888,100
Vehicles	125,691	-	-	125,691
Total capital assets, being depreciated	<u>20,428,746</u>	<u>414,999</u>	<u>-</u>	<u>20,843,745</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(146,753)	(1,310)	-	(148,063)
Buildings	(1,695,778)	(77,291)	-	(1,773,069)
Infrastructure	(4,962,811)	(229,907)	-	(5,192,718)
Machinery and equipment	(1,125,330)	(66,861)	-	(1,192,191)
Vehicles	(108,629)	(3,079)	-	(111,708)
Total accumulated depreciation	<u>(8,039,301)</u>	<u>(378,448)</u>	<u>-</u>	<u>(8,417,749)</u>
Total capital assets, being depreciated, net	<u>12,389,445</u>	<u>36,551</u>	<u>-</u>	<u>12,425,996</u>
Business-type activities capital assets, net	<u>\$ 13,116,956</u>	<u>\$ 36,551</u>	<u>\$ -</u>	<u>\$ 13,153,507</u>

Depreciation expense is allocated to business-type functions as follows:

Business-type activities:	
Water	\$ 171,723
Sewer	192,483
Stormwater	<u>14,242</u>
Total depreciation expense - business-type activities	<u>\$ 378,448</u>

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

4. LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in 1 Year</u>
Governmental Activities					
Governmental Bonds					
Water Refunding Bonds	\$ 215,000	\$ -	\$ 60,000	\$ 155,000	\$ 60,000
Urban Renewal Series 2015	-	2,690,000	-	2,690,000	85,000
Bond Premium	-	365,656	10,630	355,026	25,512
Total Governmental Bonds	<u>215,000</u>	<u>3,055,656</u>	<u>70,630</u>	<u>3,200,026</u>	<u>170,512</u>
Compensated Absences	<u>92,288</u>	<u>-</u>	<u>4,126</u>	<u>88,162</u>	<u>70,529</u>
Total Governmental	<u>\$ 307,288</u>	<u>\$ 3,055,656</u>	<u>\$ 74,756</u>	<u>\$ 3,288,188</u>	<u>\$ 241,041</u>
Business Type Activities					
Enterprise Bonds					
2010 Water Refunding	\$ 1,275,000	\$ -	\$ 300,000	\$ 975,000	\$ 310,000
2010 Sewer Refunding	<u>2,775,000</u>	<u>-</u>	<u>210,000</u>	<u>2,565,000</u>	<u>220,000</u>
Total Enterprise Bonds	<u>4,050,000</u>	<u>-</u>	<u>510,000</u>	<u>3,540,000</u>	<u>530,000</u>
Enterprise Loans/Notes					
Clean Water State Revolving Loan	<u>2,056,976</u>	<u>-</u>	<u>121,865</u>	<u>1,935,111</u>	<u>125,301</u>
Total Enterprise Loans	<u>2,056,976</u>	<u>-</u>	<u>121,865</u>	<u>1,935,111</u>	<u>125,301</u>
Compensated Absences	<u>54,080</u>	<u>-</u>	<u>3,362</u>	<u>50,718</u>	<u>40,575</u>
Total Enterprise	<u>\$ 6,161,056</u>	<u>\$ -</u>	<u>\$ 635,227</u>	<u>\$ 5,525,829</u>	<u>\$ 695,876</u>

Bonds

Governmental Activities:

In 2010, the City of Molalla refunded General Obligation Installment Water Bond No. 1 and No. 2. The bonds were for capital improvements. Interest is a variable rate that ranges from 2.5% to 3.5% per annum. Repayment is on semi-annual payments every June 1. \$ 155,000

During 2014-2015, the Urban Renewal Agency issued \$2,690,000 of series 2015 full faith and credit obligation bonds secured by the City of Molalla's full faith and credit. This series bond pays interest of 3.00%. The bond matures in June 2029. Loan principal and interest is payable annually through June 2029. \$ 2,690,000

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

	Water Refunding Bonds		Urban Renewal Series 2015	
	Principal	Interest	Principal	Interest
2016	\$ 60,000	\$ 4,650	\$ 85,000	\$ 131,144
2017	65,000	3,088	120,000	98,750
2018	30,000	750	130,000	95,150
2019	-	-	140,000	91,250
2020	-	-	155,000	87,050
2021-2025	-	-	970,000	340,000
2026-2030	-	-	1,090,000	112,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 155,000</u>	<u>\$ 8,488</u>	<u>\$ 2,690,000</u>	<u>\$ 955,744</u>

Business-Type Activities:

In August 2010, the City of Molalla refunded series 1997 and 1992 bonds that were for major water system improvements. The interest is at 3% per annum. Interest payments are due each February 1 and principal and interest payments are due each August 1. \$ 975,000

In March 2010, the City of Molalla refunded series 2000 bonds that were for improvements to the sewer system. The interest is at a variable rate ranges from 3% to 4% per annum. Interest payments are due each March 1. \$ 2,565,000

	2010 Water Refunding		2010 Sewer Refunding	
	Principal	Interest	Principal	Interest
2016	\$ 310,000	\$ 24,600	\$ 220,000	\$ 98,150
2017	325,000	15,075	225,000	91,550
2018	340,000	5,100	230,000	84,800
2019	-	-	240,000	75,600
2020	-	-	250,000	66,000
2021-2025	-	-	1,400,000	166,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 975,000</u>	<u>\$ 44,775</u>	<u>\$ 2,565,000</u>	<u>\$ 582,700</u>

Loans/Notes

Business-Type Activities:

In December 2005 the City of Molalla signed an agreement to borrow \$2,670,000 for the purpose of improving the wastewater treatment plant. The funds were issued in 2007 and repayment of the loan began on August 1, 2008. The repayment schedule is semi-annual with payments on August 1 and February 1 through 2028, including interest at the rate of 2.8% per annum. \$ 1,935,111

**Clean Water State Revolving
Loan**

	Principal	Interest
2016	\$ 125,301	\$ 53,313
2017	128,835	49,779
2018	132,467	46,147
2019	136,203	42,411
2020	140,043	38,571
2021-2025	761,717	131,353
2026-2030	<u>510,545</u>	<u>25,297</u>
Total	<u>\$ 1,935,111</u>	<u>\$ 386,871</u>

5. NET POSITION

The government-wide statement of net position reports \$4,966,449 of restricted net position, of which \$3,498,153 is restricted by enabling legislation.

6. PENSION PLAN

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

Benefits provided

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238

Pension Benefits

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police members). General service employees may retire after reaching age 55. Police members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits

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

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

Disability Benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police members) when determining the monthly benefit.

Benefit Changes

After Retirement Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police member, the individual must have been employed continuously as a police member for at least five years immediately preceding retirement.

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

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

Death Benefits

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

Disability Benefits

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

Benefit Changes After Retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits

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

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

Death Benefits

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

Recordkeeping

OPERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$162,250, excluding amounts to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2015 were 14.31 percent for Tier One/Tier Two General Service Member, 14.31 percent for Tier One/Tier Two Police, 7.36 percent for OPSRP Pension Program General Service Members, 11.46 percent for OPSRP Pension Program Police Members, and 6 percent for OPSRP Individual Account Program.

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$338,877 for its proportionate share of the net

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.01495 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's recognized pension expense (income) of (\$306,030). At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	653,896
Changes in proportion and differences between City contributions and proportionate share of contributions	23,229	-
City contributions subsequent to the measurement date	<u>162,250</u>	<u>-</u>
Total	<u>\$ 185,479</u>	<u>\$ 653,896</u>

\$162,250 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (158,424)
2017	(158,424)
2018	(158,424)
2019	(158,424)
2020	3,029
Thereafter	-

Actuarial assumptions

The employer contribution rates effective July 1, 2013, through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2012 rolled forward to June 30, 2014
Experience Study Report	2012, published September 18, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.
Asset Valuation Method	Market value of assets
Actuarial Assumptions:	
Inflation Rate	2.75 percent
Investment Rate of Return	7.75 percent
Projected Salary Increases	3.75 percent overall payroll growth
Mortality	Health retirees and beneficiaries: PF-2000 Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation. Active Members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate -Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equities	20.00%	8.26%
Opportunity Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Total	<u>100.00%</u>	
Assumed Inflation - Mean		2.75%

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 717,620	\$ (338,877)	\$ (1,232,426)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

7. RETIREMENT HEALTH INSURANCE ACCOUNT (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to

CITY OF MOLALLA, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provision of RHIA resides with the Oregon Legislature. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid by the eligible retired member in the manner provided in ORS 238.410.

Participating employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual coverall payroll. The OPERS Board of Trustees sets the employer contribution rate based on level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represent any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City’s contributions to RHIA for the years ended June 30, 2014, 2013, and 2012 were \$25,176, \$24,437 and \$25,229 respectively which equal the required contributions for that year.

8. INTERFUND TRANSFERS

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 487,500
Aquatic	87,500	-
Water	-	250,000
Water Debt Service	250,000	-
Sewer	400,000	204,738
CWSRF Debt Service	183,414	-
Sewer Debt Service	174,000	-
Sewer SDC	-	152,676
Totals	<u>\$ 1,094,914</u>	<u>\$ 1,094,914</u>

Transfers on the modified accrual basis are different from transfers on the full accrual basis due to capital assets acquired by the systems development fund being transferred to the enterprise funds. Such transfers are not reported on the modified accrual basis of accounting but are recorded on the full accrual basis.

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.

9. 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.

Management of the City believes that the total amount of liability if any, which may arise from claims and lawsuits pending against the City beyond which is covered by insurance, would not have a material effect on the City's financial condition.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to errors and omissions; automobile; damage to or destruction of assets; bodily injury; and worker's compensation for which the City carries commercial insurance. Settled claims resulting from risks of loss have not exceeded commercial insurance coverage in any of the past three years.

11. DEFICIT NET POSITION

The Public Works Personnel Service Fund has a deficit net position of \$99,969 at June 30, 2015. The deficit is primarily created by pension amounts due to the implementation of GASB Statement 68.

12. PRIOR PERIOD ADJUSTMENT

The City discovered there were unrecorded accounts receivable and interest payable that should have been reported in prior year financial statements. This resulted in prior period adjustments of \$198,500 to accounts receivable and (\$44,700) to interest payable for a total effect of \$153,800. The City also reclassified \$9,681 of the internal service fund from business activities to governmental activities for a total effect of \$0.

13. NEW ACCOUNTING PRONOUNCEMENT – GASB STATEMENT NO. 68 AND 71

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The City implemented GASB Statement No. 68 and 71 in the year ending June 30, 2015. Additional information can be found in Note 6 - Pension Plan and Note 14 - Change in Accounting Principle.

14. CHANGE IN ACCOUNTING PRINCIPLE

Based on implementation of GASB Statement No. 68 and 71, the City restated the beginning net position for the Governmental Activities and Business-Type Activities. Net position has been restated as follows:

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Net position - beginning (as originally reported)	\$ 16,896,932	\$ 12,041,802	\$ 28,938,734
Cumulative effect of change in accounting principle	<u>(417,639)</u>	<u>(178,968)</u>	<u>(596,607)</u>
Net position - beginning (as restated)	<u>\$ 16,479,293</u>	<u>\$ 11,862,834</u>	<u>\$ 28,342,127</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

- Budgetary Comparison Schedule
 - General Fund
 - Library Fund
 - Street Fund
 - Urban Renewal Agency Fund
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions

CITY OF MOLALLA, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Property taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,587,350	\$ 187,350
Franchise fees	149,500	149,500	151,548	2,048
Licenses, permits and fees	30,680	30,680	53,053	22,373
Intergovernmental	139,250	139,250	159,621	20,371
Charges for services	658,846	658,846	588,919	(69,927)
Interest revenue	40,000	40,000	53,721	13,721
Miscellaneous revenue	26,600	41,600	66,271	24,671
Total revenues	3,444,876	3,459,876	3,660,483	200,607
EXPENDITURES:				
General government	821,920	896,920	768,682	128,238
Public safety	2,424,650	2,453,650	2,175,759	277,891
Capital outlay	310,000	85,000	65,578	19,422
Contingency	100,000	16,000	-	16,000
Total expenditures	3,656,570	3,451,570	3,010,019	441,551
Revenues over (under) expenditures	(211,694)	8,306	650,464	642,158
OTHER FINANCING SOURCES (USES):				
Transfers out	(62,500)	(487,500)	(487,500)	-
Total other financing sources (uses)	(62,500)	(487,500)	(487,500)	-
Net change in fund balance	(274,194)	(479,194)	162,964	642,158
FUND BALANCES, BEGINNING BUDGETARY BASIS	681,347	788,595	788,595	-
FUND BALANCES, ENDING BUDGETARY BASIS	\$ 407,153	\$ 309,401	951,559	\$ 642,158
Accounts receivable			152,819	
Property tax receivable			155,542	
Cash with county			10,482	
Unavailable revenue -franchise fees			(58,875)	
Unavailable revenue - property taxes			(146,539)	
Unavailable revenue -municipal court			(72,594)	
Accounts payable			(39,798)	
FUND BALANCES, ENDING			\$ 952,596	

CITY OF MOLALLA, OREGON
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 744,619	\$ 744,619	\$ 789,050	\$ 44,431
Grants	853,500	853,500	3,877	(849,623)
Fines and forfeitures	25,000	25,000	19,218	(5,782)
Charges for services	2,500	2,500	2,526	26
Miscellaneous revenue	500	500	953	453
Contributions and donations	1,000	1,000	1,118	118
Total revenues	<u>1,627,119</u>	<u>1,627,119</u>	<u>816,742</u>	<u>(810,377)</u>
EXPENDITURES:				
Personal service	589,285	589,285	388,084	201,201
Materials and service	212,049	212,049	183,348	28,701
Capital outlay	127,500	177,500	93,073	84,427
Contingency	100,000	50,000	-	50,000
Total expenditures	<u>1,028,834</u>	<u>1,028,834</u>	<u>664,505</u>	<u>364,329</u>
Revenues over (under) expenditures	<u>598,285</u>	<u>598,285</u>	<u>152,237</u>	<u>(446,048)</u>
Net change in fund balance	598,285	598,285	152,237	(446,048)
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>1,137,324</u>	<u>1,137,324</u>	<u>1,122,606</u>	<u>(14,718)</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 1,735,609</u>	<u>\$ 1,735,609</u>	1,274,843	<u>\$ (460,766)</u>
Accounts payable			<u>(6,352)</u>	
FUND BALANCES, ENDING			<u>\$ 1,268,491</u>	

CITY OF MOLALLA, OREGON
STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Franchise fees	\$ 209,180	\$ 209,180	\$ 218,800	\$ 9,620
Intergovernmental	970,000	970,000	972,430	2,430
Miscellaneous revenue	2,500	42,500	28,968	(13,532)
Total revenues	<u>1,181,680</u>	<u>1,221,680</u>	<u>1,220,198</u>	<u>(1,482)</u>
EXPENDITURES:				
Materials and service	651,918	701,918	541,848	160,070
Capital outlay	510,000	600,000	716,052	(116,052)
Contingency	100,000	-	-	-
Total expenditures	<u>1,261,918</u>	<u>1,301,918</u>	<u>1,257,900</u>	<u>44,018</u>
Revenues over (under) expenditures	<u>(80,238)</u>	<u>(80,238)</u>	<u>(37,702)</u>	<u>42,536</u>
Net change in fund balance	(80,238)	(80,238)	(37,702)	42,536
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>115,109</u>	<u>115,109</u>	<u>255,886</u>	<u>140,777</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u>\$ 34,871</u>	<u>\$ 34,871</u>	218,184	<u>\$ 183,313</u>
Accounts receivable			67,041	
Accounts payable			<u>(1,699)</u>	
FUND BALANCES, ENDING			<u>\$ 283,526</u>	

CITY OF MOLALLA, OREGON
URBAN RENEWAL AGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 285,000	\$ 285,000	\$ 290,891	\$ 5,891
Interest revenue	250	250	629	379
Total revenues	285,250	285,250	291,520	6,270
EXPENDITURES:				
Materials and service	170,000	170,000	169,730	270
Capital outlay	3,000,000	3,000,000	243,093	2,756,907
Debt service:				
Principal	300,000	300,000	-	300,000
Interest	75,000	75,000	-	75,000
Contingency	100,000	100,000	-	100,000
Total expenditures	3,645,000	3,645,000	412,823	3,232,177
Revenues over (under) expenditures	(3,359,750)	(3,359,750)	(121,303)	3,238,447
OTHER FINANCING SOURCES (USES):				
Issuance of debt	3,000,000	3,000,000	3,055,656	55,656
Total other financing sources (uses)	3,000,000	3,000,000	3,055,656	55,656
Net changes in fund balances	(359,750)	(359,750)	2,934,353	3,294,103
FUND BALANCES, BEGINNING				
BUDGETARY BASIS	816,508	816,508	832,067	15,559
FUND BALANCES, ENDING BUDGETARY				
BASIS	<u>\$ 456,758</u>	<u>\$ 456,758</u>	3,766,420	<u>\$ 3,309,662</u>
Accounts receivable				
Property tax receivable			14,841	
Cash with county			724	
Unavailable revenue - property taxes			(13,780)	
FUND BALANCES, ENDING			<u>\$ 3,768,205</u>	

CITY OF MOLALLA, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Last Two Fiscal Years

Year Ended June 30,	(a) City's proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.01495015%	\$ (338,877)	\$ 1,332,481	-25.43%	103.60%
2014	0.01495015%	762,928	1,373,512	55.55%	91.97%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF MOLALLA, OREGON
SCHEDULE OF CONTRIBUTIONS
For the Last Two Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2015	\$ 162,250	\$ 162,250	-	\$ 1,332,481	12.18%
2014	166,301	166,301	-	1,373,512	12.11%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Stewardship, Compliance, and Accountability

A. Budgetary Information

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of members of the City Council and a like number of interested citizens. The budget committee presents the budget to the City Council for budget hearings prior to enactment of the resolution. The City budgets all funds as required by Oregon Local Budget Law. The basis of budgeting for all major funds is the cash basis of accounting.

The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service, transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council.

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2015:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over Expenditure</u>
Street Fund	Capital outlay	\$116,052
Utility Deposit Fund	Materials and services	\$11,245

B. Changes in Plan Provisions

A summary of key changes in plan provisions are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at: http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

C. Changes of Assumptions

A summary of key changes implemented since the December 31, 2011 valuation are described in the Oregon Public Employees Retirement System's GASB 68 Disclosure Information which can be found at:

http://www.oregon.gov/pers/EMP/docs/er_general_information/opers_gasb_68_disclosure_information_revised.pdf

CITY OF MOLALLA, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

Additional details and a comprehensive list of changes in methods and assumptions can be found in the 2012 Experience Study for the System, which was published on September 18, 2013, and can be found at: <http://www.oregon.gov/pers/docs/2012%20Exp%20Study%20Updated.pdf>

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OTHER SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- Budgetary Comparison - Park SDC Fund
- Combining Schedules – Nonmajor Governmental Funds
- Budgetary Comparison Schedules
- Budgetary Comparison Schedules – Enterprise Funds
- Budgetary Comparison Schedules – Internal Service Fund
- Other Financial Schedules

COMBINING SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are legally restricted to expenditures for specified purposes. Funds included in this category are:

Aquatic Center Fund

The Aquatic Center Fund accounts for revenue received from user fees collected at the pool, a park and rec fee and transfers from the General fund. The revenue received is used to fund the operations of the Aquatic Center.

TAP Grant Fund

The TAP Grant Fund accounts for Tourism Grant Program grants to the City received from Clackamas County.

Police Department Restricted Revenue Fund

The Police Department Restricted Revenue Fund accounts for revenues restricted to the police department. These funds are only to be used on expenditures for the police department as they are legally restricted.

Debt Service Fund

These funds are used to account for revenues and expenditures related to the servicing of general long-term debt:

Bonded Debt Fund

The Bonded Debt Fund accounts for the collection of special assessments and the payment of debt principal and interest on special assessment bonded debt.

Capital Projects Fund

These funds are used to account for financial resources to be used for the acquisition or construction of major capital items and facilities. The fund included in this category is:

Transportation SDC Fund

The Transportation SDC Fund accounts for revenues from the Transportation System Development Charges. These funds are used to pay for upgrade and expansion of the street systems.

CITY OF MOLALLA, OREGON
PARK SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
System development charges	\$ 54,600	\$ 54,600	\$ 393,456	\$ 338,856
Total revenues	54,600	54,600	393,456	338,856
EXPENDITURES:				
Materials and service	25,000	25,000	-	25,000
Capital outlay	500,000	500,000	40,643	459,357
Total expenditures	525,000	525,000	40,643	484,357
Net changes in fund balances	(470,400)	(470,400)	352,813	823,213
FUND BALANCES, BEGINNING	517,883	517,883	594,817	76,934
FUND BALANCES, ENDING	\$ 47,483	\$ 47,483	\$ 947,630	\$ 900,147

**CITY OF MOLALLA, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2015**

	<u>Aquatic Center Fund</u>	<u>TAP Grant Fund</u>	<u>Police Department Restricted Revenue Fund</u>
ASSETS			
Cash and cash equivalents	\$ 12,166	\$ -	\$ 33,865
Total assets	<u>\$ 12,166</u>	<u>\$ -</u>	<u>\$ 33,865</u>
FUND BALANCES			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
System development	-	-	-
Police department	-	-	33,865
Assigned to:			
Aquatic center	<u>12,166</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>12,166</u>	<u>-</u>	<u>33,865</u>
Total liabilities and fund balances	<u>\$ 12,166</u>	<u>\$ -</u>	<u>\$ 33,865</u>

Bonded Debt Fund	Transportation SDC Fund	Total
\$ 66,526	\$ 323,482	\$ 436,039
<u>\$ 66,526</u>	<u>\$ 323,482</u>	<u>\$ 436,039</u>
\$ 66,526	\$ -	\$ 66,526
-	323,482	323,482
-	-	33,865
-	-	12,166
<u>66,526</u>	<u>323,482</u>	<u>436,039</u>
<u>\$ 66,526</u>	<u>\$ 323,482</u>	<u>\$ 436,039</u>

CITY OF MOLALLA, OREGON
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2015

	Aquatic Center Fund	TAP Grant Fund	Police Department Restricted Revenue Fund
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Grants	-	20,000	-
Charges for services	65,460	-	-
Miscellaneous revenue	-	-	16,960
Contributions and donations	-	-	1,035
System development charges	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	65,460	20,000	17,995
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General government	-	20,000	2,000
Culture and recreation	178,673	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	178,673	20,000	2,000
	<hr/>	<hr/>	<hr/>
Revenues over (under) expenditures	(113,213)	-	15,995
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES (USES):			
Transfers in	87,500	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	87,500	-	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(25,713)	-	15,995
	<hr/>	<hr/>	<hr/>
FUND BALANCES, BEGINNING	37,879	-	17,870
	<hr/>	<hr/>	<hr/>
PRIOR PERIOD ADJUSTMENT	-	-	-
	<hr/>	<hr/>	<hr/>
FUND BALANCES, ENDING	\$ 12,166	\$ -	\$ 33,865
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Bonded Debt Fund	Transportation SDC Fund	Total
\$ 63,739	\$ -	\$ 63,739
-	-	20,000
-	-	65,460
-	-	16,960
-	-	1,035
-	108,525	108,525
<u>63,739</u>	<u>108,525</u>	<u>275,719</u>
-	-	22,000
-	-	178,673
-	96,902	96,902
60,000	-	60,000
<u>6,838</u>	<u>-</u>	<u>6,838</u>
<u>66,838</u>	<u>96,902</u>	<u>364,413</u>
(3,099)	11,623	(88,694)
-	-	87,500
<u>-</u>	<u>-</u>	<u>87,500</u>
(3,099)	11,623	(1,194)
64,419	311,859	432,027
<u>5,206</u>	<u>-</u>	<u>5,206</u>
<u>\$ 66,526</u>	<u>\$ 323,482</u>	<u>\$ 436,039</u>

BUDGETARY COMPARISON SCHEDULES

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Major Governmental Budgetary Comparison schedules not included in required supplemental information include the following:

- General Fund Schedule of Expenditures - Budgetary Basis

Nonmajor Governmental Budgetary Comparison schedules included the following:

- Special Revenue Funds
 - Aquatic Center Fund
 - TAP Grant Fund
 - Police Department Restricted Revenue Fund
- Debt Service Fund
 - Bonded Debt Fund
- Capital Project Funds
 - Transportation SDC Fund

CITY OF MOLALLA, OREGON
GENERAL FUND - BUDGETARY BASIS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
Police operations:				
Personnel services	\$ 1,719,000	\$ 1,719,000	\$ 1,604,915	\$ 114,085
Materials and services	496,750	516,750	365,069	151,681
Capital outlay	60,000	60,000	53,447	6,553
Subtotal	2,275,750	2,295,750	2,023,431	272,319
Municipal court:				
Personnel services	131,200	140,200	136,664	3,536
Materials and services	77,700	77,700	69,111	8,589
Subtotal	208,900	217,900	205,775	12,125
Planning:				
Materials and services	31,400	46,400	30,791	15,609
Subtotal	31,400	46,400	30,791	15,609
Office of governance and management:				
Personnel services	529,520	529,520	442,743	86,777
Materials and services	261,000	321,000	295,148	25,852
Capital outlay	250,000	25,000	12,131	12,869
Subtotal	1,040,520	875,520	750,022	125,498
Total expenditures	\$ 3,556,570	\$ 3,435,570	\$ 3,010,019	\$ 425,551

CITY OF MOLALLA, OREGON
AQUATIC CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 126,500	\$ 126,500	\$ 65,460	\$ (61,040)
Total revenues	126,500	126,500	65,460	(61,040)
EXPENDITURES:				
Personnel service	96,013	101,609	69,334	32,275
Materials and service	110,200	150,200	109,339	40,861
Total expenditures	206,213	251,809	178,673	73,136
Revenues over (under) expenditures	(79,713)	(125,309)	(113,213)	12,096
OTHER FINANCING SOURCES (USES):				
Transfers in	62,500	87,500	87,500	-
Total other financing sources (uses)	62,500	87,500	87,500	-
Net changes in fund balances	(17,213)	(37,809)	(25,713)	12,096
FUND BALANCES, BEGINNING	17,213	37,809	37,879	70
FUND BALANCES, ENDING	\$ -	\$ -	\$ 12,166	\$ 12,166

CITY OF MOLALLA, OREGON
TAP GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Grants	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	20,000	20,000	20,000	-
EXPENDITURES:				
Materials and service	20,000	20,000	20,000	-
Total expenditures	20,000	20,000	20,000	-
Net changes in fund balances	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOLALLA, OREGON
POLICE DEPARTMENT RESTRICTED REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous revenue	\$ 16,000	\$ 16,000	\$ 18,237	\$ 2,237
Contributions and donations	2,820	2,820	1,035	(1,785)
Total revenues	18,820	18,820	19,272	452
EXPENDITURES:				
Materials and service	36,509	36,509	2,000	34,509
Total expenditures	36,509	36,509	2,000	34,509
Net change in fund balance	(17,689)	(17,689)	17,272	34,961
FUND BALANCES, BEGINNING BUDGETARY BASIS	17,689	17,689	16,593	(1,096)
FUND BALANCES, ENDING	\$ -	\$ -	\$ 33,865	\$ 33,865

CITY OF MOLALLA, OREGON
BONDED DEBT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 63,739	\$ 63,739	\$ 63,739	\$ -
Total revenues	63,739	63,739	63,739	-
EXPENDITURES:				
Debt service:				
Principal	60,000	60,000	60,000	-
Interest	7,663	7,663	6,838	825
Total expenditures	67,663	67,663	66,838	825
Net changes in fund balances	(3,924)	(3,924)	(3,099)	825
FUND BALANCES, BEGINNING	70,388	70,388	64,419	(5,969)
PRIOR PERIOD ADJUSTMENT	-	-	5,206	5,206
FUND BALANCES, ENDING	<u>\$ 66,464</u>	<u>\$ 66,464</u>	<u>\$ 66,526</u>	<u>\$ 62</u>

**CITY OF MOLALLA, OREGON
TRANSPORTATION SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
System development charges	\$ 31,620	\$ 31,620	\$ 108,525	\$ 76,905
Total revenues	31,620	31,620	108,525	76,905
EXPENDITURES:				
Materials and service	10,000	10,000	-	10,000
Capital outlay	261,169	261,169	96,902	164,267
Total expenditures	271,169	271,169	96,902	174,267
Net changes in fund balances	(239,549)	(239,549)	11,623	251,172
FUND BALANCE, BEGINNING	271,169	271,169	311,859	40,690
FUND BALANCE, ENDING	\$ 31,620	\$ 31,620	\$ 323,482	\$ 291,862

BUDGETARY COMPARISON SCHEDULES

Enterprise Funds

Pursuant to the provisions of Oregon Revised Statute, an individual schedule of revenues, expenditures, and changes in fund balances - budget and actual be displayed for each fund where legally adopted budgets are required.

Enterprise Budgetary Comparison schedules include the following:

- Water Operations
 - Water Fund
 - Water SDC Fund
 - Water Debt Retirement

- Sewer Operations
 - Sewer Fund
 - Sewer SDC Fund
 - Sewer Debt Retirement
 - CWSRF Fund

- Storm Water Operations
 - Storm Water Fund
 - Storm Water SDC Fund

- Utility Deposits

CITY OF MOLALLA, OREGON
WATER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015

	<u>Water Fund</u>	<u>Water SDC Fund</u>	<u>Water Debt Retirement</u>	<u>Total Water Operations</u>
REVENUES:				
Charges for services	\$ 1,380,765	\$ -	\$ -	\$ 1,380,765
Miscellaneous revenue	2,676	-	-	2,676
System development charges	-	134,900	-	134,900
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,383,441	134,900	-	1,518,341
EXPENDITURES:				
Materials and service	945,056	-	-	945,056
Capital outlay	476,905	-	-	476,905
Debt service:				
Principal	-	-	300,000	300,000
Interest	-	-	34,125	34,125
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,421,961	-	334,125	1,756,086
Revenues over (under) expenditures	<hr/>	<hr/>	<hr/>	<hr/>
	(38,520)	134,900	(334,125)	(237,745)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	250,000	250,000
Transfers out	(250,000)	-	-	(250,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(250,000)	-	250,000	-
Net change in fund balance	<hr/>	<hr/>	<hr/>	<hr/>
	(288,520)	134,900	(84,125)	(237,745)
FUND BALANCES, BEGINNING BUDGETARY BASIS				
	958,692	1,366,647	574,626	2,899,965
PRIOR PERIOD ADJUSTMENT				
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(5,206)	(5,206)
FUND BALANCES, ENDING BUDGETARY BASIS				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 670,172	\$ 1,501,547	\$ 485,295	2,657,014
Accounts receivable				173,399
Accounts payable				(6,056)
Capital assets				5,468,990
Accrued interest payable				(10,250)
Long-term debt				(975,000)
				<hr/>
FUND BALANCE, ENDING				\$ 7,308,097
				<hr/>

CITY OF MOLALLA, OREGON
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,388,000	\$ 1,388,000	\$ 1,380,765	\$ (7,235)
Miscellaneous revenue	1,500	1,500	2,676	1,176
Total revenues	1,389,500	1,389,500	1,383,441	(6,059)
EXPENDITURES:				
Materials and service	1,038,747	1,053,747	945,056	108,691
Capital outlay	531,000	531,000	476,905	54,095
Contingency	100,000	85,000	-	85,000
Total expenditures	1,669,747	1,669,747	1,421,961	247,786
Revenues over (under) expenditures	(280,247)	(280,247)	(38,520)	241,727
OTHER FINANCING SOURCES (USES):				
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources (uses)	(250,000)	(250,000)	(250,000)	-
Net change in fund balance	(530,247)	(530,247)	(288,520)	241,727
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,023,857	1,023,857	958,692	(65,165)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 493,610	\$ 493,610	\$ 670,172	\$ 176,562

CITY OF MOLALLA, OREGON
WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
System development charges	\$ 35,500	\$ 35,500	\$ 134,900	\$ 99,400
Total revenues	35,500	35,500	134,900	99,400
EXPENDITURES:				
Materials and service	10,000	10,000	-	10,000
Capital outlay	1,308,873	1,308,873	-	1,308,873
Total expenditures	1,318,873	1,318,873	-	1,318,873
Net change in fund balance	(1,283,373)	(1,283,373)	134,900	1,418,273
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,318,873	1,318,873	1,366,647	47,774
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 35,500	\$ 35,500	\$ 1,501,547	\$ 1,466,047

**CITY OF MOLALLA, OREGON
WATER DEBT RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Interest	38,250	38,250	34,125	4,125
Total expenditures	338,250	338,250	334,125	4,125
OTHER FINANCING SOURCES (USES):				
Transfers in	250,000	250,000	250,000	-
Total other financing sources (uses)	250,000	250,000	250,000	-
Net changes in fund balances	(88,250)	(88,250)	(84,125)	4,125
FUND BALANCE, BEGINNING BUDGETARY BASIS	569,770	569,770	574,626	4,856
PRIOR PERIOD ADJUSTMENT	-	-	(5,206)	(5,206)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 481,520</u>	<u>\$ 481,520</u>	<u>\$ 485,295</u>	<u>\$ 3,775</u>

**CITY OF MOLALLA, OREGON
SEWER OPERATIONS COMBINED
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015**

	<u>Sewer Fund</u>	<u>Sewer SDC Fund</u>	<u>Sewer Debt Retirement</u>	<u>CWSRF Fund</u>	<u>Total Sewer Operations</u>
REVENUES:					
Charges for services	\$ 1,624,714	\$ -	\$ -	\$ -	\$ 1,624,714
Miscellaneous revenue	4,882	-	-	-	4,882
System development charges	-	180,400	-	-	180,400
Total revenues	<u>1,629,596</u>	<u>180,400</u>	<u>-</u>	<u>-</u>	<u>1,809,996</u>
EXPENDITURES:					
Materials and service	1,986,780	-	-	-	1,986,780
Capital outlay	59,515	-	-	-	59,515
Debt service:					
Principal	-	-	210,000	121,865	331,865
Interest	-	-	105,200	66,731	171,931
Total expenditures	<u>2,046,295</u>	<u>-</u>	<u>315,200</u>	<u>188,596</u>	<u>2,550,091</u>
Revenues over (under) expenditures	<u>(416,699)</u>	<u>180,400</u>	<u>(315,200)</u>	<u>(188,596)</u>	<u>(740,095)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	400,000	-	174,000	183,414	757,414
Transfers out	(204,738)	(152,676)	-	-	(357,414)
Total other financing sources (uses)	<u>195,262</u>	<u>(152,676)</u>	<u>174,000</u>	<u>183,414</u>	<u>400,000</u>
Net change in fund balance	(221,437)	27,724	(141,200)	(5,182)	(340,095)
FUND BALANCES, BEGINNING BUDGETARY BASIS					
	<u>624,852</u>	<u>210,310</u>	<u>459,221</u>	<u>193,160</u>	<u>1,487,543</u>
FUND BALANCES, ENDING BUDGETARY BASIS					
	<u>\$ 403,415</u>	<u>\$ 238,034</u>	<u>\$ 318,021</u>	<u>\$ 187,978</u>	<u>1,147,448</u>
Accounts receivable					166,041
Accounts payable					(79,987)
Capital assets					7,141,909
Accrued interest payable					(36,907)
Long-term debt					(4,500,111)
FUND BALANCE, ENDING					<u>\$ 3,838,393</u>

CITY OF MOLALLA, OREGON
SEWER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 1,557,800	\$ 1,557,800	\$ 1,624,714	\$ 66,914
Miscellaneous revenue	1,500	1,500	4,882	3,382
Total revenues	<u>1,559,300</u>	<u>1,559,300</u>	<u>1,629,596</u>	<u>70,296</u>
EXPENDITURES:				
Materials and service	1,320,280	2,000,996	1,986,780	14,216
Capital outlay	233,262	83,262	59,515	23,747
Contingency	100,000	-	-	-
Total expenditures	<u>1,653,542</u>	<u>2,084,258</u>	<u>2,046,295</u>	<u>37,963</u>
Revenues over (under) expenditures	<u>(94,242)</u>	<u>(524,958)</u>	<u>(416,699)</u>	<u>108,259</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	400,000	400,000	-
Transfers out	<u>(204,738)</u>	<u>(204,738)</u>	<u>(204,738)</u>	<u>-</u>
Total other financing sources (uses)	<u>(204,738)</u>	<u>195,262</u>	<u>195,262</u>	<u>-</u>
Net change in fund balance	(298,980)	(329,696)	(221,437)	108,259
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>594,135</u>	<u>624,852</u>	<u>624,852</u>	<u>-</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 295,155</u>	<u>\$ 295,156</u>	<u>\$ 403,415</u>	<u>\$ 108,259</u>

CITY OF MOLALLA, OREGON
SEWER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
System development charges	\$ 45,100	\$ 45,100	\$ 180,400	\$ 135,300
Total revenues	45,100	45,100	180,400	135,300
OTHER FINANCING SOURCES (USES):				
Transfers out	(152,676)	(152,676)	(152,676)	-
Total other financing sources (uses)	(152,676)	(152,676)	(152,676)	-
Net change in fund balance	(107,576)	(107,576)	27,724	135,300
FUND BALANCE, BEGINNING BUDGETARY BASIS	152,676	152,676	210,310	57,634
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 45,100</u>	<u>\$ 45,100</u>	<u>\$ 238,034</u>	<u>\$ 192,934</u>

**CITY OF MOLALLA, OREGON
SEWER DEBT RETIREMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ 210,000	\$ 210,000	\$ 210,000	\$ -
Interest	104,450	104,450	105,200	(750)
	<u>314,450</u>	<u>314,450</u>	<u>315,200</u>	<u>(750)</u>
Total expenditures				
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>174,000</u>	<u>174,000</u>	<u>174,000</u>	<u>-</u>
	<u>174,000</u>	<u>174,000</u>	<u>174,000</u>	<u>-</u>
Total other financing sources (uses)				
Net changes in fund balances	(140,450)	(140,450)	(141,200)	(750)
FUND BALANCE, BEGINNING BUDGETARY BASIS	<u>459,571</u>	<u>459,571</u>	<u>459,221</u>	<u>(350)</u>
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 319,121</u>	<u>\$ 319,121</u>	<u>\$ 318,021</u>	<u>\$ (1,100)</u>

CITY OF MOLALLA, OREGON
CWSRF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
Debt service:				
Principal	\$ 121,865	\$ 121,865	\$ 121,865	\$ -
Interest	66,731	66,731	66,731	-
Total expenditures	188,596	188,596	188,596	-
OTHER FINANCING SOURCES (USES):				
Transfers in	183,414	183,414	183,414	-
Total other financing sources (uses)	183,414	183,414	183,414	-
Net changes in fund balances	(5,182)	(5,182)	(5,182)	-
FUND BALANCE, BEGINNING BUDGETARY BASIS	193,160	193,160	193,160	-
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 187,978</u>	<u>\$ 187,978</u>	<u>\$ 187,978</u>	<u>\$ -</u>

**CITY OF MOLALLA, OREGON
 STORM WATER OPERATIONS COMBINED
 SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2015**

	<u>Storm Water Fund</u>	<u>Storm Water SDC Fund</u>	<u>Total Storm Water Operations</u>
REVENUES:			
Charges for services	\$ 96,837	\$ -	\$ 96,837
Miscellaneous revenue	3,043	-	3,043
System development charges	-	27,565	27,565
	<u>99,880</u>	<u>27,565</u>	<u>127,445</u>
EXPENDITURES:			
Materials and service	56,662	-	56,662
Capital outlay	31,546	-	31,546
	<u>88,208</u>	<u>-</u>	<u>88,208</u>
Net change in fund balance	11,672	27,565	39,237
FUND BALANCES, BEGINNING BUDGETARY BASIS	<u>41,478</u>	<u>176,369</u>	<u>217,847</u>
FUND BALANCES, ENDING BUDGETARY BASIS	<u><u>\$ 53,150</u></u>	<u><u>\$ 203,934</u></u>	257,084
Accounts receivable			9,727
Capital assets			<u>542,608</u>
FUND BALANCE, ENDING			<u><u>\$ 809,419</u></u>

CITY OF MOLALLA, OREGON
STORM WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 104,500	\$ 104,500	\$ 96,837	\$ (7,663)
Miscellaneous revenue	-	-	3,043	3,043
Total revenues	104,500	104,500	99,880	(4,620)
EXPENDITURES:				
Materials and service	72,564	82,564	56,662	25,902
Capital outlay	40,000	40,000	31,546	8,454
Contingency	25,000	15,000	-	15,000
Total expenditures	137,564	137,564	88,208	49,356
Net change in fund balance	(33,064)	(33,064)	11,672	44,736
FUND BALANCE, BEGINNING BUDGETARY BASIS	48,666	48,666	41,478	(7,188)
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ 15,602</u>	<u>\$ 15,602</u>	<u>\$ 53,150</u>	<u>\$ 37,548</u>

CITY OF MOLALLA, OREGON
STORM WATER SDC FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
System development charges	\$ 7,450	\$ 7,450	\$ 27,565	\$ 20,115
Total revenues	7,450	7,450	27,565	20,115
EXPENDITURES:				
Materials and service	10,000	10,000	-	10,000
Capital outlay	250,000	250,000	-	250,000
Total expenditures	260,000	260,000	-	260,000
Net change in fund balance	(252,550)	(252,550)	27,565	280,115
FUND BALANCE, BEGINNING BUDGETARY BASIS	323,217	323,217	176,369	(146,848)
FUND BALANCE, ENDING BUDGETARY BASIS	\$ 70,667	\$ 70,667	\$ 203,934	\$ 133,267

CITY OF MOLALLA, OREGON
UTILITY DEPOSITS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ 10,000	\$ 19,679	\$ 9,679
Total revenues	-	10,000	19,679	9,679
EXPENDITURES:				
Materials and service	1,378	11,378	22,623	(11,245)
Total expenditures	1,378	11,378	22,623	(11,245)
Net changes in fund balances	(1,378)	(1,378)	(2,944)	(1,566)
FUND BALANCE, BEGINNING BUDGETARY BASIS	1,378	1,378	3,980	2,602
FUND BALANCE, ENDING BUDGETARY BASIS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,036</u>	<u>\$ 1,036</u>

**CITY OF MOLALLA, OREGON
PUBLIC WORKS PERSONNEL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 1,341,000	\$ 1,341,000	\$ 1,238,835	\$ (102,165)
Total revenues	<u>1,341,000</u>	<u>1,341,000</u>	<u>1,238,835</u>	<u>(102,165)</u>
EXPENDITURES:				
Personnel services	1,388,999	1,444,726	1,394,722	50,004
Contingency	<u>52,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,441,726</u>	<u>1,444,726</u>	<u>1,394,722</u>	<u>50,004</u>
Revenues over (under) expenditures	<u>(100,726)</u>	<u>(103,726)</u>	<u>(155,887)</u>	<u>(52,161)</u>
Net change in fund balance	(100,726)	(103,726)	(155,887)	(52,161)
FUND BALANCE, BEGINNING	<u>103,726</u>	<u>103,726</u>	<u>155,887</u>	<u>52,161</u>
FUND BALANCE, ENDING	<u><u>\$ 3,000</u></u>	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>\$ -</u></u>
Compensated absences			(61,107)	
Net pension asset			101,663	
Deferred outflows related to pensions			55,644	
Deferred inflows related to pensions			<u>(196,169)</u>	
NET POSITION, ENDING			<u><u>\$ (99,969)</u></u>	

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

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

We have audited the basic financial statements of the City of Molalla, Oregon (the City), as of and for the year ended June 30, 2015 and have issued our report thereon dated December 7, 2015. 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'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 the 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 statement 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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 the Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

Expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget Category</u>	<u>Amount of Over Expenditure</u>
Street Fund	Capital Outlay	\$116,052
Utility Deposit Fund	Materials & Services	\$11,245

The following fund had a deficit net position at June 30, 2015.

<u>Fund</u>	<u>Amount</u>
Public Works Personnel Service Fund	\$99,969

OAR 162-10-0230 Internal Control

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

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 *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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Merina & Company, LLP
West Linn, Oregon
December 7, 2015

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

CONTENTS

Financial Trends

- These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

CITY OF MOLALLA, OREGON
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Government activities					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,425,076	773,254	377,224	245,792	255,954
Unrestricted	(654,112)	35,606	136,069	375,887	1,030,520
Total governmental activities net position	<u>770,964</u>	<u>808,860</u>	<u>513,293</u>	<u>621,679</u>	<u>1,286,474</u>
Business-type activities					
Net investment in capital assets	-	-	-	-	-
Restricted	2,888,716	2,023,420	1,670,893	2,055,647	3,074,561
Unrestricted	2,573,544	1,236,785	1,910,257	1,940,137	904,437
Total business-type activities net position	<u>5,462,260</u>	<u>3,260,205</u>	<u>3,581,150</u>	<u>3,995,784</u>	<u>3,978,998</u>
Primary government					
Net investment in capital assets	-	-	-	-	-
Restricted	4,313,792	2,796,674	2,048,117	2,301,439	3,330,515
Unrestricted	1,919,432	1,272,391	2,046,326	2,316,024	1,934,957
Total primary government net position	<u>\$ 6,233,224</u>	<u>\$ 4,069,065</u>	<u>\$ 4,094,443</u>	<u>\$ 4,617,463</u>	<u>\$ 5,265,472</u>

Source: Statement of Net Position - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
NET POSITION BY COMPONENT
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Government activities					
Net investment in capital assets	\$ -	\$ 14,219,155	\$ 13,482,859	\$ 12,779,500	\$ 12,453,245
Restricted	302,899	1,219,319	1,753,988	2,071,278	2,976,327
Unrestricted	1,044,033	633,802	1,276,225	2,046,154	1,788,198
Total governmental activities net position	<u>1,346,932</u>	<u>16,072,276</u>	<u>16,513,072</u>	<u>16,896,932</u>	<u>17,217,770</u>
Business-type activities					
Net investment in capital assets	-	6,383,973	6,768,889	7,009,980	7,678,396
Restricted	3,302,428	2,888,883	2,796,017	2,980,333	1,990,122
Unrestricted	942,728	1,579,021	1,968,627	2,051,489	2,204,417
Total business-type activities net position	<u>4,245,156</u>	<u>10,851,877</u>	<u>11,533,533</u>	<u>12,041,802</u>	<u>11,872,935</u>
Primary government					
Net investment in capital assets	-	20,603,128	20,251,748	19,789,480	20,131,641
Restricted	3,605,327	4,108,202	4,550,005	5,051,611	4,966,449
Unrestricted	1,986,761	2,212,823	3,244,852	4,097,643	3,992,615
Total primary government net position	<u>\$ 5,592,088</u>	<u>\$ 26,924,153</u>	<u>\$ 28,046,605</u>	<u>\$ 28,938,734</u>	<u>\$ 29,090,705</u>

Source: Statement of Net Position - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
CHANGES IN NET POSITION
Last Ten Fiscal Years

EXPENSES	Fiscal Year				
	2006	2007	2008	2009	2010
Governmental activities					
General government	\$ 846,266	\$ 990,713	\$ 950,022	\$ 746,752	\$ 831,924
Public safety	2,117,830	2,162,434	2,138,776	2,385,828	2,527,461
Public works	1,851,076	1,807,780	835,004	406,165	853,522
Community development	1,457,950	1,527,785	1,487,311	1,629,342	1,659,655
Debt service-interest only	35,852	34,291	30,699	30,883	26,830
Total governmental activities	<u>6,308,974</u>	<u>6,523,003</u>	<u>5,441,812</u>	<u>5,198,970</u>	<u>5,899,392</u>
Business-type activities					
Water	1,727,200	1,496,053	1,578,086	1,211,039	1,331,791
Sewer	1,127,172	3,874,607	3,695,765	1,365,369	1,446,684
Storm water	168,543	103,580	117,076	115,332	124,960
Debt service-interest only	-	-	-	-	-
Total business-type activities	<u>3,022,915</u>	<u>5,474,240</u>	<u>5,390,927</u>	<u>2,691,740</u>	<u>2,903,435</u>
Total	<u>9,331,889</u>	<u>11,997,243</u>	<u>10,832,739</u>	<u>7,890,710</u>	<u>8,802,827</u>
PROGRAM REVENUES					
Governmental Activities					
Charges for services					
General government	37,132	36,359	228,942	300,798	319,412
Public safety	479,267	414,414	370,631	584,615	516,990
Public works	590,743	659,176	351,797	343,936	180,291
Community development	-	-	-	-	-
Operating grants & contributions					
General government	-	-	-	-	-
Public safety	215,800	185,213	196,455	73,398	81,028
Public works	433,328	466,273	466,403	475,789	924,969
Community development	1,416,284	309,021	306,441	288,191	451,422
Capital grants & contributions					
Public works	121,671	685,830	160,554	237,906	294,749
Community development	347,114	351,090	158,706	350,204	-
Total governmental activities	<u>3,641,339</u>	<u>3,107,376</u>	<u>2,239,929</u>	<u>2,654,837</u>	<u>2,768,861</u>
Business-type activities					
Charges for services					
Water	1,186,179	1,249,594	1,349,538	1,225,984	1,248,931
Sewer	1,071,100	1,382,962	1,708,996	1,505,140	1,546,155
Storm water	84,610	85,762	88,884	91,047	93,282
Operating grants & contributions					
Water	-	-	-	-	-
Capital grants & contributions					
Water	240,882	216,925	30,601	98,243	69,441
Sewer	340,834	546,751	30,600	173,856	136,084
Storm water	37,923	46,690	15,606	37,719	13,675
Total business-type activities	<u>2,961,528</u>	<u>3,528,684</u>	<u>3,224,225</u>	<u>3,131,989</u>	<u>3,107,568</u>
Net (expense) revenue					
Governmental activities	(2,667,635)	(3,415,627)	(3,201,883)	(2,544,133)	(3,130,531)
Business-type activities	(61,387)	(1,945,556)	(2,166,702)	440,249	204,133
Total primary government (expense) revenue	<u>\$ (2,729,022)</u>	<u>\$ (5,361,183)</u>	<u>\$ (5,368,585)</u>	<u>\$ (2,103,884)</u>	<u>\$ (2,926,398)</u>
Governmental activities					
Property Taxes	\$ 1,756,229	\$ 2,164,325	\$ 2,115,471	\$ 2,201,120	\$ 2,362,963
Franchise fees	210,194	265,964	270,943	285,467	292,917
Intergovernmental	115,302	133,709	141,494	161,878	149,799
Earnings on investments	-	-	-	-	-
Miscellaneous	291,263	315,584	388,639	207,968	459,108
Total general revenues	<u>2,372,988</u>	<u>2,879,582</u>	<u>2,916,547</u>	<u>2,856,433</u>	<u>3,264,787</u>
Business-type activities					
Earnings on investments	-	-	-	-	-
Loan proceeds	-	50,000	2,377,783	-	6,672,189
Debt refundings	-	-	-	-	(6,601,019)
Miscellaneous	165,079	158,501	99,633	70,468	34,752
Total general revenues	<u>165,079</u>	<u>208,501</u>	<u>2,477,416</u>	<u>70,468</u>	<u>105,922</u>
Governmental - Transfers	85,000	465,000	(10,231)	96,083	326,842
Business-type Transfers	(85,000)	(465,000)	10,231	(96,083)	(326,842)
Change in net position					
Governmental activities	(209,647)	(71,045)	(295,567)	408,383	461,098
Business-type activities	18,692	(2,202,055)	320,945	414,634	(16,787)
Total primary government	<u>\$ (190,955)</u>	<u>\$ (2,273,100)</u>	<u>\$ 25,378</u>	<u>\$ 823,017</u>	<u>\$ 444,311</u>

Source: Statement of Activities - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
CHANGES IN NET POSITION
Last Ten Fiscal Years

EXPENSES	Fiscal Year				
	2011	2012	2013	2014	2015
Governmental activities					
General government	\$ 912,395	\$ 1,956,069	\$ 1,670,994	1,681,897	1,231,553
Public safety	2,598,947	2,186,773	2,059,733	2,074,492	2,044,240
Public works	542,614	902,547	546,591	593,752	1,368,643
Community development	1,636,911	1,703,136	1,253,662	1,200,877	866,407
Debt service-interest only	12,063	11,748	9,689	8,308	37,579
Total Governmental Activities	<u>5,702,930</u>	<u>6,760,273</u>	<u>5,540,669</u>	<u>5,559,326</u>	<u>5,548,422</u>
Business-type activities					
Water	1,216,462	1,245,463	1,017,690	1,163,666	1,223,534
Sewer	1,349,734	1,229,123	1,149,515	1,404,365	2,457,600
Storm water	136,841	324,715	89,966	189,513	102,813
Debt service-interest only	-	-	232,091	-	-
Total Business Type Activities	<u>2,703,037</u>	<u>2,799,301</u>	<u>2,489,262</u>	<u>2,757,544</u>	<u>3,783,947</u>
Total	<u>8,405,967</u>	<u>9,559,574</u>	<u>8,029,931</u>	<u>8,316,870</u>	<u>9,332,369</u>
PROGRAM REVENUES					
Governmental Activities					
Charges for services					
General government	325,210	828,799	743,039	817,374	769,780
Public safety	515,935	304,267	249,891	231,200	208,997
Public works	37,169	222,683	342,054	364,303	-
Community development	70,929	392,414	314,675	286,433	87,204
Operating grants & contributions					
General government	58,692	-	-	-	-
Public safety	93,180	277,647	16,811	7,270	-
Public works	953,158	507,473	553,683	482,525	-
Community development	522,916	892,341	862,273	761,055	23,877
Capital grants & contributions					
Public works	34,487	-	40,000	56,135	-
Community development	-	10,300	3,020	20,000	-
Total governmental activities	<u>2,611,676</u>	<u>3,435,924</u>	<u>3,125,446</u>	<u>3,026,295</u>	<u>1,089,858</u>
Business-type activities					
Charges for services					
Water	1,267,714	1,626,293	1,343,038	1,299,054	1,527,794
Sewer	1,550,378	1,328,893	1,610,659	1,561,509	1,775,320
Storm water	94,325	101,098	97,556	115,790	123,352
Operating grants & contributions					
Water	-	-	84,000	-	-
Capital grants & contributions					
Water	14,537	-	-	113,090	-
Sewer	26,853	-	-	161,790	-
Storm water	1,988	-	-	10,430	-
Total business-type activities	<u>2,955,795</u>	<u>3,056,284</u>	<u>3,135,253</u>	<u>3,261,663</u>	<u>3,426,466</u>
Net (expense) revenue					
Governmental activities	(3,091,254)	(3,324,349)	(2,415,223)	(2,533,031)	(4,458,564)
Business-type activities	252,758	256,983	645,991	504,119	(357,481)
Total primary government (expense) revenue	<u>\$ (2,838,496)</u>	<u>\$ (3,067,366)</u>	<u>\$ (1,769,232)</u>	<u>\$ (2,028,912)</u>	<u>\$ (4,816,045)</u>
Governmental activities					
Property Taxes	\$ 2,488,050	\$ 2,768,775	\$ 2,653,271	\$ 2,775,997	\$ 2,954,828
Franchise fees	268,475	-	-	-	364,723
Intergovernmental	103,907	-	-	-	1,919,016
Earnings on investments	-	-	39,687	49,499	54,350
Miscellaneous	177,786	108,178	92,410	91,395	116,582
Total general revenues	<u>3,038,218</u>	<u>2,876,953</u>	<u>2,785,368</u>	<u>2,916,891</u>	<u>5,409,499</u>
Business-type activities					
Earnings on investments	-	13,712	576	-	-
Loan proceeds	-	-	-	-	-
Debt refundings	-	-	-	-	-
Miscellaneous	30,591	13,260	35,089	4,150	10,601
Total general revenues	<u>30,591</u>	<u>26,972</u>	<u>35,665</u>	<u>4,150</u>	<u>10,601</u>
Governmental - Transfers	122,329	30,000	-	-	(400,000)
Business-type Transfers	(122,329)	(30,000)	-	-	400,000
Change in net position					
Governmental activities	69,293	(417,396)	370,145	383,860	550,935
Business-type activities	161,020	253,955	681,656	508,269	53,120
Total primary government	<u>\$ 230,313</u>	<u>\$ (163,441)</u>	<u>\$ 1,051,801</u>	<u>\$ 892,129</u>	<u>\$ 604,055</u>

Source: Statement of Activities - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
PROGRAM REVENUE BY FUNCTION / PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities					
General government	\$ 37,132	\$ 36,359	\$ 228,942	\$ 300,798	\$ 319,412
Public safety	695,067	599,627	567,086	658,013	598,018
Public works	1,145,742	1,811,279	978,754	1,057,631	1,400,009
Community development	1,763,398	660,111	465,147	638,395	451,422
Total governmental activities	<u>3,641,339</u>	<u>3,107,376</u>	<u>2,239,929</u>	<u>2,654,837</u>	<u>2,768,861</u>
Business-type activities					
Water	1,427,061	1,466,519	1,380,139	1,324,227	1,318,372
Sewer	1,411,934	1,929,713	1,739,596	1,678,996	1,682,239
Storm water	122,533	132,452	104,490	128,766	106,957
Total business-type activities	<u>2,961,528</u>	<u>3,528,684</u>	<u>3,224,225</u>	<u>3,131,989</u>	<u>3,107,568</u>
Total program revenues					
Governmental activities	3,641,339	3,107,376	2,239,929	2,654,837	2,768,861
Business-type activities	2,961,528	3,528,684	3,224,225	3,131,989	3,107,568
Total primary government revenues	<u>\$ 6,602,867</u>	<u>\$ 6,636,060</u>	<u>\$ 5,464,154</u>	<u>\$ 5,786,826</u>	<u>\$ 5,876,429</u>

Source: Statement of Activities - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
PROGRAM REVENUE BY FUNCTION / PROGRAM
Last Ten Fiscal Years

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities					
General government	\$ 383,902	\$ 828,799	\$ 743,039	\$ 817,374	\$ 769,780
Public safety	609,115	581,914	266,702	238,470	208,997
Public works	1,024,814	730,156	935,737	902,963	-
Health	593,845	1,295,055	1,179,968	1,067,488	111,081
Total governmental activities	<u>2,611,676</u>	<u>3,435,924</u>	<u>3,125,446</u>	<u>3,026,295</u>	<u>1,089,858</u>
Business-type activities					
Water	1,282,251	1,626,293	1,427,038	1,412,144	1,527,794
Sewer	1,577,231	1,328,893	1,610,659	1,723,299	1,775,320
Storm water	96,313	101,098	97,556	126,220	123,352
Total business-type activities	<u>2,955,795</u>	<u>3,056,284</u>	<u>3,135,253</u>	<u>3,261,663</u>	<u>3,426,466</u>
Total program revenues					
Governmental activities	2,611,676	3,435,924	3,125,446	3,026,295	1,089,858
Business-type activities	2,955,795	3,056,284	3,135,253	3,261,663	3,426,466
Total primary government revenues	<u>\$ 5,567,471</u>	<u>\$ 6,492,208</u>	<u>\$ 6,260,699</u>	<u>\$ 6,287,958</u>	<u>\$ 4,516,324</u>

Source: Statement of Activities - City of Molalla, Oregon

CITY OF MOLALLA, OREGON
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund					
Unreserved	\$ (903,879)	\$ (196,669)	\$ (209,500)	\$ (95,319)	\$ (18,715)
Spendable					
Unassigned	-	-	-	-	-
Total General Fund	<u>(903,879)</u>	<u>(196,669)</u>	<u>(209,500)</u>	<u>(95,319)</u>	<u>(18,715)</u>
All other governmental funds					
Reserved	-	-	-	96,303	96,303
Unreserved reported in					
Special revenue funds	1,379,434	554,296	338,572	785,296	1,268,394
Capital projects funds	222,279	243,169	196,920	50,806	11,015
Debt service fund	73,130	99,064	72,753	68,326	13,345
Permanent fund	-	109,000	114,548	16,267	12,435
Nonspendable	-	-	-	-	-
Spendable					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,674,843</u>	<u>\$ 1,005,529</u>	<u>\$ 722,793</u>	<u>\$ 1,016,998</u>	<u>\$ 1,389,057</u>

Note: In fiscal year 2011, GASB Statement No. 54 came in affect which changed the classifications of fund balances.

Source: City of Molalla, Oregon financial records

CITY OF MOLALLA, OREGON
 FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2015</u>
General Fund					
Unreserved	\$ (18,715)	\$ -	\$ -	\$ -	\$ -
Spendable					
Unassigned	-	(321,757)	(320,485)	209,181	952,596
Total General Fund	<u>(18,715)</u>	<u>(321,757)</u>	<u>(320,485)</u>	<u>209,181</u>	<u>952,596</u>
All other governmental funds					
Reserved	96,303	-	-	-	-
Unreserved reported in					
Special revenue funds	1,268,394	-	-	-	-
Capital projects funds	11,015	-	-	-	-
Debt service fund	13,345	-	-	-	-
Permanent fund	12,435	-	-	-	-
Nonspendable	-	96,303	251,491	96,303	-
Spendable					
Restricted	-	811,316	1,123,016	1,657,685	5,423,234
Assigned	-	-	762,433	1,014,343	1,280,657
Total all other governmental funds	<u>\$ 1,389,057</u>	<u>\$ 1,668,689</u>	<u>\$ 2,136,940</u>	<u>\$ 2,768,331</u>	<u>\$ 6,703,891</u>

Note: In fiscal year 2011, GASB Statement No. 54 came in affect which changed the classifications of fund balances.

Source: City of Molalla, Oregon financial records

CITY OF MOLALLA, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues					
Taxes and assessments	\$ 1,756,229	\$ 2,164,325	\$ 2,115,471	\$ 2,201,119	\$ 2,362,962
Intergovernmental	2,044,729	1,518,114	971,711	956,973	1601418
Charges for services	-	-	192,982	266,230	286,883
Licenses and permits	1,182,446	1,319,584	941,395	1,083,930	639,047
Investment earnings	-	-	-	-	-
Fines and forfeitures	489,466	425,617	398,513	612,468	544,638
Grants	-	-	-	-	-
Donations	-	-	-	-	-
System development charges	-	-	-	-	-
Miscellaneous	541,457	559,318	536,404	342,020	598,700
Total Revenues	<u>6,014,327</u>	<u>5,986,958</u>	<u>5,156,476</u>	<u>5,462,740</u>	<u>6,033,648</u>
Expenditures					
General government	657,424	-	-	-	-
Public safety	2,033,437	-	-	-	-
Public works	408,515	-	-	-	-
Community development	1,321,974	-	-	-	-
Personal services	-	2,888,897	2,991,461	3,155,178	3,224,862
Materials and services	-	1,954,814	1,711,233	1,836,441	1,869,908
Capital outlay	1,760,717	1,551,257	666,063	213,311	644,304
Debt service	126,907	128,035	73,055	78,649	160,318
Total expenditures	<u>6,308,974</u>	<u>6,523,003</u>	<u>5,441,812</u>	<u>5,283,579</u>	<u>5,899,392</u>
Excess of revenue over (under) expenditures	(294,647)	(536,045)	(285,336)	179,161	134,256
Other financing sources (uses)					
Transfers in	570,702	821,687	714,544	678,569	770,640
Transfers out	(485,702)	(356,687)	(724,775)	(609,346)	(443,798)
Interfund loan activity/loan proceeds	-	-	-	160,000	-
Total other financing sources (uses)	<u>85,000</u>	<u>465,000</u>	<u>(10,231)</u>	<u>229,223</u>	<u>326,842</u>
Net changes in fund balances	<u>\$ (209,647)</u>	<u>\$ (71,045)</u>	<u>\$ (295,567)</u>	<u>\$ 408,384</u>	<u>\$ 461,098</u>

Source: City of Molalla, Oregon financial records

CITY OF MOLALLA, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues					
Taxes and assessments	\$ 2,488,051	\$ 3,530,865	\$ 3,522,375	\$ 3,740,995	\$ 3,308,927
Intergovernmental	1,607,179	848,504	787,207	790,313	1,919,016
Charges for services	294,717	-	-	-	656,905
Licenses and permits	379,723	251,514	188,062	180,759	53,053
Investment earnings	-	14,141	39,687	49,499	54,350
Fines and forfeitures	538,906	630,463	534,178	520,254	19,218
Grants	-	279,205	251,363	8,744	23,877
Donations	-	79,715	113,641	2,910	2,153
System development charges	-	97,423	57,793	181,063	501,981
Miscellaneous	341,318	448,960	411,335	467,477	114,429
	<u>5,649,894</u>	<u>6,180,790</u>	<u>5,905,641</u>	<u>5,942,014</u>	<u>6,653,909</u>
Expenditures					
General government	-	-	-	673,653	816,142
Public safety	-	-	-	2,154,506	2,175,759
Public works	-	-	-	735,836	536,001
Community development	-	-	-	1,235,527	926,187
Personal services	3,388,951	3,268,666	2,721,461	-	-
Materials and services	1,895,810	1,974,614	1,693,294	-	-
Capital outlay	345,875	561,750	331,138	-	1,255,341
Debt service	72,294	71,140	69,342	73,243	66,838
	<u>5,702,930</u>	<u>5,876,170</u>	<u>4,815,235</u>	<u>4,872,765</u>	<u>5,776,268</u>
Excess of revenue over (under) expenditures	(53,036)	304,620	1,090,406	1,069,249	877,641
Other financing sources (uses)					
Transfers in	950,983	407,892	166,089	140,000	87,500
Transfers out	(828,654)	(377,892)	(166,089)	(140,000)	(487,500)
Interfund loan activity/loan proceeds	-	-	-	-	3,055,656
	<u>122,329</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>2,655,656</u>
Net changes in fund balances	<u>\$ 69,293</u>	<u>\$ 334,620</u>	<u>\$ 1,090,406</u>	<u>\$ 1,069,249</u>	<u>\$ 3,533,297</u>

Source: City of Molalla, Oregon financial records

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