

CITY OF MOLALLA, OREGON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

CITY OF MOLALLA, OREGON

117 N Molalla Avenue
Molalla, Oregon 97038

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2014

Prepared by:

City of Molalla Administration and Finance Department

Heather Penni
Finance Director

Dan Huff
City Manager

CITY OF MOLALLA, OREGON
June 30, 2014

CONTENTS

PAGE

INTRODUCTORY SECTION

Letter of Transmittal	i-viii
City Council and Officials	ix

FINANCIAL SECTION

<i>Independent Auditor's Report</i>	1-3
<i>Management's Discussion and Analysis</i>	5-10
<i>Basic Financial Statements</i>	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	16
Proprietary Fund Financial Statements	
Statement of Fund Net Position	17
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
Notes to the Basic Financial Statements	20-37
<i>Required Supplementary Information</i>	
Budgetary Comparison Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budget Basis	
General Fund	38
Library Fund	39
Street Fund	40
Urban Renewal Agency Fund	41
Budget to GAAP Reconciliation Governmental Funds	42
Notes to the Required Supplementary Information – Budgetary Reporting	43
<i>Other Supplementary Information</i>	
Nonmajor Governmental Funds	
Combining Balance Sheet	44
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	45
Combining Balance Sheet (Budget Basis)	46
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Budget Basis)	47
Schedules of Revenues, Expenditures and Changes in Fund Balance -Budget vs. Actual (Budget Basis)	
Park and Recreation Fund	48
Adult Center Fund	49
TAP Grant Fund	50
Police Department Restricted Revenue Fund	51

Other Supplementary Information(Continued)

Molalla Mural Commission Fund52
Molalla Arts Commission Fund 53
Fees in Lieu of Park Fund54
Street SDC Fund55
Bonded Debt Fund56
Sally Fox Park Fund.....57

Major Capital Project Fund

Park SDC Fund58

Nonmajor Proprietary Funds

Combining Schedule of Fund Net Position59
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position.....60
Combining Schedule of Fund Net Position (Budget Basis).....61
Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position (Budget Basis)62
Schedules of Revenues, Expenses and Changes in Fund Net Position – Budget
and Actual – Budget Basis
Storm Water Fund 63
Utility Deposits Fund64
CWSRF Debt Retirement Fund65
Sewer SDC Fund.....66
Storm Water SDC Fund67

Major Proprietary Funds

Schedules of Revenues, Expenses and Changes in Fund Net Position – Budget
and Actual – Budget Basis
Sewer Fund68
Water Fund.....69
Sewer Debt Retirement Fund70
Water Debt Retirement Fund71
Water SDC Fund.....72

Budget to GAAP Reconciliation - Proprietary Funds73

Internal Service Fund

Schedule of Revenues, Expenses and Changes in Fund Net Position – Budget
and Actual – Budget Basis
Public Works Personnel Service Fund74

Other Financial Schedules

Summary Schedule of Cash, Cash Items and Investments.....75
Schedule of Property Tax Transactions76

STATISTICAL SECTION

Financial Trends

Net Position by Component 77-78
Changes in Net Position..... 79-80
Program Revenue by Function/Program..... 81-82
Fund Balances of Governmental Funds..... 83-84
Changes in Fund Balances of Governmental Funds 85-86

Revenue Capacity

Assessed Value and Estimated Value of Taxable Property..... 87-88
Principal Property Taxpayers..... 89

Debt Capacity

Direct and Overlapping Governments 90

Demographic and Economic Information

Clackamas County Demographic and Economic Statistics..... 91
Clackamas County Principal Employers by Industry 92

REPORTS REQUIRED BY THE STATE OF OREGON

Independent Auditor's Report Required by Oregon State Regulations.....	93-94
Audit Comments and Disclosures.....	95-96
Continuing Disclosure Requirements for Bonded Debt.....	97-98

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	99-100
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INTRODUCTORY SECTION



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March 18, 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, 2014.

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 Oster Professional Group, CPA's, 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, 2014, 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

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 2013/2014 was a positive year for the City that created a point where our head was above water, we turned a corner and remained in the black through fiscally conservative decision making. This philosophy has allowed the City to refocus 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 2014/2015 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.

Following a fairly tumultuous time when staffing and service levels have been reduced, the city is beginning to bring back well thought out service levels and staffing plans in a different fashion. Specifically, the following staffing proposals directly impact our level of service to the community:

Police – Recent reductions in two (2) sworn officers over the last two years has affected overtime costs for the City. In 2014-15 there is an addition of one sworn officer and a half-time administrative position to reduce some of the work load and lessen overtime requirements. Staff has been working with the Molalla River School District regarding a potential School Resource Officer (SRO) that may provide revenue for funding a portion of an officer position.

Planning/Community Development – Two years ago the City eliminated the Planning Department as a cost saving measure and contracted with Clackamas County to provide these services. We have hired a planning staff person to provide daily land use service to the public as well as provide an increased staffing level working with the City Manager on park planning and economic development coordination. Historically, our monthly cost to the County for this service ranges from \$3,000 to \$6,000 and will be substantially reduced through the presence of this position. The main advantage for the community will be provision of service here in Molalla rather than requiring the 15 mile drive to County offices for land use needs. This position is housed within the Office of Governance and Management.

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

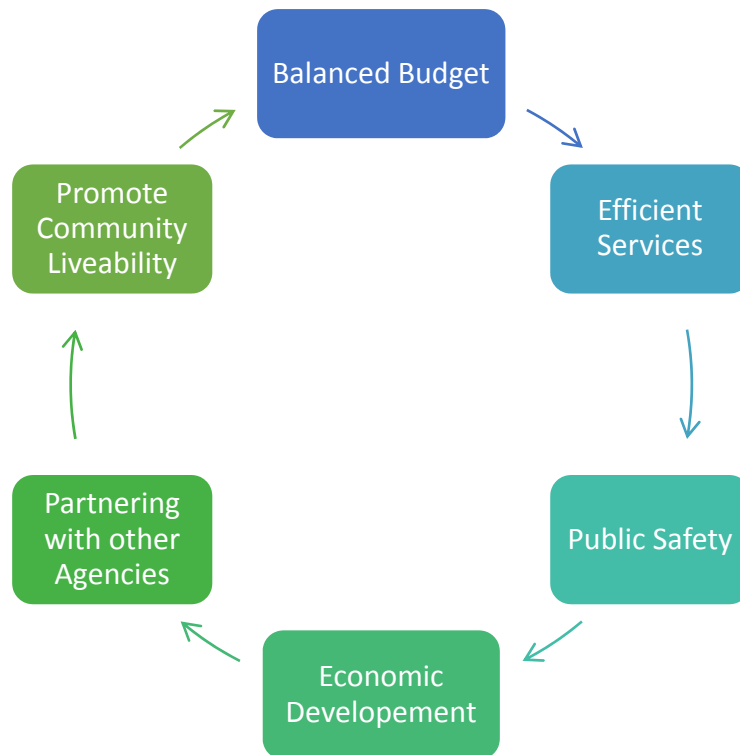
The City of Molalla's fiscal policies address the following major areas:

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 Oster Professional Group, CPA's 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,

Dan Huff
City Manager

Heather Penni
Finance Director

CITY OF MOLALLA, OREGON
CITY COUNCIL AND OFFICIALS
June 30, 2014

<u>NAME</u>	<u>ADDRESS</u>	<u>POSITION</u>
Debbie Rogge	712 Toliver Drive Molalla, OR 97038	Mayor
George Pottle	705 Andrian Drive Molalla, OR 97038	Council President
Stephen Clarke	332 Steelhead St. Molalla, OR 97038	Councilor
Jimmy Thompson	647 Shenandoah Drive Molalla, OR 97038	Councilor
Jason Griswold	695 Andrian Drive Molalla, OR 97038	Councilor
Christopher Cook	835 Meadowlawn Place Molalla, OR 97038	Councilor
Glen Boreth	623 S. Molalla Ave Molalla, OR 97038	Councilor

OFFICIALS

Dan Huff	Molalla	City Manager
Heather Penni	Molalla	Finance Director

FINANCIAL SECTION



Certified Public Accountants, LLP

George W. Wilber, CPA, CFF
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Cara R. Wilber, CPA
Kari J. Ott, CPA

Arlie W. Oster, CPA (1931-1998)
Amy K. Walker, CPA

Offices in:
Burns, Oregon
John Day, Oregon

INDEPENDENT AUDITOR'S REPORT

City Council
City of Molalla
Molalla, Clackamas County, 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 as of and for the year ended June 30, 2014, 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

City of Molalla's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 district'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 district'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 of Molalla, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 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 this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund and each major special revenue fund on pages 38 through 41 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This budgetary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

The combining and individual nonmajor fund financial statements and other supplementary information and other financial schedules and are the responsibility of management and were 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 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, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, as listed in the table of contents, has 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 it.

Reporting on Other Legal and Regulatory Requirements

Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated March 18, 2015 on our consideration of the City of Molalla's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Molalla's internal control over financial reporting and compliance.

Reporting Required by Oregon Revised Statutes

In accordance with Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 18, 2015 on our consideration of City of Molalla's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters including the provisions of Oregon Revised

Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations in considering City of Molalla's internal control over financial reporting and compliance.

Oster Professional Group, CPA's, LLP

By 

March 18, 2015
Burns, Oregon

CITY OF MOLALLA, OREGON

Management's Discussion and Analysis

JUNE 30, 2014

As management of the City of Molalla, we offer readers of the financial statements this narrative overview and analysis of the financial activities for fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

	June 30,		Change
	2014	2013	
Net Position	\$ 28,938,754	\$ 28,046,605	\$ 892,149
Change in Net Position	892,149	1,051,801	(159,652)
Governmental Net Position	16,896,932	16,513,072	383,860
Change in Governmental Net Position	383,860	370,145	13,715
Business-Type Net Position	12,041,802	11,533,533	508,269
Change in Business-Type Net Position	508,269	681,656	(173,387)

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Molalla's basic financial statements. The City's basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves. Included in the basic financial statements is a blended component unit that has separately issued financial statements. This blended component unit (Urban Renewal Agency) is reported as a special revenue fund.

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

The Statement of Net Position. This presents information on the accrual basis 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. The statement of activities present 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.

In government-wide financial statements, the City's activities are shown as governmental activities. All basic City government functions are shown here; such as administration, city hall, legal, parks, library, streets, and police. These activities are primarily financed through property taxes and other intergovernmental activities. Where the City provides services to the public for a fee (water, sewer, storm), these activities are shown as business-type activities.

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

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

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

Internal Service Fund. The City of Molalla has a Public Works Personnel Fund that serves as 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.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position. The Statement of Net Position below is provided on a comparative basis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Molalla, assets exceed liabilities by \$28,938,754 as of June 30, 2014.

Restricted net position represents sources that are subject to external restrictions on their use, such as debt service payments, system development charges, and capital projects. Unrestricted net position is available for general operations of the City.

Condensed Statement of Net Position

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current assets	\$ 4,221,215	\$ 5,133,104	\$ 9,354,319	\$ 3,158,269	\$ 4,834,443	\$ 7,992,712
Capital assets	12,994,500	13,116,956	26,111,456	13,762,794	13,484,389	27,247,183
Total assets	17,215,715	18,250,060	35,465,775	16,921,063	18,318,832	35,239,895
Liabilities						
Current liabilities	81,884	668,678	750,562	94,293	613,546	707,839
Long-term liabilities	236,899	5,539,580	5,776,479	313,698	6,171,753	6,485,451
Total liabilities	318,783	6,208,258	6,527,041	407,991	6,785,299	7,193,290
Net position						
Net investment in capital assets	12,779,500	7,009,980	19,789,480	13,482,859	6,768,889	20,251,748
Restricted (expendable)	2,071,278	2,980,333	5,051,611	1,657,685	2,796,017	4,453,702
Restricted (nonexpendable)	-	-	-	96,303	-	96,303
Unrestricted	2,046,154	2,051,489	4,097,643	1,276,225	1,968,627	3,244,852
Total net position	\$ 16,896,932	\$ 12,041,802	\$ 28,938,734	\$ 16,513,072	\$ 11,533,533	\$ 28,046,605

The total net position increased over fiscal year 2013 by \$892,129. This increase is primarily due to a new conservative management approach in all fiscal areas.

Condensed Statement of Activities

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program Revenues						
Charges for services	\$ 1,699,310	\$ 2,976,353	\$ 4,675,663	\$ 1,649,659	\$ 3,051,253	\$ 4,700,912
Operating grants	1,250,850	-	1,250,850	1,432,767	84,000	1,516,767
Capital grants	76,135	285,310	361,445	43,020	-	43,020
General Revenues						
Property taxes	2,775,997	-	2,775,997	2,653,271	-	2,653,271
Investment earnings	49,499	-	49,499	39,687	576	40,263
Miscellaneous	91,395	4,150	95,545	92,410	35,089	127,499
Total Revenues	5,943,186	3,265,813	9,208,999	5,910,814	3,170,918	9,081,732
Expenses						
Governmental						
General government	\$ 1,681,897	\$ -	\$ 1,681,897	\$ 1,670,994	\$ -	\$ 1,670,994
Public safety	2,074,492	-	2,074,492	2,059,733	-	2,059,733
Community	1,200,877	-	1,200,877	1,253,662	-	1,253,662
Public works	593,752	-	593,752	546,591	-	546,591
Interest long-term debt	8,308	-	8,308	9,689	-	9,689
Business-Type						
Water	-	1,163,666	1,163,666	-	1,149,515	1,149,515
Sewer	-	1,404,365	1,404,365	-	1,017,690	1,017,690
Storm water	-	189,513	189,513	-	89,966	89,966
Interest long-term debt	-	-	-	-	232,091	232,091
Total expenses	5,559,326	2,757,544	8,316,870	5,540,669	2,489,262	8,029,931
Change in Net Position	383,860	508,269	892,129	370,145	681,656	1,051,801
Net Position July, 1	16,513,072	11,533,533	28,046,605	16,072,276	10,851,877	26,924,153
Restatements	-	-	-	70,651	-	70,651
Net Position-as restated	16,513,072	11,533,533	28,046,605	16,142,927	10,851,877	26,994,804
Net Position--June 30	16,896,932	12,041,802	28,938,734	16,513,072	11,533,533	28,046,605

Statement of Activities. Fiscal year 2013-2014 showed a moderate increase in the overall net position of the city. In 2013 the net position at June 30 was \$28,046,605; in 2014 the net position at June 30 was \$28,938,734, this is an increase in overall net position of 3.18%. The primary reason is the change in management resulting in conservative spending, moratorium on large purchases, and capital projects at a minimum while core methodology structures are repaired. As a result of the changes governmental activities increased \$383,860 and business-type activities increased \$508,269 in their respective net position. Other factors affecting this change as of June 30, 2014 are as follows:

- Property tax revenue increased \$122,726 (4.6%). A trend of flat or moderate growth in property taxes can be expected over future fiscal years but compression is not expected to be a future issue.
- The overall total revenues increased by \$127,267, mostly due to the increase in property taxes.
- The conservative spending, moratorium on large purchases, and capital projects at a minimum while core methodology structure is repaired had a large effect on expenses. The governmental activities expenses increased \$18,657 and the business-type activities expenses increased \$268,282, this increase was mainly due to some legal costs.

Financial Analysis of the City of Molalla's Government Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Overall the City improved our financial position by exercising conservative spending and focusing on reserves for future years.

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

As of June 30, 2014, the City's governmental funds reported \$4,046,761 combined ending fund balances, an increase of \$1,069,249 from the prior year.

General Fund. The General Fund is the primary operating fund of the City of Molalla. As of June 30, 2014 the fund balance was \$814,998, which was an increase of \$605,817 from the prior year after a restatement of accounts receivable. The city plans to continue to increase fund balances by conservative spending.

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

Business-Type Funds. As of June 30, 2014, the City's proprietary funds reported \$12,041,802 of combined ending net position, an increase of \$508,269 from the prior year due to conservative spending.

General Fund Budgetary Highlights

The General Fund received \$109,196 more than what was budgeted mostly due to higher property taxes than expected.

The General Fund spent \$296,698 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

During the current year there was the following capital asset activity:

- The public works department purchased a Vactor Sewer Vacuum truck to begin the discovery and repair of the storm water basin system.
- Upgraded the Fox Park Splash Pad.
- Development of a blighted landlocked piece of land
- Sidewalk repairs partnered with the Rodeo Walk of Fame and the need to have more ADA compliant ramps at intersections. This was the beginning phase of many needed sidewalk improvements.

The city had total debt outstanding June 30, 2014 of \$6,321,976. The debt decreased during the fiscal year by \$673,459 due to principal payments made. No new debt was incurred during the fiscal year.

Currently Known Facts, Decisions, or Conditions

Fiscal year 2013-2014 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.

Economic Factors and the Next Year's Budget

The City of Molalla budget committee considered all the following factors while preparing the City budget for the 2014-2015 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

The 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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MOLALLA, OREGON
STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,024,721	\$ 1,974,069	\$ 5,998,790
Receivables			
Property tax	168,741	-	168,741
Accounts	27,753	-	27,753
Customer accounts receivable, net allowance of \$9,433	-	367,882	367,882
Restricted cash	-	2,791,153	2,791,153
Capital assets not being depreciated	1,489,291	727,511	2,216,802
Capital assets being depreciated (net of accumulated depreciation)	11,505,209	12,389,445	23,894,654
Total assets	<u>17,215,715</u>	<u>18,250,060</u>	<u>35,465,775</u>
 DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable	21,884	36,813	58,697
Long-term liabilities			
Portion due or payable within one year			
Current portion of note payable	60,000	631,865	691,865
Portion due or payable after one year			
Compensated absences	81,899	64,469	146,368
Notes payable	155,000	5,475,111	5,630,111
Total liabilities	<u>318,783</u>	<u>6,208,258</u>	<u>6,527,041</u>
 DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	12,779,500	7,009,980	19,789,480
Restricted			
Public Works (expendable)	560,199	-	560,199
Community development (expendable)	1,446,660	-	1,446,660
Debt service (expendable)	64,419	1,227,007	1,291,426
System development (expendable)	-	1,753,326	1,753,326
Unrestricted	2,046,154	2,051,489	4,097,643
Total net position	<u>\$ 16,896,932</u>	<u>\$ 12,041,802</u>	<u>\$ 28,938,734</u>

CITY OF MOLALLA, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended
June 30, 2014

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities							
Public safety	\$ 2,074,492	\$ 231,200	\$ 7,270	\$ -	\$ (1,836,022)	\$ -	\$ (1,836,022)
Public works	593,752	364,303	482,525	56,135	309,211	-	309,211
Community development	1,200,877	286,433	761,055	20,000	(133,389)	-	(133,389)
General government	1,681,897	817,374	-	-	(864,523)	-	(864,523)
Interest on long term debt	8,308	-	-	-	(8,308)	-	(8,308)
Total governmental activities	<u>5,559,326</u>	<u>1,699,310</u>	<u>1,250,850</u>	<u>76,135</u>	<u>(2,533,031)</u>	<u>-</u>	<u>(2,533,031)</u>
Business-type activities							
Sewer	1,404,365	1,561,509	-	161,790	-	318,934	318,934
Water	1,163,666	1,299,054	-	113,090	-	248,478	248,478
Storm water	189,513	115,790	-	10,430	-	(63,293)	(63,293)
Total business-type activities	<u>2,757,544</u>	<u>2,976,353</u>	<u>-</u>	<u>285,310</u>	<u>-</u>	<u>504,119</u>	<u>504,119</u>
Total primary government	<u>\$ 8,316,870</u>	<u>\$ 4,675,663</u>	<u>\$ 1,250,850</u>	<u>\$ 361,445</u>	<u>(2,533,031)</u>	<u>504,119</u>	<u>(2,028,912)</u>
General revenues							
Property taxes levied for							
General purposes							
					2,445,055	-	2,445,055
Urban renewal agency							
					267,948	-	267,948
Debt service							
					62,994	-	62,994
Unrestricted investment earnings							
					49,499	-	49,499
Miscellaneous							
					91,395	4,150	95,545
Total general revenues							
					<u>2,916,891</u>	<u>4,150</u>	<u>2,921,041</u>
Change in net position							
					383,860	508,269	892,129
Net position, July 1, 2013							
					<u>16,513,072</u>	<u>11,533,533</u>	<u>28,046,605</u>
Net position, June 30, 2014							
					<u>\$ 16,896,932</u>	<u>\$ 12,041,802</u>	<u>\$ 28,938,734</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF MOLALLA, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Library Fund	Street Fund	Urban Renewal Agency	Park SDC	Nonmajor Governmental Funds	Total June 30, 2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
Assets							
Cash and investments	\$ 788,595	\$ 1,122,606	\$ 255,886	\$ 832,067	\$ 594,817	\$ 430,750	\$ 4,024,721
Receivables							
Property taxes	154,957	-	-	13,784	-	-	168,741
Other	26,476	-	-	-	-	1,277	27,753
Total assets	<u>970,028</u>	<u>1,122,606</u>	<u>255,886</u>	<u>845,851</u>	<u>594,817</u>	<u>432,027</u>	<u>4,221,215</u>
Deferred outflows of resources	-	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$970,028</u>	<u>\$1,122,606</u>	<u>\$255,886</u>	<u>\$845,851</u>	<u>\$594,817</u>	<u>\$ 432,027</u>	<u>\$4,221,215</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Current liabilities							
Accounts payable	\$ 14,338	\$ -	\$ 7,546	\$ -	\$ -	\$ -	\$ 21,884
Total current liabilities	<u>14,338</u>	<u>-</u>	<u>7,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,884</u>
Total liabilities	<u>14,338</u>	<u>-</u>	<u>7,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,884</u>
Deferred inflows of resources							
Deferred property taxes	140,692	-	-	11,878	-	-	152,570
Total deferred inflows of resources	<u>140,692</u>	<u>-</u>	<u>-</u>	<u>11,878</u>	<u>-</u>	<u>-</u>	<u>152,570</u>
Fund balances							
Spendable							
Restricted							
Public works	-	-	248,340	-	-	311,859	560,199
Community development	-	-	-	833,973	594,817	17,870	1,446,660
Debt service	-	-	-	-	-	64,419	64,419
Assigned							
Community development	-	1,122,606	-	-	-	37,879	1,160,485
Unassigned	814,998	-	-	-	-	-	814,998
Total fund balances	<u>814,998</u>	<u>1,122,606</u>	<u>248,340</u>	<u>833,973</u>	<u>594,817</u>	<u>432,027</u>	<u>4,046,761</u>
Total liabilities, deferred inflows and fund balances	<u>\$970,028</u>	<u>\$1,122,606</u>	<u>\$255,886</u>	<u>\$845,851</u>	<u>\$594,817</u>	<u>\$ 432,027</u>	<u>\$4,221,215</u>

CITY OF MOLALLA, OREGON
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2014

TOTAL FUND BALANCES		\$ 4,046,761
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Cost	\$ 26,657,809	
Accumulated depreciation	<u>(13,663,309)</u>	12,994,500
<p>Long-term liabilities including compensated absences are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements.</p>		
		(296,899)
<p>Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.</p>		
		152,570
TOTAL NET POSITION		<u><u>\$ 16,896,932</u></u>

CITY OF MOLALLA, OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2014

	General Fund	Library Fund	Street Fund	Urban Renewal Agency	Park SDC	Nonmajor Governmental Funds	Total June 30, 2014
Revenues							
Property taxes	\$ 2,444,822	\$ -	\$ -	\$ 267,011	\$ -	\$ 62,994	\$ 2,774,827
Other taxes and assessments	256,730	-	709,438	-	-	-	966,168
System development charges	-	-	-	-	85,470	95,593	181,063
Intergovernmental revenues	23,191	728,945	-	-	-	38,177	790,313
Licenses and permits	180,759	-	-	-	-	-	180,759
Fines and forfeits	243,281	24,156	-	-	-	252,817	520,254
Grants	4,975	3,769	-	-	-	-	8,744
Donations	-	1,565	-	-	-	1,345	2,910
Interest	49,282	-	-	217	-	-	49,499
Miscellaneous revenues	415,722	3,056	31,133	-	-	17,566	467,477
Total revenues	3,618,762	761,491	740,571	267,228	85,470	468,492	5,942,014
Expenditures							
Current							
Public safety	2,132,780	-	-	-	-	21,726	2,154,506
Public works	-	-	725,436	-	5,200	5,200	735,836
Community development	61,281	603,233	-	26,417	-	544,596	1,235,527
General government	673,653	-	-	-	-	-	673,653
Debt service							
Interest	296	-	-	-	-	8,012	8,308
Principal	4,935	-	-	-	-	60,000	64,935
Total expenditures	2,872,945	603,233	725,436	26,417	5,200	639,534	4,872,765
Excess of revenues over (under) expenditures	745,817	158,258	15,135	240,811	80,270	(171,042)	1,069,249
Other financing sources (uses)							
Operating transfers in	-	-	-	-	-	140,000	140,000
Operating transfers out	(140,000)	-	-	-	-	-	(140,000)
Total other financing sources (uses)	(140,000)	-	-	-	-	140,000	-
Net change in fund balances	605,817	158,258	15,135	240,811	80,270	(31,042)	1,069,249
Fund balances, July 1	209,181	964,348	233,205	593,162	514,547	463,069	2,977,512
Fund balances, June 30	\$ 814,998	\$ 1,122,606	\$ 248,340	\$ 833,973	\$ 594,817	\$ 432,027	\$ 4,046,761

CITY OF MOLALLA, OREGON
**RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended
June 30, 2014

NET CHANGE IN FUND BALANCES \$ 1,069,249

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlay 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 capital outlays exceeded depreciation in the current
period.

Expenditures for capital assets	\$ 268,316	
Less current year depreciation	<u>(1,036,610)</u>	(768,294)

Repayment of principal is an expenditure in the governmental funds
but reduces the liability in the Statement of Net Position.

Debt principal repaid		64,935
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Certain delinquent property tax not collected for several months after year end
is not considered available revenue and is deferred in the governmental funds.
The change in deferred revenue is not reflected in the governmental funds, but
is in the Statement of Activities as a change in revenues.

1,171

Some expenses reported in the Statement of Activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds, as follows:

Compensated absences		16,799
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CHANGE IN NET POSITION		<u><u>\$ 383,860</u></u>
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PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF MOLALLA, OREGON
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2014

	Sewer Fund	Water Fund	Sewer Debt Retirement Fund
ASSETS			
Cash and investments	\$ 624,852	\$ 958,692	\$ -
Receivables			
Customer accounts receivable, net of allowance of \$9,433	202,335	165,547	-
Restricted cash	-	-	459,221
Land	494,445	227,825	-
Capital assets, net of accumulated depreciation	2,418,954	2,351,694	2,686,033
Total assets	3,740,586	3,703,758	3,145,254
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities			
Accounts payable	36,813	-	-
Current portion of non-current liabilities	-	-	210,000
Total current liabilities	36,813	-	210,000
Non-current liabilities			
Accrued compensated absences	-	64,469	-
Notes payable	-	-	2,565,000
Total liabilities	36,813	64,469	2,775,000
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Net investment in capital assets	2,913,399	2,579,519	(88,967)
Restricted net position			
Debt service	-	-	459,221
System development	-	-	-
Unrestricted net position	790,374	1,059,770	-
Total net position	\$ 3,703,773	\$ 3,639,289	\$ 370,254

See notes to the basic financial statements.

Water Debt Retirement Fund	Water SDC Fund	Nonmajor Proprietary Funds	Total June 30, 2014	Internal Service Fund
\$ -	\$ -	\$ 234,638	\$ 1,818,182	\$ 155,887
-	-	-	367,882	-
574,626	1,366,647	390,659	2,791,153	-
-	-	5,241	727,511	-
2,646,195	-	2,286,569	12,389,445	-
<u>3,220,821</u>	<u>1,366,647</u>	<u>2,917,107</u>	<u>18,094,173</u>	<u>155,887</u>
-	-	-	-	-
-	-	-	36,813	-
300,000	-	121,865	631,865	-
<u>300,000</u>	<u>-</u>	<u>121,865</u>	<u>668,678</u>	<u>-</u>
-	-	-	64,469	-
975,000	-	1,935,111	5,475,111	-
<u>1,275,000</u>	<u>-</u>	<u>2,056,976</u>	<u>6,208,258</u>	<u>-</u>
-	-	-	-	-
1,371,195	-	234,834	7,009,980	-
574,626	-	193,160	1,227,007	-
-	1,366,647	386,679	1,753,326	-
-	-	45,458	1,895,602	155,887
<u>\$ 1,945,821</u>	<u>\$ 1,366,647</u>	<u>\$ 860,131</u>	<u>\$ 11,885,915</u>	<u>\$ 155,887</u>

**Reconciliation of Proprietary Funds
Statement of Fund Net Position to the
Statement of Net Position**

TOTAL PROPRIETARY FUNDS NET POSITION \$ 11,885,915

Amounts reported for the business-type activities in the Statement of Net Position are different because:

Internal service fund is used by management to charge the costs of personnel charges to individual funds. The internal service fund predominately services the proprietary funds so the assets of the internal service fund are included in the Business-Type Activities in the Statement of Net Position as follows:

Cash 155,887

TOTAL NET POSITION \$ 12,041,802

CITY OF MOLALLA, OREGON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended
June 30, 2014

	Sewer Fund	Water Fund	Sewer Debt Retirement Fund
Operating revenues			
System development charges	\$ -	\$ -	\$ -
Consumer receipts	1,561,509	1,283,300	-
Charges for services	-	-	-
Miscellaneous	2,075	2,075	-
Total operating revenues	<u>1,563,584</u>	<u>1,285,375</u>	<u>-</u>
Operating expenses			
Personal services	-	-	-
Materials and services	1,082,742	891,087	-
Capital outlay	74,799	56,113	-
Depreciation expense	88,840	112,402	64,525
Total operating expenses	<u>1,246,381</u>	<u>1,059,602</u>	<u>64,525</u>
Operating income (loss)	317,203	225,773	(64,525)
Non operating revenue (expenses)			
Interest expense	-	-	(110,800)
Total non operating income (expenses)	<u>-</u>	<u>-</u>	<u>(110,800)</u>
Net income	317,203	225,773	(175,325)
Other financing sources (uses)			
Transfers in	-	-	250,500
Transfers out	(425,500)	(300,000)	-
Total other financing sources (uses)	<u>(425,500)</u>	<u>(300,000)</u>	<u>250,500</u>
Change in net position	(108,297)	(74,227)	75,175
Net position, beginning of year, before restatement	3,706,866	3,652,713	359,604
Restatement, see note 12	105,204	60,803	(64,525)
Net position, beginning of year, after restatement	<u>3,812,070</u>	<u>3,713,516</u>	<u>295,079</u>
Net position, end of year	<u>\$ 3,703,773</u>	<u>\$ 3,639,289</u>	<u>\$ 370,254</u>

Water Debt Retirement Fund	Water SDC Fund	Nonmajor Proprietary Funds	Totals June 30, 2014	Internal Service Fund
\$ -	\$ 113,090	\$ 188,982	\$ 302,072	\$ -
-	-	114,782	2,959,591	-
-	-	-	-	1,315,000
-	-	-	4,150	-
-	113,090	303,764	3,265,813	1,315,000
-	-	-	-	1,270,689
-	5,200	94,819	2,073,848	-
-	-	1,821	132,733	-
60,803	-	54,864	381,434	-
60,803	5,200	151,504	2,588,015	1,270,689
(60,803)	107,890	152,260	677,798	44,311
(42,950)	-	(60,090)	(213,840)	-
(42,950)	-	(60,090)	(213,840)	-
(103,753)	107,890	92,170	463,958	44,311
300,000	-	175,000	725,500	-
-	-	-	(725,500)	-
300,000	-	175,000	-	-
196,247	107,890	267,170	463,958	44,311
1,810,377	1,258,757	633,640	11,421,957	111,576
(60,803)	-	(40,679)	-	-
1,749,574	1,258,757	592,961	11,421,957	111,576
\$ 1,945,821	\$ 1,366,647	\$ 860,131	\$ 11,885,915	\$ 155,887

**Reconciliation of the Statement of Revenues,
Expenses in Fund Net Position of Proprietary Funds
to the Statement of Activities**

CHANGE IN FUND NET POSITION \$ 463,958

Amounts reported for the business-type activities in the Statement of Activities are different because:

Internal service fund is used by management to charge the costs of personnel charges to individual funds. The net revenue (expense) of the internal service fund is allocated to business-type activities.

44,311

CHANGE IN NET POSITION \$ 508,269

CITY OF MOLALLA, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended
June 30, 2014

	Sewer Fund	Water Fund	Sewer Debt Retirement Fund
Cash flows from operating activities			
Cash received from customers	\$ 1,563,924	\$ 1,285,276	\$ -
Cash payment to employees for services	-	-	-
Cash payment to suppliers for goods and services	(1,125,750)	(947,508)	-
Other operating revenues	2,075	2,075	-
Net cash provided by operating activities	440,249	339,843	-
Cash flows from noncapital financing activities			
Operating transfers-out to other funds	(425,500)	(300,000)	-
Operating transfers-in from funds	-	-	250,500
Net cash provided by noncapital financing activities	(425,500)	(300,000)	250,500
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	-	-
Interest paid on notes payable	-	-	(110,800)
Payment on notes	-	-	(200,000)
Net cash used for capital and related financing activities	-	-	(310,800)
Net increase (decrease) in cash and cash equivalents	14,749	39,843	(60,300)
Cash and cash equivalents at beginning of year	610,103	918,849	519,521
Cash and cash equivalents at end of year	\$ 624,852	\$ 958,692	\$ 459,221
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 317,203	\$ 225,773	\$ (64,525)
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Depreciation expense	88,840	112,402	64,525
(Increase) decrease in accounts receivable, net of allowance	2,415	1,976	-
Increase (decrease) in accounts payable	31,791	-	-
Increase (decrease) in accrued compensated absences	-	(308)	-
Total adjustments	123,046	114,070	64,525
Net cash provided (used) by operating activities	\$ 440,249	\$ 339,843	\$ -

See notes to the basic financial statements.

Water Debt Retirement Fund	Water SDC Fund	Nonmajor Proprietary Funds	Total	Internal Service Fund
\$ -	\$ 113,090	\$ 303,764	\$ 3,266,054	\$ -
-	-	-	-	(1,270,689)
-	(5,200)	(96,640)	(2,175,098)	-
-	-	-	4,150	1,315,000
-	107,890	207,124	1,095,106	44,311
-	-	-	(725,500)	-
300,000	-	175,000	725,500	-
300,000	-	175,000	-	-
-	-	(14,000)	(14,000)	-
(42,950)	-	(60,090)	(213,840)	-
(290,000)	-	(118,524)	(608,524)	-
(332,950)	-	(192,614)	(836,364)	-
(32,950)	107,890	189,510	258,742	44,311
607,576	1,258,757	435,787	4,350,593	111,576
\$ 574,626	\$ 1,366,647	\$ 625,297	\$ 4,609,335	\$ 155,887
\$ (60,803)	\$ 107,890	\$ 152,260	\$ 677,798	\$ 44,311
60,803	-	54,864	381,434	-
-	-	-	4,391	-
-	-	-	31,791	-
-	-	-	(308)	-
60,803	-	54,864	417,308	-
\$ -	\$ 107,890	\$ 207,124	\$ 1,095,106	\$ 44,311

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 1. Significant Accounting Policies

Organizational Authority

The City of Molalla operates under an amended charter adopted November 2011, with a council/manager form of government. The mayor is elected to serve a four-year term and the common council consists of six members. The City of Molalla provides numerous services to citizens, including public safety, public works and general government services.

A. The Reporting Entity

The City Council exercises governance responsibilities over all entities related to city activity. The city receives funding from local, state, and federal sources. However, the City of Molalla is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Council members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the city for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the primary government's financial accountability. The criteria used to determine financial accountability include whether the primary government appoints a voting majority, the primary government can impose its will on the component unit, whether there is financial benefit or burden on the primary government, and if the component unit has a fiscal dependency on the primary government. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the city is financially accountable.

The governing board of the Urban Renewal Agency of the City of Molalla consists of all members of the Molalla City Council. The Urban Renewal Agency is reported as a blended component of the city and the financial statements can be obtained by contacting the finance director of the city. There are other 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.

B. Fund Accounting

City resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds are grouped, in the financial statements in this report, into two broad fund categories: governmental funds and proprietary funds.

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.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Special Revenue Funds—Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Fund—Debt service funds are used to account for interest and principal payments for debt.

Capital Project Fund—Capital project funds are generally used to account for financial resources to be used for the acquisitions or construction of major capital facilities.

Permanent Fund—Permanent funds are used to account for financial resources that are legally restricted to the extent that only the earnings, and not the principal, may be use for purposes that support the government entity.

PROPRIETARY FUNDS

Enterprise Funds—Enterprise funds are used to account for water, sewer, and storm water services and provided to the community. Principal revenue sources are fees charged to consumers for services.

C. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information on all the nonfiduciary activities of the city. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are financed primarily through property taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the city's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities presents a comparison between direct expenses and program revenues for each of its functions/programs. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Fund Financial Statements

The fund financial statements provide information about the city's funds. Separate financial statements are provided for each fund category (governmental and proprietary). The emphasis of fund financial statements is on major funds, each displayed in a separate column. The nonmajor funds are shown in the aggregate.

The city reports the following 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.

The city reports on the following major proprietary funds:

Water Fund – The Water Fund is an enterprise fund used to account for the operation of the city's water system.

Sewer Fund – The Sewer Fund is an enterprise fund used to account for the operation of the city's sewer system.

Sewer Debt Retirement Fund – 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.

Water Debt Retirement Fund – 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.

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

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless when related cash flows take place. Property tax

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2014

is recognized as revenue in the year for which the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the city.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the city's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

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

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted as they are needed.

E. Budgets and Budgetary Accounting

A budget is prepared for each city fund in accordance with the modified cash basis of accounting and legal requirements set forth in the Oregon local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, materials and services, debt service, capital outlay, special payments, transfers and contingencies by fund are the levels of control. The detail budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories. All appropriations lapse at June 30.

Unexpected additional resources may be added to the budget by a supplemental budget and appropriations resolution. A supplemental budget may require hearings before the public, publications in newspapers, and approval by the council. Original and supplemental budgets may be modified by using appropriations

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

transfers between the levels of control. Such transfers require approval by the council. The budget for the General Fund, special revenue funds, and proprietary funds includes capital outlay expenditures in each program for capital outlay applicable to that program. The following are over expenditures of appropriations:

General Fund	Planning materials and services	\$635
	Planning debt service	\$5,231
Street Fund	Materials and services	\$3,181
Parks & Recreation Fund	Materials and services	\$3,802
Molalla Arts Commission Fund	Materials and services	\$105

F. Capital Assets

Capital assets, which include property, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The city defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of one reporting period. The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives.

Land improvements	20 years
Buildings	25 to 50 years
Machinery and equipment	10 to 30 years
Vehicles	8 years
Infrastructure	20 to 65 years

G. Property Taxes Receivable

Property taxes assessed but not yet collected are reported on the balance sheet, but are offset by deferred revenue accounts. The city levies taxes on a fiscal year from July 1 to June 30. The current levy becomes a lien on July 1. Taxes are due November 15 and become delinquent May 15. Foreclosure is started three years after taxes become delinquent. The city turns all tax collection duties over to Clackamas County, Oregon.

Uncollected property taxes are recorded on the Statement of Net Position. Uncollected taxes are deemed to be substantially collected or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the city.

H. Deferred Outflows of Resources

Deferred outflows of resources in the Statement of Net Position represents a consumption of net position that is applicable to a future reporting period. The city does not have any deferred outflows of resources.

I. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

The city maintains a policy to permit employees to accumulate earned but unused vacation and sick pay

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

benefits. No liability is reported 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 these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Benefits are normally paid from the General, and Water Fund. The compensated absences liability was \$146,368 at June 30, 2014.

J. Cash and Investments

The city's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in savings accounts and the state of Oregon Local Government Investment Pool and allocated to each fund based on the amount of excess cash each fund has deposited.

Oregon statutes and local ordinances authorize the city to invest (short-term and long-term) in certificates of deposit (considered deposits for risk categorization purposes), certain bond obligations of civil subdivisions, general obligations of the states of Oregon, Washington, Idaho, and California, certain interest bearing bonds of a county, port, or school district, certain interest bearing bonds of any city in the state of Oregon, life insurance and annuity contracts, pooled deferred compensation trusts, banker's acceptances, and certain corporate bonds. All investments are stated at cost.

K. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the Statement of Net Position this includes resources that are received before the city has met its eligibility requirements related to time. In the governmental fund financial statements, deferred inflows of resources also include revenues that are measurable but not available.

L. Encumbrances

The city does not use encumbrance accounting

M. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

N. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

O. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the city considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the city's pooled cash and investments.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

P. Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period.

Q. Fund Balances

GASB Statement No. 54 requires analysis and presentation of fund balances in five categories; the fund balance categories are:

- *Nonspendable*—Includes items not immediately converted to cash, such as prepaid items, interfund receivables, endowments and inventory.
- *Restricted*—Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.
- *Committed*—Includes items committed by the city council, by formal council action.
- *Assigned*—Includes items assigned for specific uses, authorized by the city council or their designee.
- *Unassigned*—This is the residual classification used for those balances not assigned to another category.

The city has not adopted a spending policy or made any commitments.

Note 2. Retirement Plan

Oregon Public Employees Retirement System

Plan Description - The city contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the city's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying city employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment health care benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute (ORS) Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing PERS, P.O. Box 23700,

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Funding Policy - Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The city is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPSRP plan. The OPERF and the OPSRP rates in effect for the year ended June 30, 2014 were 8.64% and 4.23% for general service employees and 6.96% for police and fire employees. The contribution requirements for plan members are established by the ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Costs – The city’s contributions to PERS for the years ending June 30, 2014, 2013, and 2012 were \$339,664, \$351,288, and \$382,043, respectively, which equaled the required contributions for the year.

Note 3. Other Post Employment Benefits—GASB 45

For the fiscal year ended June 30, 2009, the city implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. For the fiscal year ended June 30, 2014, the city’s participation in the City County Insurance Services (CCIS) health plans have been determined to constitute community-rated coverage, as allowed by GASB 45, therefore, there is no implicit subsidy to value and no liability accrued in the financial statements.

Note 4. Accounts Receivable

The enterprise funds of the city have service billing revenues receivable as follows:

Sewer Fund accounts receivable	\$ 207,523
Less allowance for uncollectible accounts	(5,188)
Sewer Fund net accounts receivable	<u>\$ 202,335</u>
Water Fund accounts receivable	\$ 169,792
Less allowance for uncollectible accounts	(4,245)
Water Fund net accounts receivable	<u>\$ 165,547</u>

An allowance for uncollectible accounts was estimated based on the age of the receivable balance on June 30, 2014.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

The governmental funds accounts receivable at June 30, 2014 was:

Fund Source	
General Fund	
Property taxes	\$ 154,957
Other	26,476
Urban Renewal Agency	
Property taxes	13,784
Nonmajor funds	
Other	1,277
Total receivables	\$ 196,494

Note 5. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2014 is as follows:

Description	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014	Due within one year
GOVERNMENTAL ACTIVITIES					
OEDD Loan	\$ 4,935	\$ -	\$ 4,935	\$ -	\$ -
2010 GO Water Refunding bonds	275,000	-	60,000	215,000	60,000
BUSINESS-TYPE ACTIVITIES					
State Revolving Loan	2,175,500	-	118,524	2,056,976	121,865
2010 Water Revenue Refunding Bonds	1,565,000	-	290,000	1,275,000	300,000
2010 Sewer Revenue Refunding Bonds	2,975,000	-	200,000	2,775,000	210,000
Total Long-term Debt	\$ 6,995,435	\$ -	\$ 673,459	\$ 6,321,976	\$ 691,865

Governmental Activities

Oregon Economic Development Department (OECDD)

In 1993, the City of Molalla entered into an agreement with Oregon Economic Development Department for \$60,000. The payments are due December 1 with an annual interest rate of 6%. The loan was paid off at June 30, 2014.

General Obligation Water Refunding Bonds, Series 2010

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 beginning with an interest only payments every December 1 and interest and principal payments every June 1. Debt payments are made out of the debt service fund. The outstanding loan balance at June 30, 2014 is \$215,000. Future payments consist of the following:

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Fiscal Year Ending June 30,	Principal	Interest	Total	Remaining Balance
2015	\$ 60,000	\$ 5,375	\$ 65,375	\$ 155,000
2016	60,000	4,650	64,650	95,000
2017	65,000	3,088	68,088	30,000
2018	30,000	750	30,750	-
	<u>\$ 215,000</u>	<u>\$ 13,863</u>	<u>\$ 228,863</u>	

Business-Type Activities

Clean Water State Revolving Fund Loan

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. The CWSRF Debt Retirement Fund accounts for the debt payments. The outstanding loan balance at June 30, 2014 is \$2,056,976. Future payments consist of the following:

Fiscal Year Ending June 30	Principal	Interest	Total	Remaining Balance
2015	\$ 121,865	\$ 56,749	\$ 178,614	\$ 1,935,111
2016	125,301	53,313	178,614	1,809,810
2017	128,835	49,779	178,614	1,680,975
2018	132,467	46,147	178,614	1,548,508
2019	136,203	42,411	178,614	1,412,305
2020-2024	740,829	152,251	893,080	671,476
2025-2028	671,476	42,989	714,465	-
Total	<u>\$ 2,056,976</u>	<u>\$ 443,639</u>	<u>\$ 2,500,615</u>	

Water Revenue Refunding Bonds, Series 2010

In August 2010, the city entered 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. The city was not in compliance with required loan reserve for the year ended June 30, 2014 of \$592,600. The Water Debt Retirement Fund accounts for the debt payments. The outstanding loan balance at June 30, 2014 is \$1,275,000. Future payments consist of the following:

Fiscal Year Ending June 30	Principal	Interest	Total	Remaining Balance
2015	\$ 300,000	\$ 33,750	\$ 333,750	\$ 975,000
2016	310,000	24,600	334,600	665,000
2017	325,000	15,075	340,075	340,000
2018	340,000	5,100	345,100	-
Total	<u>\$ 1,275,000</u>	<u>\$ 78,525</u>	<u>\$ 1,353,525</u>	

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Sewer Revenue Refunding Bonds, Series 2010

In March 2010, the city entered refunded series 2000 bonds that were for improvements to the sewer system. The interest is at a variable rate that ranges from 3% to 4% per annum. Interest payments are due each September 1 and principal and interest payments are due each March 1. The Sewer Debt Retirement Fund accounts for the debt payments. The outstanding loan balance at June 30, 2014 is \$2,975,000. The city was not in compliance with required loan reserve for the year ended June 30, 2014 of \$636,300. Future payments consist of the following:

Fiscal Year Ending June 30	Principal	Interest	Total	Remaining Balance
2015	\$ 210,000	\$ 104,450	\$ 104,450	\$ 2,565,000
2016	220,000	98,150	98,150	2,345,000
2017	225,000	91,550	91,550	2,120,000
2018	230,000	84,800	84,800	1,890,000
2019	240,000	75,600	75,600	1,650,000
2020-2024	1,350,000	226,000	226,000	300,000
2025	300,000	12,000	12,000	-
Total	<u>\$ 2,775,000</u>	<u>\$ 692,550</u>	<u>\$ 692,550</u>	

Note 6. Risk Management

The city is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the city carries commercial insurance. The city does not engage in risk financing activities where the risk is retained (self-insurance).

The City of Molalla is a member of the City County Insurance Services (CCIS) trust. This trust was established in 1981, by the League of Oregon Cities (LOC) and the Association of Oregon Counties (AOC) to provide risk management services including insurance and loss control to member entities. The city participates for property and liability insurance coverage.

Note 7. Deposits and Investments

The city maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Cash and investments are comprised of the following at June 30, 2014:

Deposits with banks	\$ 897,382
Investments	7,892,099
Cash on hand	<u>462</u>
	<u>\$ 8,789,943</u>

Cash and investments are shown on the basic financial statements as:

Statement of Net Position	
Cash and investments	\$ 5,998,790
Restricted cash	<u>2,791,153</u>
	<u>\$ 8,789,943</u>

As of June 30, 2014, the city held the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% of Investment Portfolio</u>
Local Government Investment Pool	\$ 7,892,099	100.0%

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial risk assumed by the city at June 30, 2014. If bank deposits at year end are not entirely insured or collateralized with securities held by the city or by its agent in the city's name, the city must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295.

At June 30, 2014, the carrying amount of the city's deposits was \$897,382 and the bank balance was \$930,645. Of these deposits, all were covered by federal depository insurance or were in qualified depositories. The insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Federal depository insurance (FDIC) of \$250,000 applies to the deposits in each depository. Where balances continually exceed \$250,000, ORS 295.018 requires the depositor to verify that deposit accounts are only maintained at financial institutions on the list of qualified depositories found on the Oregon state treasurer's website. Qualifying depository banks must pledge securities with a particular value based on the banks level of capitalization. The city deposits were in compliance with requirements of ORS 295.018.

Custodial credit risk—Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The city does not have a policy for custodial credit risk for deposits.

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of government entities.

Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
<i>Cash and cash equivalents</i>			
Local Government Investment Pool (LGIP)	\$ 7,892,099	50% less than 90-days, no more than 25% over one year, and no investment over three years	Unrated
<i>Total cash and cash equivalents</i>	<u>\$ 7,892,099</u>		

At June 30, 2014, the city held \$7,892,099 of investments, which are all classified as cash and investments on the Statement of Net Position. The city has no policy for managing interest rate risk or credit risk.

The city has invested funds in the Oregon Short-term Fund Local Government Investment Pool (LGIP) during fiscal year 2014. The Local Government Investment Pool was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The Local Government Investment Pool is an external investment pool managed by the State Treasurer’s office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon LGIP distributed investment income on an amortized cost basis and participant’s equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the city’s cash position.

Investments in the Oregon LGIP are made under the provisions of ORS 194.180. These funds are held in the city’s name and are not subject to collateralization requirements of ORS 295.018. Investments are stated at cost, which approximated fair value.

A separate financial report for the Oregon Short-term Fund Local Government Investment Pool is prepared by the Secretary of State Audits Division in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investment Pools*. Copies of the report can be obtained from the Oregon Audits Division 255 Capitol Street NE, Suite 500, Salem, OR 97310 or online at <http://www.sos.state.or.us/audits/index.html>.

Oregon statutes restrict the types of investments in which the city may invest. Authorized investments included obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, time certificates of deposit, certain commercial paper, and the Oregon Local Government Investment Pool. As of June 30, 2014 and for the year then ended, the city was in compliance with the aforementioned Oregon statutes.

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize the city to invest primarily in general obligations of the United States

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial paper, and the Oregon Local Government Investment Pool, among others. The city has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk—Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The city is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the United States Government. The city has no such investments.

Interest Rate Risk—The city's investment policy limits long-term investments to 25% of the investment portfolio using specific identification. The city defines long-term as having a maturity of greater than 18 months to a maximum of 36 months. As of June 30, 2014, all of the city's investments were classified as short-term.

Foreign Currency Risk—The city is prohibited from investments that are not US dollar-denominated; therefore, the city is not exposed to this risk.

Note 8. Commitments and Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government and the state of Oregon. Any disallowed claims, including amount already collected, may constitute a liability to the city. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time, although city management expects such amounts, if any, to be immaterial.

Note 9. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Governmental Funds			Proprietary Funds		
<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Transfers in</u>	<u>Transfer from</u>	<u>Amount</u>
Nonmajor Funds	General Fund	\$ 140,000	Sewer Debt Retirement Fund	Sewer Fund	\$ 250,500
			Water Debt Retirement Fund	Water Fund	300,000
			Nonmajor funds	Sewer Fund	175,000
Total transfers in for governmental funds		<u>\$ 140,000</u>	Total transfers in for proprietary funds		<u>\$ 725,500</u>
<u>Transfers out</u>	<u>Transfer to</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Transfer to</u>	<u>Amount</u>
Nonmajor funds	General Fund	(140,000)	Sewer Fund	Sewer Debt Retirement Fund	\$ (250,500)
			Water Fund	Nonmajor funds	(175,000)
				Water Debt Retirement Fund	(300,000)
Total transfers out for governmental funds		<u>(140,000)</u>	Total transfers out for proprietary funds		<u>(725,500)</u>
Total transfers for governmental funds		<u><u>\$ -</u></u>	Total transfers for proprietary funds		<u><u>\$ -</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers represent budgeted expectations.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

Note 10. Schedule of Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,489,291	\$ -	\$ -	\$ 1,489,291
Total capital assets not being depreciated	<u>1,489,291</u>	<u>-</u>	<u>-</u>	<u>1,489,291</u>
Capital assets being depreciated				
Land Improvements	622,376	126,066	-	748,442
Buildings	3,265,658	-	-	3,265,658
Machinery and equipment	380,384	89,094	-	469,478
Vehicles	604,676	39,651	9,990	634,337
Infrastructure	20,037,098	13,505	-	20,050,603
Total capital assets being depreciated	<u>24,910,192</u>	<u>268,316</u>	<u>9,990</u>	<u>25,168,518</u>
Less accumulated depreciation for				
Land Improvements	463,237	19,329	-	482,566
Buildings	1,058,619	65,785	-	1,124,404
Equipment	301,336	16,849	-	318,185
Vehicles	503,971	36,848	9,990	530,829
Infrastructure	10,309,526	897,799	-	11,207,325
Total accumulated depreciation	<u>12,636,689</u>	<u>1,036,610</u>	<u>9,990</u>	<u>13,663,309</u>
Total capital assets being depreciated, net	12,273,503	(768,294)	-	11,505,209
Governmental activities capital assets, net	<u>\$ 13,762,794</u>	<u>\$ (768,294)</u>	<u>\$ -</u>	<u>\$ 12,994,500</u>
Business type activities				
Capital assets not being depreciated				
Land	\$ 727,511	\$ -	\$ -	\$ 727,511
Total capital assets not being depreciated	<u>727,511</u>	<u>-</u>	<u>-</u>	<u>727,511</u>
Capital assets being depreciated				
Land Improvements	159,202	-	-	159,202
Buildings	3,651,205	-	-	3,651,205
Equipment	1,867,551	14,000	-	1,881,551
Vehicles	125,691	-	-	125,691
Infrastructure	14,611,097	-	-	14,611,097
Total capital assets being depreciated	<u>20,414,746</u>	<u>14,000</u>	<u>-</u>	<u>20,428,746</u>
Less accumulated depreciation for				
Land improvements	145,444	1,310	-	146,754
Buildings	1,618,487	77,291	-	1,695,778
Equipment	1,055,223	70,108	-	1,125,331
Vehicles	105,551	3,079	-	108,630
Infrastructure	4,733,163	229,645	-	4,962,808
Total accumulated depreciation	<u>7,657,868</u>	<u>381,433</u>	<u>-</u>	<u>8,039,301</u>
Total capital assets being depreciated, net	12,756,878	(367,433)	-	12,389,445
Business type activities capital assets, net	<u>\$ 13,484,389</u>	<u>\$ (367,433)</u>	<u>\$ -</u>	<u>\$ 13,116,956</u>

Depreciation expense for the year was charged to the following programs:

Governmental Activities	
General government	\$ 1,036,610
Business-Type Activities	
Sewer	153,365
Water	173,204
Storm Water	54,864

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Note 11. Accounting Changes and Restatements

City of Molalla has chosen to restate beginning net position balance as follows:

Proprietary Funds:

Due to a change to allocations of depreciation expense, the proprietary funds beginning net position balances were restated as follows:

- Sewer Fund—Increased by \$105,204
- Water Fund—Increased by \$60,803
- Sewer Debt Retirement Fund—Decreased by \$64,525
- Water Debt Retirement Fund—Decreased by \$60,803
- CWSR Debt Retirement Fund—Decreased by \$40,679

Overall, there was no net effect on the Business-Type Activities as a whole.

Note 12. Deficit Net Position Balances

<u>Fund</u>	<u>Amount</u>	<u>Corrective Action in 2014-2015</u>
CWRSF Debt Retirement Fund	\$(128,856)	The city will transfer money in from the Sewer Proprietary Fund due to lack of money in the Sewer SDC fund.

Note 13. Permanenet Fund

The Sally Fox Park Fund, a permanent fund, was established to account for a nonexpendable trust for Sally Fox Memorial donations. Only interest earned may be expended for park improvements. The principal balance must remain unexpended. However, in 2014, the court approved the uses of all of the funds to put in a splash park at Sally Fox Park; at June 30, 2014 the fund balance was \$0.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2014

Note 14. Fund Balance Classifications

Below is a schedule of ending fund balances, based on GASB Statement No. 54 requirements:

Fund Balances	General Fund	Library Fund	Street Fund	Urban Renewal Agency	Park SDC	Nonmajor Funds	Total
<u>Restricted</u>							
Public works	\$ -	\$ -	\$ 248,340	\$ -	\$ -	\$ 311,859	\$ 560,199
Community development	-	-	-	833,973	594,817	17,870	1,446,660
Debt Service	-	-	-	-	-	64,419	64,419
	<u>-</u>	<u>-</u>	<u>248,340</u>	<u>833,973</u>	<u>594,817</u>	<u>394,148</u>	<u>2,071,278</u>
<u>Assigned</u>							
Community development	-	1,122,606	-	-	-	37,879	1,160,485
<u>Unassigned</u>							
	814,998	-	-	-	-	-	814,998
TOTAL FUND BALANCES	<u>\$ 814,998</u>	<u>\$ 1,122,606</u>	<u>\$ 248,340</u>	<u>\$ 833,973</u>	<u>\$ 594,817</u>	<u>\$ 432,027</u>	<u>\$ 4,046,761</u>

GASB 54 requires city council approved action to authorize commitments of fund balances. There were no commitments of fund balances made in the current fiscal year. Commitments of fund balances must be made prior to the end of the fiscal year.

Note 15. Implementation of New GASB Statements

GASB Statement No. 67 – Financial Reporting for Pension Plans

The objective of this statement is to improve the financial reporting by state and local governmental pension plans. This statement replaces the requirements of statements No. 25 and was effective for fiscal year ending June 30, 2014. The city along with other local governments participate in a cost-sharing multiple employer defined benefit public employees’ pension plan, PERS. This statement will not directly affect the city reporting for PERS, however changes implemented by PERS under No. 67 will affect the city’s reporting and disclosures for No. 68.

GASB Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees

The objective of this statement is to establish accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended. This statement was effective for fiscal year ending June 30, 2014. There is no impact to the city’s financial accounting and reporting.

The following pronouncements have been issued by the Governmental Accounting Standards Board (GASB) but not yet implemented by the city.

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions

This statement was issued to improve accounting and financial reporting by state and local government for pensions. This statement replaces statement No. 27 as well as requirements of statement No. 50. This statement and statement No. 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pension and paying benefits to plan members as they come due. This statement will be effective for fiscal year ending June 30, 2015.

CITY OF MOLALLA, OREGON
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

The city along with other local governments participate in a cost-sharing multiple employer defined benefit public employees' pension plan, PERS. The requirements of this standard appear to have a significant impact over financial accounting and reporting for the city's participation in the PERS plan. At this point management is researching all of the requirements outlined in this standard and will be working with other local governments and PERS to ensure proper financial reporting and disclosures are met.

GASB Statement No. 69 – Governmental Combinations and Disposals of Government Operations

The objective of this statement is to establish accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. The Statement also provides guidance on how to determine the gain or loss on a disposal of governmental operations. This statement is effective for fiscal year ending June 30, 2015.

Note 16. Contingencies

Bear Creek Recovery and Susan Hansen v. City of Molalla

A citizen suit has been filed under the federal Clean Water Act (CWA) alleging that the City of Molalla's wastewater treatment operations violated the CWA in various ways. Plaintiffs seek an injunction requiring the City of Molalla to take certain steps to prevent future violations, an order for civil penalties requiring the City of Molalla to pay certain amounts to the U.S. Treasury, and their attorneys' fees in prosecuting the action. Any monetary penalties and fees are not covered by insurance. The matter is currently in discovery phase and negotiations are in process. It is difficult to estimate if civil penalties may be awarded; however, the plaintiff attorney fees are currently being argued as part of the settlement decree. We are unable to estimate an amount of contingency at this time.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

(Budget Basis)

For the Year Ended

June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Property tax	\$ 2,330,000	\$ 2,330,000	\$ 2,452,084	\$ 122,084
Other taxes and assessments	241,250	241,250	256,235	14,985
Intergovernmental revenues	25,000	25,000	23,191	(1,809)
Licenses and permits	189,200	189,200	180,759	(8,441)
Fines and forfeits	242,800	242,800	237,857	(4,943)
Grants	-	-	4,975	4,975
Interest	38,000	38,000	48,088	10,088
Miscellaneous	443,479	443,479	415,736	(27,743)
Total revenues	<u>3,509,729</u>	<u>3,509,729</u>	<u>3,618,925</u>	<u>109,196</u>
Expenditures				
City hall				
Personal services	421,650	421,650	385,637	36,013
Materials and services	302,600	302,600	276,626	25,974
Capital outlay	15,000	15,000	8,998	6,002
Total city hall	<u>739,250</u>	<u>739,250</u>	<u>671,261</u>	<u>67,989</u>
Police department				
Personal services	1,611,305	1,611,305	1,552,344	58,961
Materials and services	436,200	436,200	399,657	36,543
Capital outlay	20,000	20,000	2,000	18,000
Total police department	<u>2,067,505</u>	<u>2,067,505</u>	<u>1,954,001</u>	<u>113,504</u>
Municipal court and legal				
Personal services	101,150	116,150	111,763	4,387
Materials and services	97,750	97,750	78,066	19,684
Total municipal court and legal	<u>198,900</u>	<u>213,900</u>	<u>189,829</u>	<u>24,071</u>
Planning				
Personal services	12,000	12,000	-	12,000
Materials and services	48,700	48,700	49,335	(635)
Debt service	-	-	5,231	(5,231)
Total planning	<u>60,700</u>	<u>60,700</u>	<u>54,566</u>	<u>6,134</u>
Contingency	<u>100,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Total expenditures	<u>3,166,355</u>	<u>3,166,355</u>	<u>2,869,657</u>	<u>296,698</u>
Excess of revenues over (under) expenditures	343,374	343,374	749,268	405,894
Other financing sources (uses)				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balance	203,374	203,374	609,268	405,894
Fund balances July 1	<u>138,414</u>	<u>138,414</u>	<u>179,327</u>	<u>40,913</u>
Fund balance, June 30	<u>\$ 341,788</u>	<u>\$ 341,788</u>	<u>\$ 788,595</u>	<u>\$ 446,807</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - LIBRARY FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Intergovernmental revenues	\$ 625,000	\$ 625,000	\$ 728,945	\$ 103,945
Fines	25,000	25,000	24,156	(844)
Grants	3,000	3,000	3,769	769
Donations	2,500	2,500	1,565	(935)
Miscellaneous	3,000	3,000	3,056	56
Total revenues	658,500	658,500	761,491	102,991
Expenditures				
Personal services	481,572	481,572	376,783	104,789
Materials and services	144,085	144,085	137,263	6,822
Capital outlay	124,000	124,000	89,187	34,813
Contingency	675,000	675,000	-	675,000
Total expenditures	1,424,657	1,424,657	603,233	821,424
Net change in fund balance	(766,157)	(766,157)	158,258	924,415
Fund balance, July 1	900,977	900,977	964,348	63,371
Fund balance, June 30	<u>\$ 134,820</u>	<u>\$ 134,820</u>	<u>\$ 1,122,606</u>	<u>\$ 987,786</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Taxes and assessments	\$ 640,000	\$ 640,000	\$ 709,438	\$ 69,438
Miscellaneous	-	-	31,183	31,183
Total revenues	<u>640,000</u>	<u>640,000</u>	<u>740,621</u>	<u>100,621</u>
Expenditures				
Materials and services	570,685	580,685	583,866	(3,181)
Capital outlay	118,000	208,000	134,023	73,977
Contingency	100,000	-	-	-
Total expenditures	<u>788,685</u>	<u>788,685</u>	<u>717,889</u>	<u>70,796</u>
Net change in fund balance	(148,685)	(148,685)	22,732	171,417
Fund balance, July 1	<u>234,984</u>	<u>234,984</u>	<u>233,155</u>	<u>(1,829)</u>
Fund balance, June 30	<u>\$ 86,299</u>	<u>\$ 86,299</u>	<u>\$ 255,887</u>	<u>\$ 169,588</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -URBAN RENEWAL AGENCY
(Budget Basis)
For the Year Ended
June 30, 2014

	Adopted Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Property taxes	\$ 250,000	\$ 250,000	\$ 267,009	\$ 17,009
Interest	250	250	217	(33)
Total revenues	<u>250,250</u>	<u>250,250</u>	<u>267,226</u>	<u>16,976</u>
Expenditures				
Materials and services	35,000	35,000	26,417	8,583
Capital outlay	100,000	100,000	-	100,000
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>235,000</u>	<u>235,000</u>	<u>26,417</u>	<u>208,583</u>
Net change in fund balance	15,250	15,250	240,809	225,559
Fund balance, July 1	<u>569,352</u>	<u>569,352</u>	<u>591,258</u>	<u>21,906</u>
Fund balance, June 30	<u><u>\$ 584,602</u></u>	<u><u>\$ 584,602</u></u>	<u><u>\$ 832,067</u></u>	<u><u>\$ 247,465</u></u>

CITY OF MOLALLA, OREGON
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
GOVERNMENTAL FUNDS
For the Year Ended
June 30, 2014

Budget Basis								
	General Fund	Library Fund	Street Fund	Urban Renewal Agency	Other Governmental Funds	Total Governmental Funds	Accrual Adjustments	Modified Accrual Basis
Receipts								
Property taxes	\$ 2,452,084	\$ -	\$ -	\$ 267,009	\$ 62,994	\$ 2,782,087	\$ (7,260)	\$ 2,774,827
Other taxes and assessments	256,235	-	709,438	-	-	965,673	495	966,168
System development charges	-	-	-	-	181,063	181,063	-	181,063
Intergovernmental revenues	23,191	728,945	-	-	38,556	790,692	(379)	790,313
Licenses and permits	180,759	-	-	-	-	180,759	-	180,759
Fines and forfeits	237,857	24,156	-	-	252,817	514,830	5,424	520,254
Grants	4,975	3,769	-	-	-	8,744	-	8,744
Donations	-	1,565	-	-	1,345	2,910	-	2,910
Interest	48,088	-	-	217	-	48,305	1,194	49,499
Miscellaneous	415,736	3,056	31,183	-	16,289	466,264	1,213	467,477
Total receipts	<u>3,618,925</u>	<u>761,491</u>	<u>740,621</u>	<u>267,226</u>	<u>553,064</u>	<u>5,941,327</u>	<u>687</u>	<u>5,942,014</u>
Disbursements								
Personal services	2,049,744	376,783	-	-	207,984	2,634,511	-	2,634,511
Materials and services	803,684	137,263	583,866	26,417	363,743	1,914,973	10,835	1,925,808
Capital outlay	10,998	89,187	134,023	-	4,995	239,203	-	239,203
Debt service	5,231	-	-	-	68,012	73,243	-	73,243
Total disbursements	<u>2,869,657</u>	<u>603,233</u>	<u>717,889</u>	<u>26,417</u>	<u>644,734</u>	<u>4,861,930</u>	<u>10,835</u>	<u>4,872,765</u>
Excess of receipts over disbursements	749,268	158,258	22,732	240,809	(91,670)	1,079,397	(10,148)	1,069,249
Other financing sources, net	(140,000)	-	-	-	140,000	-	-	-
Net change in fund balances	609,268	158,258	22,732	240,809	48,330	1,079,397	(10,148)	1,069,249
Fund balances, July 1	179,327	964,348	233,155	591,258	977,237	2,945,325	32,187	2,977,512
Balances at end of year	<u>\$ 788,595</u>	<u>\$ 1,122,606</u>	<u>\$ 255,887</u>	<u>\$ 832,067</u>	<u>\$ 1,025,567</u>	<u>\$ 4,024,722</u>	<u>\$ 22,039</u>	<u>\$ 4,046,761</u>
						\$ (21,527)		
						14,265		
						(1,904)		
						1,906		
							(7,260)	
						(19,377)		
						(50)		
						(379)		
						26,476		
						1,277		
							7,947	
						(11,050)		
						14,338		
						7,547		
							10,835	
							32,187	
							<u>\$ 22,039</u>	

CITY OF MOLALLA, OREGON
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
For the Year Ended
June 30, 2014

A budget is prepared for each city fund in accordance with the modified cash basis of accounting and legal requirements set forth in the state of Oregon's local budget law. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personal services, material and services, capital outlay, special payments, transfers and contingencies are the levels of control for all funds except the general fund. Total expenditures by department are the levels of control in the general fund. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations resolution. A supplemental budget requires a hearing before the public, publications in newspapers, and approval by the city council. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the city council. Budget appropriations lapse at June 30. Encumbrance accounting is not utilized in the preparation of budgeted funds.

During the year ended June 30, 2014 the city had procedural violations and the following overexpenditures in the General Fund and major special revenue funds:

General Fund	
Planning	
Materials and services	\$ 635
Debt service	5,231
Street Fund	
Materials and services	3,181

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OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

MODIFIED ACCRUAL BASIS

CITY OF MOLALLA, OREGON
COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2014

	Special Revenue Funds		
	Parks and Recreation Fund	Adult Center Fund	TAP Grant Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets			
Cash and investments	\$ 37,879	\$ -	\$ -
Accounts receivable	-	-	-
Total assets	<u>37,879</u>	<u>-</u>	<u>-</u>
Deferred outflows of resources			
Total assets and deferred outflows or resources	<u>\$ 37,879</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Deferred property taxes	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Spendable			
Restricted			
Public works	-	-	-
Community development	-	-	-
Debt service	-	-	-
Assigned			
Community development	37,879	-	-
Total fund balances	<u>37,879</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,879</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

	Special Revenue Funds			Capital Project Fund	Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
Police Department Restricted Revenue Fund	Molalla Mural Commission Fund	Molalla Arts Commission Fund	Fee in Lieu of Park Fund	Street SDC Fund	Bonded Debt Fund	Sally Fox Park Fund	
\$ 16,593	\$ -	\$ -	\$ -	\$ 311,859	\$ 64,419	\$ -	\$ 430,750
1,277	-	-	-	-	-	-	1,277
<u>17,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,859</u>	<u>64,419</u>	<u>-</u>	<u>432,027</u>
-	-	-	-	-	-	-	-
<u>\$ 17,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,859</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 432,027</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	311,859	-	-	311,859
17,870	-	-	-	-	-	-	17,870
-	-	-	-	-	64,419	-	64,419
-	-	-	-	-	-	-	37,879
<u>17,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,859</u>	<u>64,419</u>	<u>-</u>	<u>432,027</u>
<u>\$ 17,870</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,859</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 432,027</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
For the Year Ended
June 30, 2014

	Special Revenue Funds		
	Parks and Recreation Fund	Adult Center Fund	TAP Grant Fund
Revenues			
Property taxes	\$ -	\$ -	\$ -
System development charges	-	-	-
Intergovernmental revenues	-	18,177	20,000
Fines and assessments	252,817	-	-
Donations	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	252,817	18,177	20,000
Expenditures			
Current			
Personal services	190,268	17,716	-
Materials and services	192,908	2,223	35,000
Capital outlay	4,995	-	-
Debt service - interest	-	-	-
Debt service - principal	-	-	-
Administrative services	-	-	-
Total expenditures	388,171	19,939	35,000
Excess of revenues over (under) expenditures	(135,354)	(1,762)	(15,000)
Other financing sources (uses)			
Operating transfers in	125,000	-	15,000
Operating transfers out	-	-	-
Total other financing sources (uses)	125,000	-	15,000
Net change in fund balances	(10,354)	(1,762)	-
Fund balances, July 1	48,233	1,762	-
Fund balances, June 30	<u>\$ 37,879</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Police Department Restricted Revenue Fund	Special Revenue Funds			Capital Project Fund	Debt Service Fund	Permanent Fund	Total June 30, 2014
	Molalla Mural Commission Fund	Molalla Arts Commission Fund	Fee in Lieu of Park Fund	Street SDC Fund	Bonded Debt Fund	Sally Fox Park Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,994	\$ -	\$ 62,994
-	-	-	-	95,593	-	-	95,593
-	-	-	-	-	-	-	38,177
-	-	-	-	-	-	-	252,817
1,180	-	165	-	-	-	-	1,345
17,566	-	-	-	-	-	-	17,566
18,746	-	165	-	95,593	62,994	-	468,492
-	-	-	-	-	-	-	207,984
21,726	1,474	2,278	1,346	5,200	-	96,388	358,543
-	-	-	-	-	-	-	4,995
-	-	-	-	-	8,012	-	8,012
-	-	-	-	-	60,000	-	60,000
-	-	-	-	-	-	-	-
21,726	1,474	2,278	1,346	5,200	68,012	96,388	639,534
(2,980)	(1,474)	(2,113)	(1,346)	90,393	(5,018)	(96,388)	(171,042)
-	-	-	-	-	-	-	140,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	140,000
(2,980)	(1,474)	(2,113)	(1,346)	90,393	(5,018)	(96,388)	(31,042)
20,850	1,474	2,113	1,346	221,466	69,437	96,388	463,069
\$ 17,870	\$ -	\$ -	\$ -	\$ 311,859	\$ 64,419	\$ -	\$ 432,027

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BUDGET BASIS

CITY OF MOLALLA, OREGON
COMBINING BALANCE SHEET
NONMAJOR FUNDS
(Budget Basis)
June 30, 2014

	Special Revenue Funds		
	Parks and Recreation Fund	Adult Center Fund	TAP Grant Fund
ASSETS			
Cash and investments	\$ 37,879	\$ -	\$ -
Total assets	\$ 37,879	\$ -	\$ -
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund balances			
Spendable			
 Restricted			
Public works	-	-	-
Community development	-	-	-
Debt service	-	-	-
 Assigned			
Community development	37,879	-	-
Total fund balances	37,879	-	-
Total liabilities and fund balances	\$ 37,879	\$ -	\$ -

See accompanying independent auditor's report.

Police Department Restricted Revenue Fund	Special Revenue Funds			Capital Project Fund	Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Molalla Mural Commission Fund	Molalla Arts Commission Fund	Fee in Lieu of Park Fund	Street SDC Fund	Bonded Debt Fund	Sally Fox Park Fund	
\$ 16,593	\$ -	\$ -	\$ -	\$ 311,859	\$ 64,419	\$ -	\$ 430,750
<u>\$ 16,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,859</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 430,750</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	311,859	-	-	311,859
16,593	-	-	-	-	-	-	16,593
-	-	-	-	-	64,419	-	64,419
-	-	-	-	-	-	-	37,879
<u>16,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,859</u>	<u>64,419</u>	<u>-</u>	<u>430,750</u>
<u>\$ 16,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,859</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 430,750</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR FUNDS
(Budget Basis)
For the Year Ended
June 30, 2014

	Special Revenue Funds		
	Parks and Recreation Fund	Adult Center Fund	TAP Grant Fund
Revenues			
Property taxes	\$ -	\$ -	\$ -
System development charges	-	-	-
Intergovernmental revenues	-	18,556	20,000
Fines and assessments	252,817	-	-
Donations	-	-	-
Miscellaneous revenue	-	-	-
Total revenues	<u>252,817</u>	<u>18,556</u>	<u>20,000</u>
Expenditures			
Current			
Personal services	190,268	17,716	-
Materials and services	192,908	2,223	35,000
Capital outlay	4,995	-	-
Debt Service	-	-	-
Total expenditures	<u>388,171</u>	<u>19,939</u>	<u>35,000</u>
Excess of revenues over (under) expenditures	(135,354)	(1,383)	(15,000)
Other financing sources (uses)			
Operating transfers in	125,000	-	15,000
Total other financing sources (uses)	<u>125,000</u>	<u>-</u>	<u>15,000</u>
Net change in fund balances	(10,354)	(1,383)	-
Fund balances July 1	<u>48,233</u>	<u>1,383</u>	<u>-</u>
Fund balances, June 30	<u>\$ 37,879</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Police Department Restricted Revenue Fund	Special Revenue Funds			Capital Project Fund	Debt Service Fund	Permanent Fund	Total June 30, 2014
	Molalla Mural Commission Fund	Molalla Arts Commission Fund	Fee in Lieu of Park Fund	Street SDC Fund	Bonded Debt Fund	Sally Fox Park Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,994	\$ -	\$ 62,994
-	-	-	-	95,593	-	-	95,593
-	-	-	-	-	-	-	38,556
-	-	-	-	-	-	-	252,817
1,180	-	165	-	-	-	-	1,345
16,289	-	-	-	-	-	-	16,289
<u>17,469</u>	<u>-</u>	<u>165</u>	<u>-</u>	<u>95,593</u>	<u>62,994</u>	<u>-</u>	<u>467,594</u>
-	-	-	-	-	-	-	207,984
21,726	1,474	2,278	1,346	5,200	-	96,388	358,543
-	-	-	-	-	-	-	4,995
-	-	-	-	-	68,012	-	68,012
<u>21,726</u>	<u>1,474</u>	<u>2,278</u>	<u>1,346</u>	<u>5,200</u>	<u>68,012</u>	<u>96,388</u>	<u>639,534</u>
(4,257)	(1,474)	(2,113)	(1,346)	90,393	(5,018)	(96,388)	(171,940)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
(4,257)	(1,474)	(2,113)	(1,346)	90,393	(5,018)	(96,388)	(31,940)
20,850	1,474	2,113	1,346	221,466	69,437	96,388	462,690
<u>\$ 16,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 311,859</u>	<u>\$ 64,419</u>	<u>\$ -</u>	<u>\$ 430,750</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PARKS AND RECREATION FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Fees	\$ 262,750	\$ 262,750	\$ 252,817	\$ (9,933)
Total revenues	<u>262,750</u>	<u>262,750</u>	<u>252,817</u>	<u>(9,933)</u>
Expenditures				
Personal services	213,650	213,650	190,268	23,382
Material and services	170,707	189,106	192,908	(3,802)
Capital outlay	15,000	5,000	4,995	5
Contingency	8,399	-	-	-
Total expenditures	<u>407,756</u>	<u>407,756</u>	<u>388,171</u>	<u>19,585</u>
Excess of revenues over (under) expenditures	(145,006)	(145,006)	(135,354)	9,652
Other financing sources (uses)				
Transfers in	125,000	125,000	125,000	-
Total other sources (uses)	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balance	(20,006)	(20,006)	(10,354)	9,652
Fund balance, July 1	44,299	44,299	48,233	3,934
Fund balance, June 30	<u>\$ 24,293</u>	<u>\$ 24,293</u>	<u>\$ 37,879</u>	<u>\$ 13,586</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ADULT CENTER FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
Intergovernmental revenues	\$ -	\$ 18,556	\$ 18,556	\$ -
Total revenues	<u>-</u>	<u>18,556</u>	<u>18,556</u>	<u>-</u>
Expenditures				
Personal services	-	17,716	17,716	-
Material and services	-	2,223	2,223	-
Total expenditures	<u>-</u>	<u>19,939</u>	<u>19,939</u>	<u>-</u>
Net change in fund balance	-	(1,383)	(1,383)	-
Fund balance, July 1	<u>-</u>	<u>1,383</u>	<u>1,383</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - TAP GRANT FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
Intergovernmental revenue	\$ -	\$ 20,000	\$ 20,000	\$ -
Total revenues	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures				
Materials and services	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Excess of revenues over (under) expenditures	-	(15,000)	(15,000)	-
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - POLICE DEPARTMENT RESTRICTED REVENUE FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Donations	\$ 2,820	\$ 2,820	\$ 1,180	\$ (1,640)
Miscellaneous	5,700	5,700	16,289	10,589
Total revenues	<u>8,520</u>	<u>8,520</u>	<u>17,469</u>	<u>8,949</u>
Expenditures				
Materials and services	<u>27,322</u>	<u>27,322</u>	<u>21,726</u>	<u>5,596</u>
Total expenditures	<u>27,322</u>	<u>27,322</u>	<u>21,726</u>	<u>5,596</u>
Net change in fund balance	(18,802)	(18,802)	(4,257)	14,545
Fund balance, July 1	<u>18,802</u>	<u>18,802</u>	<u>20,850</u>	<u>2,048</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,593</u>	<u>\$ 16,593</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MOLALLA MURAL COMMISSION FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Donations	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Materials and services	1,474	1,474	1,474	
Total expenditures	1,474	1,474	1,474	-
Net change in fund balance	(1,474)	(1,474)	(1,474)	-
Fund balance, July 1	1,474	1,474	1,474	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MOLALLA ARTS COMMISSION FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Donations	\$ -	\$ -	\$ 165	\$ 165
Total revenues	<u>-</u>	<u>-</u>	<u>165</u>	<u>165</u>
Expenditures				
Materials and services	<u>2,173</u>	<u>2,173</u>	<u>2,278</u>	<u>(105)</u>
Total expenditures	<u>2,173</u>	<u>2,173</u>	<u>2,278</u>	<u>(105)</u>
Net change in fund balance	(2,173)	(2,173)	(2,113)	60
Fund balance, July 1	<u>2,173</u>	<u>2,173</u>	<u>2,113</u>	<u>(60)</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FEE IN LIEU OF PARK FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
Fines and assessments	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Expenditures				
Materials and services	<u>3,846</u>	<u>3,846</u>	<u>1,346</u>	<u>2,500</u>
Total expenditures	<u>3,846</u>	<u>3,846</u>	<u>1,346</u>	<u>2,500</u>
Net change in fund balance	(1,346)	(1,346)	(1,346)	-
Fund balance, July 1	<u>1,346</u>	<u>1,346</u>	<u>1,346</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - STREET SDC FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
System development charges	\$ 29,390	\$ 29,390	\$ 95,593	\$ 66,203
Total revenues	<u>29,390</u>	<u>29,390</u>	<u>95,593</u>	<u>66,203</u>
Expenditures				
Materials and services	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>-</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>-</u>
Net change in fund balance	4,390	4,390	90,393	86,003
Fund balance, July 1	<u>218,526</u>	<u>218,526</u>	<u>221,466</u>	<u>2,940</u>
Fund balance, June 30	<u><u>\$ 222,916</u></u>	<u><u>\$ 222,916</u></u>	<u><u>\$ 311,859</u></u>	<u><u>\$ 88,943</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BONDED DEBT FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Property taxes	\$ 62,994	\$ 62,994	\$ 62,994	\$ -
Total revenues	<u>62,994</u>	<u>62,994</u>	<u>62,994</u>	<u>-</u>
Expenditures				
Debt service	<u>134,500</u>	<u>134,500</u>	<u>68,012</u>	<u>66,488</u>
Total expenditures	<u>134,500</u>	<u>134,500</u>	<u>68,012</u>	<u>66,488</u>
Net change in fund balance	(71,506)	(71,506)	(5,018)	66,488
Fund balance, July 1	<u>71,506</u>	<u>71,506</u>	<u>69,437</u>	<u>(2,069)</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,419</u>	<u>\$ 64,419</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SALLY FOX PARK FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
Interest	\$ 2,696	\$ 2,696	\$ -	\$ (2,696)
Total revenues	<u>2,696</u>	<u>2,696</u>	<u>-</u>	<u>(2,696)</u>
Expenditures				
Materials and services	<u>2,781</u>	<u>99,084</u>	<u>96,388</u>	<u>2,696</u>
Total expenditures	<u>2,781</u>	<u>99,084</u>	<u>96,388</u>	<u>2,696</u>
Net change in fund balance	(85)	(96,388)	(96,388)	-
Fund balance, July 1	<u>96,388</u>	<u>96,388</u>	<u>96,388</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 96,303</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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MAJOR CAPITAL PROJECT FUND

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL -PARK SDC FUND
(Budget Basis)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
System development charges	\$ 9,030	\$ 9,030	\$ 9,030	\$ -
Improvement fees	<u>-</u>	<u>-</u>	<u>76,440</u>	<u>76,440</u>
Total revenues	<u>9,030</u>	<u>9,030</u>	<u>85,470</u>	<u>76,440</u>
Expenditures				
Material and services	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
 Net change in fund balance	 (15,970)	 (15,970)	 80,270	 96,240
 Fund balance, July 1	 <u>513,644</u>	 <u>513,644</u>	 <u>514,547</u>	 <u>903</u>
Fund balance, June 30	<u>\$ 497,674</u>	<u>\$ 497,674</u>	<u>\$ 594,817</u>	<u>\$ 97,143</u>

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NONMAJOR PROPRIETARY FUNDS

ACCRUAL BASIS

CITY OF MOLALLA, OREGON
COMBINING SCHEDULE OF FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2014

	Storm Water Fund	Utility Deposit Fund	CWSR Debt Retirement Fund	Sewer SDC Fund	Storm Water SDC Fund	Total Nonmajor Proprietary Funds
ASSETS						
Cash and investments	\$ 41,478	\$ -	\$ 193,160	\$ -	\$ -	\$ 234,638
Restricted cash	-	3,980	-	210,310	176,369	390,659
Land	5,241	-	-	-	-	5,241
Capital assets, net of accumulated depreciation	551,609	-	1,734,960	-	-	2,286,569
Total assets	<u>598,328</u>	<u>3,980</u>	<u>1,928,120</u>	<u>210,310</u>	<u>176,369</u>	<u>2,917,107</u>
LIABILITIES						
Current liabilities						
Current portion of non-current liabilities	-	-	121,865	-	-	121,865
Total current liabilities	<u>-</u>	<u>-</u>	<u>121,865</u>	<u>-</u>	<u>-</u>	<u>121,865</u>
Non-current liabilities						
Notes payable	-	-	1,935,111	-	-	1,935,111
Total liabilities	<u>-</u>	<u>-</u>	<u>2,056,976</u>	<u>-</u>	<u>-</u>	<u>2,056,976</u>
NET POSITION						
Net investment in capital assets	556,850	-	(322,016)	-	-	234,834
Restricted for debt service	-	-	193,160	-	-	193,160
Restricted for system development	-	-	-	210,310	176,369	386,679
Unrestricted	41,478	3,980	-	-	-	45,458
Total net position	<u>\$ 598,328</u>	<u>\$ 3,980</u>	<u>\$ (128,856)</u>	<u>\$ 210,310</u>	<u>\$ 176,369</u>	<u>\$ 860,131</u>

CITY OF MOLALLA, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS

For the Year Ended
June 30, 2014

	Storm Water Fund	Utility Deposit Fund	CWSR Debt Retirement Fund	Sewer SDC Fund	Storm Water SDC Fund	Total June 30, 2014
Operating revenues						
Charges for services	\$ 99,028	\$ 15,754	\$ -	\$ -	\$ -	\$ 114,782
System development charges	-	-	-	161,790	27,192	188,982
Total operating revenues	<u>99,028</u>	<u>15,754</u>	<u>-</u>	<u>161,790</u>	<u>27,192</u>	<u>303,764</u>
Operating expenses						
Materials and services	64,975	14,152	5,292	5,200	5,200	94,819
Capital outlay	1,821	-	-	-	-	1,821
Depreciation	14,185	-	40,679	-	-	54,864
Total operating expenses	<u>80,981</u>	<u>14,152</u>	<u>45,971</u>	<u>5,200</u>	<u>5,200</u>	<u>151,504</u>
Operating income (loss)	<u>18,047</u>	<u>1,602</u>	<u>(45,971)</u>	<u>156,590</u>	<u>21,992</u>	<u>152,260</u>
Nonoperating income (expenses)						
Interest expense	-	-	(60,090)	-	-	(60,090)
Total nonoperating income (expenses)	<u>-</u>	<u>-</u>	<u>(60,090)</u>	<u>-</u>	<u>-</u>	<u>(60,090)</u>
Net income	<u>18,047</u>	<u>1,602</u>	<u>(106,061)</u>	<u>156,590</u>	<u>21,992</u>	<u>92,170</u>
Other financing sources (uses)						
Operating transfers in	-	-	175,000	-	-	175,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Change in fund net position	18,047	1,602	68,939	156,590	21,992	267,170
Net position, July 1, before restatement	580,281	2,378	(157,116)	53,720	154,377	633,640
Restatement, see note 12	-	-	(40,679)	-	-	(40,679)
Net position, July 1, after restatement	<u>580,281</u>	<u>2,378</u>	<u>(197,795)</u>	<u>53,720</u>	<u>154,377</u>	<u>592,961</u>
Net position, June 30	<u>\$ 598,328</u>	<u>\$ 3,980</u>	<u>\$ (128,856)</u>	<u>\$ 210,310</u>	<u>\$ 176,369</u>	<u>\$ 860,131</u>

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BUDGET BASIS

CITY OF MOLALLA, OREGON
COMBINING SCHEDULE OF FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
(Budget Basis)
June 30, 2014

	Storm Water Fund	Utility Deposit Fund	CWSR Debt Retirement Fund	Sewer SDC Fund	Storm Water SDC Fund	Total Nonmajor Proprietary Funds
ASSETS						
Cash and investments	\$ 41,478	\$ -	\$ 193,160	\$ -	\$ -	\$ 234,638
Restricted cash	-	3,980	-	210,310	176,369	390,659
Total assets	<u>41,478</u>	<u>3,980</u>	<u>193,160</u>	<u>210,310</u>	<u>176,369</u>	<u>625,297</u>
LIABILITIES AND NET POSITION						
Liabilities						
Accounts payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position						
Restricted for debt retirement	-	-	193,160	-	-	193,160
Restricted for system development	-	-	-	210,310	176,369	386,679
Unrestricted	41,478	3,980	-	-	-	45,458
Total net position	<u>41,478</u>	<u>3,980</u>	<u>193,160</u>	<u>210,310</u>	<u>176,369</u>	<u>625,297</u>
Total liabilities and net position	<u>\$ 41,478</u>	<u>\$ 3,980</u>	<u>\$ 193,160</u>	<u>\$ 210,310</u>	<u>\$ 176,369</u>	<u>\$ 625,297</u>

CITY OF MOLALLA, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
(Budget Basis)
For the Year Ended
June 30, 2014

	Storm Water Fund	Utility Deposit Fund	CWSR Debt Retirement Fund	Sewer SDC Fund	Storm Water SDC Fund	Total June 30, 2014
Revenues						
Charges for services	\$ 99,028	\$ 15,754	\$ -	\$ -	\$ -	\$ 114,782
System development charges	-	-	-	161,790	27,192	188,982
Total revenues	<u>99,028</u>	<u>15,754</u>	<u>-</u>	<u>161,790</u>	<u>27,192</u>	<u>303,764</u>
Expenses						
Materials and services	64,975	14,152	5,292	5,200	5,200	94,819
Capital outlay	15,821	-	-	-	-	15,821
Debt service	-	-	178,614	-	-	178,614
Total expenses	<u>80,796</u>	<u>14,152</u>	<u>183,906</u>	<u>5,200</u>	<u>5,200</u>	<u>289,254</u>
Excess of revenues over (under) expenses	18,232	1,602	(183,906)	156,590	21,992	14,510
Other financing sources (uses)						
Operating transfers in	-	-	175,000	-	-	175,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Change in fund net position	18,232	1,602	(8,906)	156,590	21,992	189,510
Net position, July 1	<u>23,246</u>	<u>2,378</u>	<u>202,066</u>	<u>53,720</u>	<u>154,377</u>	<u>435,787</u>
Net position, June 30	<u>\$ 41,478</u>	<u>\$ 3,980</u>	<u>\$ 193,160</u>	<u>\$ 210,310</u>	<u>\$ 176,369</u>	<u>\$ 625,297</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - STORM WATER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Consumer receipts	\$ 92,000	\$ 92,000	\$ 99,028	\$ 7,028
Total revenues	<u>92,000</u>	<u>92,000</u>	<u>99,028</u>	<u>7,028</u>
Expenses				
Materials and services	75,895	75,895	64,975	10,920
Capital outlay	5,000	20,884	15,821	5,063
Contingency	<u>25,000</u>	<u>9,116</u>	<u>-</u>	<u>9,116</u>
Total expenses	<u>105,895</u>	<u>105,895</u>	<u>80,796</u>	<u>25,099</u>
Change in fund net position	(13,895)	(13,895)	18,232	32,127
Net position, July 1	<u>26,823</u>	<u>26,823</u>	<u>23,246</u>	<u>(3,577)</u>
Net position, June 30	<u>\$ 12,928</u>	<u>\$ 12,928</u>	<u>\$ 41,478</u>	<u>\$ 28,550</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - UTILITY DEPOSITS FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Consumer receipts	\$ 15,000	\$ 15,000	\$ 15,754	\$ 754
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>15,754</u>	<u>754</u>
Expenses				
Materials and services	<u>19,750</u>	<u>19,750</u>	<u>14,152</u>	<u>5,598</u>
Total expenses	<u>19,750</u>	<u>19,750</u>	<u>14,152</u>	<u>5,598</u>
Change in fund net position	(4,750)	(4,750)	1,602	6,352
Net position, July 1	<u>4,750</u>	<u>4,750</u>	<u>2,378</u>	<u>(2,372)</u>
Net positon, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,980</u></u>	<u><u>\$ 3,980</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - CWSRF DEBT RETIREMENT FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses				
Materials and services	5,292	5,292	5,292	-
Debt service	371,774	371,774	178,614	193,160
Total expenses	<u>377,066</u>	<u>377,066</u>	<u>183,906</u>	<u>193,160</u>
Excess of revenues over (under) expenses	(377,066)	(377,066)	(183,906)	193,160
Other financing sources (uses)				
Transfers in	175,000	175,000	175,000	-
Total other financing sources (uses)	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>-</u>
Change in fund net position	(202,066)	(202,066)	(8,906)	193,160
Net position, July 1	202,066	202,066	202,066	-
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,160</u>	<u>\$ 193,160</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - SEWER SDC FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
System development charges	\$ 39,030	\$ 39,030	\$ 161,790	\$ 122,760
Total revenues	<u>39,030</u>	<u>39,030</u>	<u>161,790</u>	<u>122,760</u>
Expenses				
Materials and services	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Total expenses	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Change in fund net position	14,030	14,030	156,590	142,560
Net position, July 1	<u>49,817</u>	<u>49,817</u>	<u>53,720</u>	<u>3,903</u>
Net position, June 30	<u><u>\$ 63,847</u></u>	<u><u>\$ 63,847</u></u>	<u><u>\$ 210,310</u></u>	<u><u>\$ 146,463</u></u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - STORM WATER SDC FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
System development charges	\$ 2,890	\$ 2,890	\$ 27,192	\$ 24,302
Total revenues	<u>2,890</u>	<u>2,890</u>	<u>27,192</u>	<u>24,302</u>
Expenses				
Materials and services	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Total expenses	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Change in fund net position	(22,110)	(22,110)	21,992	44,102
Net position, July 1	<u>154,088</u>	<u>154,088</u>	<u>154,377</u>	<u>289</u>
Net positon, June 30	<u><u>\$ 131,978</u></u>	<u><u>\$ 131,978</u></u>	<u><u>\$ 176,369</u></u>	<u><u>\$ 44,391</u></u>

MAJOR PROPRIETARY FUNDS

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - SEWER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Consumer receipts	\$ 1,554,000	\$ 1,554,000	\$ 1,563,924	\$ 9,924
Miscellaneous revenue	-	-	2,075	2,075
Total revenues	<u>1,554,000</u>	<u>1,554,000</u>	<u>1,565,999</u>	<u>11,999</u>
Expenses				
Materials and services	646,158	1,116,158	1,050,951	65,207
Capital outlay	65,000	115,000	74,799	40,201
Contingency	100,000	-	-	-
Total expenses	<u>1,231,158</u>	<u>1,231,158</u>	<u>1,125,750</u>	<u>105,408</u>
Excess of revenues over (under) expenses	322,842	322,842	440,249	117,407
Other financing sources (uses)				
Transfers out	<u>(425,500)</u>	<u>(425,500)</u>	<u>(425,500)</u>	-
Total other financing sources (uses)	<u>(425,500)</u>	<u>(425,500)</u>	<u>(425,500)</u>	-
Change in fund net position	(102,658)	(102,658)	14,749	117,407
Net position, July 1	<u>575,629</u>	<u>575,629</u>	<u>610,103</u>	<u>34,474</u>
Net position, June 30	<u>\$ 472,971</u>	<u>\$ 472,971</u>	<u>\$ 624,852</u>	<u>\$ 151,881</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - WATER FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Consumer receipts	\$ 1,338,400	\$ 1,338,400	\$ 1,285,275	\$ (53,125)
Miscellaneous revenue	-	-	2,075	2,075
Total revenues	<u>1,338,400</u>	<u>1,338,400</u>	<u>1,287,350</u>	<u>(51,050)</u>
Expenses				
Materials and services	925,399	925,399	891,394	34,005
Capital outlay	118,000	118,000	56,113	61,887
Contingency	100,000	100,000	-	100,000
Total expenses	<u>1,143,399</u>	<u>1,143,399</u>	<u>947,507</u>	<u>195,892</u>
Excess of revenues over (under) expenses	195,001	195,001	339,843	(246,942)
Other financing sources (uses)				
Transfers out	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Change in fund net position	(104,999)	(104,999)	39,843	144,842
Net position, July 1	<u>935,955</u>	<u>935,955</u>	<u>918,849</u>	<u>(17,106)</u>
Net position, June 30	<u>\$ 830,956</u>	<u>\$ 830,956</u>	<u>\$ 958,692</u>	<u>\$ 127,736</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - SEWER DEBT RETIREMENT FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses				
Capital outlay	145,122	145,122	-	145,122
Debt service	624,900	624,900	310,800	314,100
Total expenses	<u>770,022</u>	<u>770,022</u>	<u>310,800</u>	<u>459,222</u>
Excess of revenues over (under) expenses	(770,022)	(770,022)	(310,800)	459,222
Other financing sources (uses)				
Transfers in	250,500	250,500	250,500	-
Total other financing sources (uses)	<u>250,500</u>	<u>250,500</u>	<u>250,500</u>	<u>-</u>
Change in fund net position	(519,522)	(519,522)	(60,300)	459,222
Net position, July 1	519,522	519,522	519,522	-
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 459,222</u>	<u>\$ 459,222</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - WATER DEBT RETIREMENT FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Interest	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses				
Debt service	675,200	675,200	332,950	342,250
Total expenses	<u>675,200</u>	<u>675,200</u>	<u>332,950</u>	<u>342,250</u>
Excess of revenues over (under) expenses	(675,200)	(675,200)	(332,950)	342,250
Other financing sources (uses)				
Transfers in	300,000	300,000	300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Change in fund net position	(375,200)	(375,200)	(32,950)	342,250
Net position, July 1	602,370	602,370	607,576	5,206
Net position, June 30	<u>\$ 227,170</u>	<u>\$ 227,170</u>	<u>\$ 574,626</u>	<u>\$ 347,456</u>

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - WATER SDC FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Final Budget</u>
Revenues				
System development charges	\$ 20,113	\$ 20,113	\$ 113,090	\$ 92,977
Total revenues	<u>20,113</u>	<u>20,113</u>	<u>113,090</u>	<u>92,977</u>
Expenditures				
Materials and services	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>5,200</u>	<u>19,800</u>
Change in fund net position	(4,887)	(4,887)	107,890	112,777
Net position, July 1	<u>1,256,644</u>	<u>1,256,644</u>	<u>1,258,757</u>	<u>2,113</u>
Net position, June 30	<u><u>\$ 1,251,757</u></u>	<u><u>\$ 1,251,757</u></u>	<u><u>\$ 1,366,647</u></u>	<u><u>\$ 114,890</u></u>

CITY OF MOLALLA, OREGON
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION
PROPRIETARY FUNDS
For the Year Ended
June 30, 2014

	Budget Basis						Accrual Adjustments	Accrual Basis	
	Sewer Fund	Water Fund	Sewer Debt Retirement Fund	Water Debt Retirement Fund	Water SDC Fund	Nonmajor Proprietary Funds			Total Proprietary Funds
Receipts									
Consumer receipts	\$ 1,563,924	\$ 1,285,275	\$ -	\$ -	\$ -	\$ 114,782	\$ 2,963,981	\$ (4,390)	\$ 2,959,591
System development charges	-	-	-	-	113,090	188,982	302,072	-	302,072
Miscellaneous	2,075	2,075	-	-	-	-	4,150	-	4,150
Total receipts	1,565,999	1,287,350	-	-	113,090	303,764	3,270,203	(4,390)	3,265,813
Disbursements									
Materials and services	1,050,951	891,394	-	-	5,200	94,819	2,042,364	31,484	2,073,848
Capital outlay	74,799	56,113	-	-	-	15,821	146,733	(14,000)	132,733
Debt service	-	-	310,800	332,950	-	178,614	822,364	(608,524)	213,840
Depreciation expense	-	-	-	-	-	-	-	-	381,434
Total disbursements	1,125,750	947,507	310,800	332,950	5,200	289,254	3,011,461	(209,606)	2,801,855
Excess of receipts over disbursements	440,249	339,843	(310,800)	(332,950)	107,890	14,510	258,742	205,216	463,958
Other financing sources, net	(425,500)	(300,000)	250,500	300,000	-	175,000	-	-	-
Change in fund net position	14,749	39,843	(60,300)	(32,950)	107,890	189,510	258,742	205,216	463,958
Balances at beginning of year	610,103	918,849	519,522	607,576	1,258,757	435,787	4,350,594	7,071,363	11,421,957
Balances at end of year	\$ 624,852	\$ 958,692	\$ 459,222	\$ 574,626	\$ 1,366,647	\$ 625,297	\$ 4,609,336	\$ 7,276,579	\$ 11,885,915
Record current year accounts receivable - Water Fund							\$ (1,975)		
Record current year accounts receivable - Sewer Fund							(2,415)		
Total account receivable								\$ (4,390)	
Record current year change in compensated absences - Water Fund								(308)	
Record current year accounts payable -Sewer Fund							36,814		
Reverse prior year accounts payable - Sewer Fund							(5,022)		
Total accounts payable								31,792	
Record current year capital asset addition - Storm Water Fund								(14,000)	
Depreciation expense - Sewer Fund							88,840		
Depreciation expense - Water Fund							112,402		
Depreciation expense - Storm Water Fund							14,185		
Depreciation expense - Sewer Debt Fund							64,525		
Depreciation expense - Water Debt Fund							60,803		
Total depreciation expense							40,679	381,434	
Reclass current year principal payments - CWSRF Debt Retirement Fund							(118,524)		
Reclass current year principal payments - Sewer Debt Retirement Fund							(200,000)		
Reclass current year principal payments - Water Debt Retirement Fund							(290,000)		
Total principal payments								(608,524)	
Prior year accruals								7,071,363	
								\$ 7,276,579	

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INTERNAL SERVICE FUND

CITY OF MOLALLA, OREGON
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - PUBLIC WORKS PERSONNEL SERVICE FUND
(BUDGET BASIS)
For the Year Ended
June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Favorable (Unfavorable) Variance with Final Budget
Revenues				
Charges for services	\$ 1,315,000	\$ 1,315,000	\$ 1,315,000	\$ -
Total revenues	<u>1,315,000</u>	<u>1,315,000</u>	<u>1,315,000</u>	<u>-</u>
Expenditures				
Personal services	1,402,100	1,402,100	1,270,689	131,411
Contingency	<u>4,238</u>	<u>4,238</u>	<u>-</u>	<u>4,238</u>
Total expenditures	<u>1,406,338</u>	<u>1,406,338</u>	<u>1,270,689</u>	<u>135,649</u>
Change in fund net position	(91,338)	(91,338)	44,311	135,649
Net position, July 1	<u>91,338</u>	<u>91,338</u>	<u>111,576</u>	<u>20,238</u>
Net position, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,887</u>	<u>\$ 155,887</u>

OTHER FINANCIAL SCHEDULES

CITY OF MOLALLA, OREGON
SCHEDULE OF CASH, CASH ITEMS AND COLLATERAL SECURITY
 June 30, 2014

Cash in governmental funds	\$ 4,024,721
Cash in proprietary funds	4,609,335
Cash in internal service fund	155,887
Total all cash and cash items	\$ 8,789,943

COLLATERAL SECURITY

Wells Fargo Bank *	
Insurance under FDIC	\$ 250,000
Total Wells Fargo Bank	250,000
Total collateral security	\$ 250,000

	Balance per Bank	Reconciling Amounts	Carrying Value
CASH AND CASH ITEMS			
Wells Fargo Bank*			
General checking	\$ 98,578	\$ (33,263)	\$ 65,315
Urban Renewal Agency	832,067	-	832,067
Total West Coast Bank	930,645	(33,263)	897,382
Cash on hand	462	-	462
Total cash	931,107	(33,263)	897,844
Local Government Investment Pool**			
Operating	8,042,099	(150,000)	7,892,099
Total cash and cash items	\$ 8,973,206	\$ (183,263)	\$ 8,789,943

* Qualified Depository

** Local Government Investment Pool is fully collateralized by the state of Oregon

CITY OF MOLALLA, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Year Ended
June 30, 2014

GENERAL FUND

Tax Year	Uncollected Taxes	2013-14 Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes
Special Levy	June 30, 2013						June 30, 2014	June 30, 2014
2013-14		\$ 2,584,360	\$ (4,236)	\$ (65,616)	\$ 726	\$ 2,449,554	\$ 2,450,280	\$ 64,954
2012-13	\$ 73,356	-	(2,008)	39	1,874	35,615	37,489	35,772
2011-12	41,587	-	(649)	13	2,083	15,590	17,673	25,361
2010-11	26,454	-	(183)	3	2,404	11,761	14,165	14,513
2009-10	14,800	-	(279)	-	1,061	4,250	5,311	10,271
2008-09	2,643	-	(372)	2	184	483	667	1,790
2007-08	988	-	(138)	-	91	217	308	633
2006-07	559	-	(57)	-	47	72	119	430
Prior years	1,598	-	(162)	-	133	204	337	1,233
Total	\$ 161,985	\$ 2,584,360	\$ (8,085)	\$ (65,559)	\$ 8,602	\$ 2,517,746	\$ 2,526,349	\$ 154,957

URBAN RENEWAL AGENCY

Tax Year	Uncollected Taxes	2013-14 Assessment	(Abatement) and Adjustments	Rebates Allowed	Interest Collected	Taxes Collected	Total Amount Collected	Uncollected Taxes
Special Levy	June 30, 2013						June 30, 2014	June 30, 2014
2013-14		\$ 275,527	\$ (452)	\$ (6,996)	\$ 77	\$ 261,155	\$ 261,232	\$ 6,924
2012-13	\$ 7,394	-	(202)	4	189	3,590	3,779	3,606
2011-12	3,580	-	(56)	2	179	1,342	1,521	2,184
2010-11	1,567	-	(11)	-	142	697	839	859
2009-10	304	-	(6)	-	22	87	109	211
Total	\$ 12,845	\$ 275,527	\$ (727)	\$ (6,990)	\$ 609	\$ 266,871	\$ 267,480	\$ 13,784

Total property tax receivable \$ 168,741

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STATISTICAL SECTION

**CITY OF MOLALLA, OREGON
STATISTICAL SECTION**

This section of the City of Molalla'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 city's overall financial health.

Contents

Financial Trends-pages 77-86

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

Revenue Capacity-pages 87-89

- These schedules contain information to help the reader assess the city's most significant local revenue sources, the property taxes.

Debt Capacity-page 90

- This schedule presents information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.

Demographic and Economic Information-pages 91-92

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.

FINANCIAL TRENDS

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Government activities					
Net investment in capital assets	N/A*	\$ -	\$ -	\$ -	\$ -
Restricted	N/A*	1,425,076	773,254	377,224	245,792
Unrestricted	N/A*	(654,112)	35,606	136,069	375,887
Total governmental activities net position	<u>-</u>	<u>770,964</u>	<u>808,860</u>	<u>513,293</u>	<u>621,679</u>
Business-type activities					
Net investment in capital assets	N/A*	-	-	-	-
Restricted	N/A*	2,888,716	2,023,420	1,670,893	2,055,647
Unrestricted	N/A*	2,573,544	1,236,785	1,910,257	1,940,137
Total business-type activities net position	<u>-</u>	<u>5,462,260</u>	<u>3,260,205</u>	<u>3,581,150</u>	<u>3,995,784</u>
Primary government					
Net investment in capital assets	N/A*	-	-	-	-
Restricted	N/A*	4,313,792	2,796,674	2,048,117	2,301,439
Unrestricted	N/A*	1,919,432	1,272,391	2,046,326	2,316,024
Total primary government net position	<u>\$ -</u>	<u>\$ 6,233,224</u>	<u>\$ 4,069,065</u>	<u>\$ 4,094,443</u>	<u>\$ 4,617,463</u>

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

N/A*--Not available for 2005

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Government activities					
Net investment in capital assets	\$ -	\$ -	\$ 14,219,155	\$ 13,482,859	\$ 12,779,500
Restricted	255,954	302,899	1,219,319	1,753,988	2,071,278
Unrestricted	1,030,520	1,044,033	633,802	1,276,225	2,046,154
Total governmental activities net position	<u>1,286,474</u>	<u>1,346,932</u>	<u>16,072,276</u>	<u>16,513,072</u>	<u>16,896,932</u>
Business-type activities					
Net investment in capital assets	-	-	6,383,973	6,768,889	7,009,980
Restricted	3,074,561	3,302,428	2,888,883	2,796,017	2,980,333
Unrestricted	904,437	942,728	1,579,021	1,968,627	2,051,489
Total business-type activities net position	<u>3,978,998</u>	<u>4,245,156</u>	<u>10,851,877</u>	<u>11,533,533</u>	<u>12,041,802</u>
Primary government					
Net investment in capital assets	-	-	20,603,128	20,251,748	19,789,480
Restricted	3,330,515	3,605,327	4,108,202	4,550,005	5,051,611
Unrestricted	1,934,957	1,986,761	2,212,823	3,244,852	4,097,643
Total primary government net position	<u>\$ 5,265,472</u>	<u>\$ 5,592,088</u>	<u>\$ 26,924,153</u>	<u>\$ 28,046,605</u>	<u>\$ 28,938,734</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				
	2005	2006	2007	2008	2009
Governmental activities					
General government	\$ 759,762	\$ 846,266	\$ 990,713	\$ 950,022	\$ 746,752
Public safety	1,934,059	2,117,830	2,162,434	2,138,776	2,385,828
Public works	648,004	1,851,076	1,807,780	835,004	406,165
Community development	1,411,157	1,457,950	1,527,785	1,487,311	1,629,342
Debt service-interest only	44,580	35,852	34,291	30,699	30,883
Total governmental activities	<u>4,797,562</u>	<u>6,308,974</u>	<u>6,523,003</u>	<u>5,441,812</u>	<u>5,198,970</u>
Business-type activities					
Water	1,199,806	1,727,200	1,496,053	1,578,086	1,211,039
Sewer	1,223,714	1,127,172	3,874,607	3,695,765	1,365,369
Storm water	74,573	168,543	103,580	117,076	115,332
Debt service-interest only	-	-	-	-	-
Total business-type activities	<u>2,498,093</u>	<u>3,022,915</u>	<u>5,474,240</u>	<u>5,390,927</u>	<u>2,691,740</u>
Total	<u>7,295,655</u>	<u>9,331,889</u>	<u>11,997,243</u>	<u>10,832,739</u>	<u>7,890,710</u>
PROGRAM REVENUES					
Governmental Activities					
Charges for services					
General government	28,103	37,132	36,359	228,942	300,798
Public safety	343,486	479,267	414,414	370,631	584,615
Public works	561,293	590,743	659,176	351,797	343,936
Community development	-	-	-	-	-
Operating grants & contributions					
General government	-	-	-	-	-
Public safety	303,659	215,800	185,213	196,455	73,398
Public works	478,983	433,328	466,273	466,403	475,789
Community development	665,113	1,416,284	309,021	306,441	288,191
Capital grants & contributions					
Public works	144,556	121,671	685,830	160,554	237,906
Community development	358,558	347,114	351,090	158,706	350,204
Total governmental activities	<u>2,883,751</u>	<u>3,641,339</u>	<u>3,107,376</u>	<u>2,239,929</u>	<u>2,654,837</u>
Business-type activities					
Charges for services					
Water	1,141,540	1,186,179	1,249,594	1,349,538	1,225,984
Sewer	974,789	1,071,100	1,382,962	1,708,996	1,505,140
Storm water	82,676	84,610	85,762	88,884	91,047
Operating grants & contributions					
Water	-	-	-	-	-
Capital grants & contributions					
Water	252,669	240,882	216,925	30,601	98,243
Sewer	354,971	340,834	546,751	30,600	173,856
Storm water	35,258	37,923	46,690	15,606	37,719
Total business-type activities	<u>2,841,903</u>	<u>2,961,528</u>	<u>3,528,684</u>	<u>3,224,225</u>	<u>3,131,989</u>
Net (expense) revenue					
Governmental activities	(1,913,811)	(2,667,635)	(3,415,627)	(3,201,883)	(2,544,133)
Business-type activities	343,810	(61,387)	(1,945,556)	(2,166,702)	440,249
Total primary government (expense) revenue	<u>\$ (1,570,001)</u>	<u>\$ (2,729,022)</u>	<u>\$ (5,361,183)</u>	<u>\$ (5,368,585)</u>	<u>\$ (2,103,884)</u>
Governmental activities					
Property Taxes	\$ 1,560,070	\$ 1,756,229	\$ 2,164,325	\$ 2,115,471	\$ 2,201,120
Franchise fees	205,513	210,194	265,964	270,943	285,467
Intergovernmental	103,612	115,302	133,709	141,494	161,878
Earnings on investments	-	-	-	-	-
Miscellaneous	258,578	291,263	315,584	388,639	207,968
Total general revenues	<u>2,127,773</u>	<u>2,372,988</u>	<u>2,879,582</u>	<u>2,916,547</u>	<u>2,856,433</u>
Business-type activities					
Earnings on investments	-	-	-	-	-
Loan proceeds	-	-	50,000	2,377,783	-
Debt refundings	-	-	-	-	-
Miscellaneous	103,364	165,079	158,501	99,633	70,468
Total general revenues	<u>103,364</u>	<u>165,079</u>	<u>208,501</u>	<u>2,477,416</u>	<u>70,468</u>
Governmental - Transfers	65,000	85,000	465,000	(10,231)	96,083
Business-type Transfers	(65,000)	(85,000)	(465,000)	10,231	(96,083)
Change in net position					
Governmental activities	278,962	(209,647)	(71,045)	(295,567)	408,383
Business-type activities	382,174	18,692	(2,202,055)	320,945	414,634
Total primary government	<u>\$ 661,136</u>	<u>\$ (190,955)</u>	<u>\$ (2,273,100)</u>	<u>\$ 25,378</u>	<u>\$ 823,017</u>

Source: Statement of Activities - City of Molalla, Oregon

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

EXPENSES	Fiscal Year				
	2010	2011	2012	2013	2014
Governmental activities					
General government	\$ 831,924	\$ 912,395	\$ 1,956,069	\$ 1,670,994	1,681,897
Public safety	2,527,461	2,598,947	2,186,773	2,059,733	2,074,492
Public works	853,522	542,614	902,547	546,591	593,752
Community development	1,659,655	1,636,911	1,703,136	1,253,662	1,200,877
Debt service-interest only	26,830	12,063	11,748	9,689	8,308
Total Governmental Activities	<u>5,899,392</u>	<u>5,702,930</u>	<u>6,760,273</u>	<u>5,540,669</u>	<u>5,559,326</u>
Business-type activities					
Water	1,331,791	1,216,462	1,245,463	1,017,690	1,163,666
Sewer	1,446,684	1,349,734	1,229,123	1,149,515	1,404,365
Storm water	124,960	136,841	324,715	89,966	189,513
Debt service-interest only	-	-	-	232,091	-
Total Business Type Activities	<u>2,903,435</u>	<u>2,703,037</u>	<u>2,799,301</u>	<u>2,489,262</u>	<u>2,757,544</u>
Total	<u>8,802,827</u>	<u>8,405,967</u>	<u>9,559,574</u>	<u>8,029,931</u>	<u>8,316,870</u>
PROGRAM REVENUES					
Governmental Activities					
Charges for services					
General government	319,412	325,210	828,799	743,039	817,374
Public safety	516,990	515,935	304,267	249,891	231,200
Public works	180,291	37,169	222,683	342,054	364,303
Community development	-	70,929	392,414	314,675	286,433
Operating grants & contributions					
General government	-	58,692	-	-	-
Public safety	81,028	93,180	277,647	16,811	7,270
Public works	924,969	953,158	507,473	553,683	482,525
Community development	451,422	522,916	892,341	862,273	761,055
Capital grants & contributions					
Public works	294,749	34,487	-	40,000	56,135
Community development	-	-	10,300	3,020	20,000
Total governmental activities	<u>2,768,861</u>	<u>2,611,676</u>	<u>3,435,924</u>	<u>3,125,446</u>	<u>3,026,295</u>
Business-type activities					
Charges for services					
Water	1,248,931	1,267,714	1,626,293	1,343,038	1,299,054
Sewer	1,546,155	1,550,378	1,328,893	1,610,659	1,561,509
Storm water	93,282	94,325	101,098	97,556	115,790
Operating grants & contributions					
Water	-	-	-	84,000	-
Capital grants & contributions					
Water	69,441	14,537	-	-	113,090
Sewer	136,084	26,853	-	-	161,790
Storm water	13,675	1,988	-	-	10,430
Total business-type activities	<u>3,107,568</u>	<u>2,955,795</u>	<u>3,056,284</u>	<u>3,135,253</u>	<u>3,261,663</u>
Net (expense) revenue					
Governmental activities	(3,130,531)	(3,091,254)	(3,324,349)	(2,415,223)	(2,533,031)
Business-type activities	204,133	252,758	256,983	645,991	504,119
Total primary government (expense) revenue	<u>\$ (2,926,398)</u>	<u>\$ (2,838,496)</u>	<u>\$ (3,067,366)</u>	<u>\$ (1,769,232)</u>	<u>\$ (2,028,912)</u>
Governmental activities					
Property Taxes	\$ 2,362,963	\$ 2,488,050	\$ 2,768,775	\$ 2,653,271	\$ 2,775,997
Franchise fees	292,917	268,475	-	-	-
Intergovernmental	149,799	103,907	-	-	-
Earnings on investments	-	-	-	39,687	49,499
Miscellaneous	459,108	177,786	108,178	92,410	91,395
Total general revenues	<u>3,264,787</u>	<u>3,038,218</u>	<u>2,876,953</u>	<u>2,785,368</u>	<u>2,916,891</u>
Business-type activities					
Earnings on investments	-	-	13,712	576	-
Loan proceeds	6,672,189	-	-	-	-
Debt refundings	(6,601,019)	-	-	-	-
Miscellaneous	34,752	30,591	13,260	35,089	4,150
Total general revenues	<u>105,922</u>	<u>30,591</u>	<u>26,972</u>	<u>35,665</u>	<u>4,150</u>
Governmental - Transfers	326,842	122,329	30,000	-	-
Business-type Transfers	(326,842)	(122,329)	(30,000)	-	-
Change in net position					
Governmental activities	461,098	69,293	(417,396)	370,145	383,860
Business-type activities	(16,787)	161,020	253,955	681,656	508,269
Total primary government	<u>\$ 444,311</u>	<u>\$ 230,313</u>	<u>\$ (163,441)</u>	<u>\$ 1,051,801</u>	<u>\$ 892,129</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities					
General government	\$ 28,103	\$ 37,132	\$ 36,359	\$ 228,942	\$ 300,798
Public safety	647,145	695,067	599,627	567,086	658,013
Public works	1,184,832	1,145,742	1,811,279	978,754	1,057,631
Community development	1,023,671	1,763,398	660,111	465,147	638,395
Total governmental activities	<u>2,883,751</u>	<u>3,641,339</u>	<u>3,107,376</u>	<u>2,239,929</u>	<u>2,654,837</u>
Business-type activities					
Water	1,394,209	1,427,061	1,466,519	1,380,139	1,324,227
Sewer	1,329,760	1,411,934	1,929,713	1,739,596	1,678,996
Storm water	117,934	122,533	132,452	104,490	128,766
Total business-type activities	<u>2,841,903</u>	<u>2,961,528</u>	<u>3,528,684</u>	<u>3,224,225</u>	<u>3,131,989</u>
Total program revenues					
Governmental activities	2,883,751	3,641,339	3,107,376	2,239,929	2,654,837
Business-type activities	2,841,903	2,961,528	3,528,684	3,224,225	3,131,989
Total primary government revenues	<u>\$ 5,725,654</u>	<u>\$ 6,602,867</u>	<u>\$ 6,636,060</u>	<u>\$ 5,464,154</u>	<u>\$ 5,786,826</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities					
General government	\$ 319,412	\$ 383,902	\$ 828,799	\$ 743,039	\$ 817,374
Public safety	598,018	609,115	581,914	266,702	238,470
Public works	1,400,009	1,024,814	730,156	935,737	902,963
Health	451,422	593,845	1,295,055	1,179,968	1,067,488
Total governmental activities	<u>2,768,861</u>	<u>2,611,676</u>	<u>3,435,924</u>	<u>3,125,446</u>	<u>3,026,295</u>
Business-type activities					
Water	1,318,372	1,282,251	1,626,293	1,427,038	1,412,144
Sewer	1,682,239	1,577,231	1,328,893	1,610,659	1,723,299
Storm water	106,957	96,313	101,098	97,556	126,220
Total business-type activities	<u>3,107,568</u>	<u>2,955,795</u>	<u>3,056,284</u>	<u>3,135,253</u>	<u>3,261,663</u>
Total program revenues					
Governmental activities	2,768,861	2,611,676	3,435,924	3,125,446	3,026,295
Business-type activities	3,107,568	2,955,795	3,056,284	3,135,253	3,261,663
Total primary government revenues	<u>\$ 5,876,429</u>	<u>\$ 5,567,471</u>	<u>\$ 6,492,208</u>	<u>\$ 6,260,699</u>	<u>\$ 6,287,958</u>

Source: Statement of Activities - City of Molalla, Oregon

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Unreserved	\$ (757,970)	\$ (903,879)	\$ (196,669)	\$ (209,500)	\$ (95,319)
Spendable					
Unassigned	-	-	-	-	-
Total General Fund	<u>(757,970)</u>	<u>(903,879)</u>	<u>(196,669)</u>	<u>(209,500)</u>	<u>(95,319)</u>
All other governmental funds					
Reserved	-	-	-	-	96,303
Unreserved reported in					
Special revenue funds	1,387,460	1,379,434	554,296	338,572	785,296
Capital projects funds	280,222	222,279	243,169	196,920	50,806
Debt service fund	70,899	73,130	99,064	72,753	68,326
Permanent fund			109,000	114,548	16,267
Nonspendable	-	-	-	-	-
Spendable					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,738,581</u>	<u>\$ 1,674,843</u>	<u>\$ 1,005,529</u>	<u>\$ 722,793</u>	<u>\$ 1,016,998</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>2014</u>
General Fund					
Unreserved	\$ (18,715)	\$ -	\$ -	\$ -	\$ -
Spendable					
Unassigned	-	(321,757)	(320,485)	209,181	814,998
Total General Fund	<u>(18,715)</u>	<u>(321,757)</u>	<u>(320,485)</u>	<u>209,181</u>	<u>814,998</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	2,071,278
Assigned	-	-	762,433	1,014,343	1,160,485
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>\$ 3,231,763</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues					
Taxes and assessments	N/A*	\$ 1,756,229	\$ 2,164,325	\$ 2,115,471	\$ 2,201,119
Intergovernmental	N/A*	2,044,729	1,518,114	971,711	956,973
Charges for services	N/A*	-	-	192,982	266,230
Licenses and permits	N/A*	1,182,446	1,319,584	941,395	1,083,930
Investment earnings	N/A*	-	-	-	-
Fines and forfeitures	N/A*	489,466	425,617	398,513	612,468
Grants	N/A*	-	-	-	-
Donations	N/A*	-	-	-	-
System development charges	N/A*	-	-	-	-
Miscellaneous	N/A*	541,457	559,318	536,404	342,020
Total Revenues	-	<u>6,014,327</u>	<u>5,986,958</u>	<u>5,156,476</u>	<u>5,462,740</u>
Expenditures					
General government	N/A*	657,424	-	-	-
Public safety	N/A*	2,033,437	-	-	-
Public works	N/A*	408,515	-	-	-
Community development	N/A*	1,321,974	-	-	-
Personal services	N/A*	-	2,888,897	2,991,461	3,155,178
Materials and services	N/A*	-	1,954,814	1,711,233	1,836,441
Capital outlay	N/A*	1,760,717	1,551,257	666,063	213,311
Debt service	N/A*	126,907	128,035	73,055	78,649
Total expenditures	-	<u>6,308,974</u>	<u>6,523,003</u>	<u>5,441,812</u>	<u>5,283,579</u>
Excess of revenue over (under) expenditures	N/A*	(294,647)	(536,045)	(285,336)	179,161
Other financing sources (uses)					
Transfers in	N/A*	570,702	821,687	714,544	678,569
Transfers out	N/A*	(485,702)	(356,687)	(724,775)	(609,346)
Interfund loan activity	N/A*	-	-	-	160,000
Total other financing sources (uses)	-	<u>85,000</u>	<u>465,000</u>	<u>(10,231)</u>	<u>229,223</u>
Net changes in fund balances	\$ -	<u>\$ (209,647)</u>	<u>\$ (71,045)</u>	<u>\$ (295,567)</u>	<u>\$ 408,384</u>

*2005 data not available

Source: City of Molalla, Oregon financial records

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

Revenues	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxes and assessments	\$ 2,362,962	\$ 2,488,051	\$ 3,530,865	\$ 3,522,375	\$ 3,740,995
Intergovernmental	160,148	1,607,179	848,504	787,207	790,313
Charges for services	286,883	294,717	-	-	-
Licenses and permits	639,047	379,723	251,514	188,062	180,759
Investment earnings	-	-	14,141	39,687	49,499
Fines and forfeitures	544,638	538,906	630,463	534,178	520,254
Grants	-	-	279,205	251,363	8,744
Donations	-	-	79,715	113,641	2,910
System development charges	-	-	97,423	57,793	181,063
Miscellaneous	598,700	341,318	448,960	411,335	467,477
	<u>6,033,648</u>	<u>5,649,894</u>	<u>6,180,790</u>	<u>5,905,641</u>	<u>5,942,014</u>
Expenditures					
General government	-	-	-	-	673,653
Public safety	-	-	-	-	2,154,506
Public works	-	-	-	-	735,836
Community development	-	-	-	-	1,235,527
Personal services	3,224,862	3,388,951	3,268,666	2,721,461	-
Materials and services	1,869,908	1,895,810	1,974,614	1,693,294	-
Capital outlay	644,304	345,875	561,750	331,138	-
Debt service	160,318	72,294	71,140	69,342	73,243
	<u>5,899,392</u>	<u>5,702,930</u>	<u>5,876,170</u>	<u>4,815,235</u>	<u>4,872,765</u>
Excess of revenue over (under) expenditures	134,256	(53,036)	304,620	1,090,406	1,069,249
Other financing sources (uses)					
Transfers in	770,640	950,983	407,892	166,089	140,000
Transfers out	(443,798)	(828,654)	(377,892)	(166,089)	(140,000)
Interfund loan activity	-	-	-	-	-
	<u>326,842</u>	<u>122,329</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 461,098</u>	<u>\$ 69,293</u>	<u>\$ 334,620</u>	<u>\$ 1,090,406</u>	<u>\$ 1,069,249</u>

Source: City of Molalla, Oregon financial records

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REVENUE CAPACITY

CITY OF MOLALLA, OREGON
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year ended June 30,	Real Property		Personal Property		Manufactured Homes	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2014	\$ 452,831,720	\$ 501,123,351	\$ 8,568,487	\$ 8,568,487	\$ 1,981,140	\$ 2,214,570
2013	435,791,663	480,080,790	8,794,263	8,794,263	1,991,625	2,228,910
2012	431,352,502	526,936,456	8,684,307	8,684,307	2,098,776	2,333,050
2011	414,281,852	548,883,965	10,882,805	10,882,805	2,105,928	2,356,260
2010	397,248,713	608,928,001	10,838,473	10,838,473	2,668,433	2,984,050
2009	379,596,186	680,923,599	9,996,625	9,996,625	2,757,112	3,063,250
2008	352,566,497	640,220,557	11,308,915	11,308,915	2,779,865	2,996,770
2007	321,753,000	N/A*	10,937,000	N/A*	2,654,000	N/A*
2006	294,761,000	N/A*	11,110,000	N/A*	2,834,000	N/A*
2005	264,655,000	N/A*	13,183,000	N/A*	2,999,000	N/A*

*Data not available

Source: Oregon Department of Revenue

CITY OF MOLALLA, OREGON
ASSESSED VALUE AND ESTIMATED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Public Utilities			Total		Assessed Value(a) as a Percentage of Estimated Actual Value
Assessed Value	Estimated Actual Value	Direct Rate	Assessed Value	Estimated Actual Value	
\$ 27,503,550	\$ 27,526,821	0.5448%	490,884,897	\$ 539,433,229	91.00%
22,468,100	22,498,323	0.5454%	469,045,651	513,602,286	91.32%
23,061,300	23,074,816	0.5453%	465,196,885	561,028,629	82.92%
24,215,300	24,244,986	0.5423%	451,485,885	586,368,016	77.00%
24,319,500	24,322,769	0.5378%	435,075,119	647,073,293	67.24%
17,472,000	17,475,902	0.5483%	409,821,923	711,459,376	57.60%
17,518,100	17,711,624	0.5428%	384,173,377	672,237,866	57.15%
18,014,000	N/A*	0.0000%	353,358,000	N/A*	N/A*
16,014,000	N/A*	0.0000%	324,719,000	N/A*	N/A*
15,907,000	N/A*	0.0000%	296,744,000	N/A*	N/A*

Source: Oregon Department of Revenue

**CITY OF MOLALLA, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Fiscal Year and Nine Years Ago**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Molalla Telephone Co	\$ 19,768,600	1	4.03%	\$ 10,440,600	2	3.5%
Molalla Market Center Associates LLC	13,625,122	2	2.78%	10,487,865	1	3.5%
Brentwood Acquisition corp	6,065,019	3	1.24%	5,274,379	3	1.8%
Stoneplace Apartments LLC	19,892,468	4	4.05%	-	-	0.0%
ARHC PPMOLOR01 LLC	4,404,723	5	0.90%	3,375,851	4	1.1%
Hi-Valley Development Corp	3,887,250	6	0.79%	2,979,253	5	1.0%
MSRE LLC	3,741,587	7	0.76%	-	-	0.0%
Portland Gen Elec Co	3,596,000	8	0.73%	2,597,000	7	0.9%
McLeod Loren L	3,555,758	9	0.72%	2,725,179	6	0.9%
Olivia Steven J & Janice D	2,975,408	10	0.61%	-	-	0.0%
Totals	\$ 81,511,935		16.61%	\$ 37,880,127		12.8%

Source: Clackamas County Assessor's Department based on year of assessment, therefore, assessment for 2013-14 was assessed November 2013.

DEBT CAPACITY

**CITY OF MOLALLA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**
Last Ten Fiscal years (Dollars per \$1,000)

**Fiscal Year	City of Molalla		Overlapping Government Rates				Total Direct & Overlapping Rates
	Operating Millage	Total District Millage	County Millage	Cities Millage	School Millage	Special District Millage	
2010	5.38	5.38	2.65	0.00	6.90	1.51	16.44
2011	5.42	5.42	2.65	0.00	6.37	1.50	15.94
2012	5.45	5.45	2.65	0.00	5.96	1.48	15.54
2013	5.45	5.45	2.65	0.00	6.05	1.49	15.64
2014	5.45	5.45	2.65	0.00	5.78	1.38	15.26

Note: Ballot Measure 50, approved by the voters in May 1997, recalculated taxing districts' levies into "permanent" tax rates and imposed reduction in assessed value. Districts may levy local option levies or bond repayment levies in addition to their permanent rates if approved by the voters.

**Information before fiscal year ending in 2010 was not available.

Note: Clackamas County only.

Source: Oregon Department of Revenue

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF MOLALLA, OREGON
CLACKAMAS COUNTY DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2013	388,263	\$ 19,200,727	\$ 49,453	57,841	6.9%
2012	383,628	18,813,208	49,040	57,744	8.0%
2011	379,780	17,512,678	46,113	57,934	8.7%
2010	376,905	16,500,499	44,150	58,133	10.1%
2009	374,085	16,500,499	43,779	58,466	10.2%
2008	371,103	17,214,084	46,386	58,736	5.7%
2007	366,808	16,602,949	45,263	58,279	4.6%
2006	363,508	15,826,302	43,538	57,804	4.8%
2005	359,308	14,559,854	40,522	57,638	5.5%
2004	355,758	13,860,984	38,962	N/A*	6.7%

Sources : Bureau of Economic Analysis
Oregon Department of Education
Oregon Employment Department

N/A* - data not available

CITY OF MOLALLA, OREGON
CLACKAMAS COUNTY PRINCIPAL EMPLOYERS BY INDUSTRY
Current Calendar Year and Nine Years Ago

Industry	2013			2004		
	Employees	Rank	Percentage as Total County Employment	Employees	Rank	Percentage as Total County Employment
Trade, transportation and utilities	31905	1	22.3%	31,804	1	23.3%
Educational and health services	19385	2	13.5%	15,304	3	11.2%
Manufacturing	17669	3	12.3%	17,883	2	13.1%
Professional and business services	15957	4	11.2%	14,592	4	10.7%
Leisure and hospitality	13783	5	9.6%	12,383	6	9.1%
Local governments	12451	6	8.7%	13,075	5	9.6%
Construction	8813	7	6.2%	9,450	7	6.9%
Financial activities	7264	8	5.1%	7,404	8	5.4%
Natural resource and mining	4527	9	3.2%	4,904	9	3.6%
State government	2322	10	1.6%	1,505	11	1.1%
Information	1964	11	1.4%	1,596	10	1.2%
Federal government	1062	12	0.7%	1,284	12	0.9%
Total	137,102		93.7%	131,184		93.8%
Other	5,990			5,590		
Total employment	143,092			136,774		

Source: Oregon Employment Department QualityInfo.org

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REPORTS REQUIRED BY THE STATE OF OREGON

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

City Council
City of Molalla
Molalla, Clackamas County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Molalla as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Molalla's basic financial statements and have issued our report thereon dated March 18, 2015.

Compliance

As part of obtaining reasonable assurance about whether City of Molalla's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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:

- Deposit of public funds with financial institutions (ORS Chapter 295)
- Indebtedness limitations, restrictions, and repayment
- Budgets legally required (ORS Chapter 294)
- Insurance and fidelity bonds in force or required by law
- Programs funded from outside sources
- Authorized investment of surplus funds (ORS Chapter 294)
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)
- Highway Funds
- Accountability for Independently Elected Officials

In connection with our testing nothing came to our attention, except for the budget violations described in the comments and disclosures on page 95, that caused us to believe City of Molalla was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-230 Internal Control

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

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 city's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Oregon Minimum Standards in considering the district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

March 18, 2015
Burns, Oregon

CITY OF MOLALLA, OREGON
COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
For the Year Ended
June 30, 2014

Oregon Administration Rules 162-10-200 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the secretary of state in cooperation with the Oregon State Board of Accountancy, require certain comments and disclosures relating to the review of fiscal affairs and compliance with legal requirements. Comments relating to significant accounting policies, organization and fund structure, cash, and investments are included in the notes to financial statements. Other required comments and disclosures relating to this audit are set forth below.

Accounting Systems and Control Structure

The organizational structure of the city provides adequate accounting policies for maintaining an effective system of accountability and responsibility of funds. The accounting records are being maintained in a satisfactory manner and an adequate system of reporting revenues and expenditures to interested parties is in effect.

Where possible, the city has maintained a plan of organization encompassing methods and measures on internal control to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and carry out council policies. We believe a satisfactory control structure is maintained within the limits afforded by a small office staff.

As we have stated in the following report on compliance and on internal control over financial reporting in accordance with *Government Auditing Standards*, we do not express an opinion on the city's effectiveness in those areas. However, we did note certain matters that we reported to management in a separate letter dated March 18, 2015.

Indebtedness

It is noted that no new bonded indebtedness was incurred during the year and that amounts outstanding appear to be within the legal debt limitations as set forth in the statutes.

Budgets

Our review of the 2013-2014 and 2014-2015 budgets indicates the city did not substantially comply with the local budget law in the execution of the 2013-2014 budget however; they did substantially comply with the preparation and adoption of the 2014-2015 budgets. We noted a couple of procedural violations and the following over expenditures:

General Fund	
Planning materials and services	\$635
Planning debt service	\$5,231
Street Fund	
Materials and services	\$3,181
Parks & Recreation Fund	
Materials and services	\$3,802
Molalla Arts Commission Fund	
Materials and services	\$105

CITY OF MOLALLA, OREGON
COMMENTS AND DISCLOSURES REQUIRED BY THE STATE OF OREGON
For the Year Ended
June 30, 2014

Insurance and Fidelity Bond Coverage

We examined policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force and that they appeared to satisfy bond ordinances and other provisions. The city of Molalla has complied with the provisions of the statutes with respect to bonding of council members and employees. We are not competent by training to state whether the insurance policies in force at June 30, 2014, provide adequate coverage. We understand coverage is reviewed periodically with the city's agent of record and such reviews have been made recently.

Programs Funded From Outside Sources

We have audited the records and grant financial reports and made such tests, to the extent deemed appropriate for the programs in which the City of Molalla participates. Based on our audit, we found that for the items tested, the City of Molalla was in compliance with the material terms and conditions of the federal and state grant contracts and agreements. Further, based on our audit, nothing came to our attention to indicate that the city of Molalla had not complied with the material terms and conditions of federal and state grant contracts and agreements, which were not specifically tested. Each grant is subject to audit by the grantor agency and any adjustments may become a liability of the appropriate fund.

Public Contracts and Purchasing

Our review of city operations indicates the city is in compliance with the statutes relating to public contracting.

Investments

Our review of the city's investments indicates the city is in compliance with the statutes regarding the investments of surplus public funds.

Collateral

The city's bank balances of deposit at June 30, 2014, were not entirely insured or collateralized with the Federal Deposit Insurance Corporation. However, the city deposit accounts were only maintained at financial institutions on the list of qualified depositories compiled by the Oregon state treasurer.

Highway Funds

We have reviewed the city's compliance with Article IX, section 3a of the Oregon Constitution, and compliance with the statutes regarding the use of revenue from taxes on motor vehicle use fuel and road funds. Our review disclosed no conditions that we considered to be matters of noncompliance.

Accountability for Independently Elected Officials

The City of Molalla, Oregon does not have elected officials collecting or receiving money.

CITY OF MOLALLA, OREGON
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
For the Year Ended
June 30, 2014

2013-14 Assessed valuation of taxable property \$490,884,897

Tax rate (Dollars per \$1,000 assessed value) \$5.4539

Aggregate Tax Rate (Dollars per \$1,000 assessed value)

Education	\$5.4064
Local Government	9.5710
Bonds	0.2807
Total	\$15.2581

Ratio of annual debt service requirements for bonded debt to total General Fund expenditures and transfers:

	Principal	Interest	Total Bonded Debt Service	General Fund Expenditures and Transfers	Ratio of Debt Service to General Fund Expenditures and Transfers
2013-14	\$ 550,000	\$ 158,550	\$ 708,550	\$ 3,009,657	23.54%

Ratio of net bonded debt to assessed value:

	Assessed Valuation	Net Bonded Debt (1)	Ratio of Net Bonded Debt to Assessed Value
2013-14	\$490,884,897	\$ 3,166,733	0.65%

(1) Computed as gross bonded debt less amount available for retirement of debt in Debt Service Fund

Principal taxpayers for City of Molalla

	Assessed Valuation	Percent of Total County Value
<u>Private Enterprises</u>		
Molalla Market Center Associates LLC	\$ 13,625,122	2.78%
Brentwood Acquisition Corporation	6,065,019	1.24%
Stoneplace Apartments LLC	4,979,197	1.01%
ARHC PPMOLOR01 LLC	4,404,723	0.90%
Hi-Valley Development Corporation	3,887,250	0.79%
MSRE LLC	3,741,587	0.76%
Loren L Mcleod	3,555,758	0.72%
Steven J & Janis D Olivia	2,975,408	0.61%
<u>Public Utilities</u>		
Molalla Telephone Co	19,768,600	4.03%
Portland General Electric	3,596,000	0.73%
<u>All other taxpayers</u>		
Total	\$ 490,884,897	100.00%

CITY OF MOLALLA, OREGON
CONTINUING DISCLOSURE REQUIREMENTS FOR BONDED DEBT
 For the Year Ended
 June 30, 2014

Summary of General Fund State Revenue:

	State Sources	State Sources as % of Total Revenues	Total Revenues
2013-14	\$ 16,619	0.16%	\$ 10,526,532

Computation of Legal Debt Margin:

Real market value	\$ 539,433,229		
Allowable proportion	0.0300		
Debt limit: 3% of real market value (1)	16,182,997		
Amount of debt applicable to debt limit:			
Bonded debt	\$4,265,000		
Less: amount available in debt service funds	(1,098,267)		
Amount of debt applicable to debt limit	3,166,733		
Legal debt margin	\$ 13,016,264		

(1) ORS 287.004(2) states: "...no city shall issue or have outstanding at any one time bonds in excess of three percent of the real market value of all taxable property within its boundaries, computed in accordance with ORS 308.207, after deducting from outstanding bonds such cash funds and sinking funds as are applicable to the payment of principal thereof."

Allowable percentage of real market value:

	3.00%
Allowable percentage	3.00%

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REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Molalla
Molalla, Clackamas County, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information City of Molalla as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Molalla's basic financial statements and have issued our report thereon dated March 18, 2015.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Molalla's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the district's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Oster Professional Group, CPA's, LLP

By 

March 18, 2015
Burns, Oregon

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